

# HAW PAR CORPORATION LIMITED

(Company Registration Number: 196900437M)

(Incorporated in the Republic of Singapore)

## Unaudited First Quarter Financial Results for the Period Ended 31 March 2019

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Period Ended 31 March		
	2019	2018	+ / (-)
	S\$'000	S\$'000	%
<b>Revenue</b>	<b>73,383</b>	60,017	22.3
Cost of sales	(29,786)	(21,838)	36.4
<b>Gross profit</b>	<b>43,597</b>	38,179	14.2
Other income	2,498	2,634	(5.2)
Distribution and marketing expenses	(16,230)	(13,054)	24.3
General and administrative expenses	(4,034)	(3,988)	1.2
Finance expenses	(54)	(91)	(40.7)
Share of profit of associated company	464	288	61.1
<b>Profit before taxation</b>	<b>26,241</b>	23,968	9.5
Taxation	(4,170)	(4,628)	(9.9)
<b>Profit for the financial period, net of tax</b>	<b>22,071</b>	19,340	14.1

A consolidated statement of comprehensive income for the quarter ended 31 March 2019:

	Group		
	Period Ended 31 March		
	2019	2018	+ / (-)
	S\$'000	S\$'000	%
<b>Profit for the financial period, net of tax</b>	<b>22,071</b>	19,340	14.1
<b>Other comprehensive income, after tax,</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences on consolidation of foreign entities (net)	356	352	1.1
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value changes on investments	109,488	127,415	(14.1)
<b>Other comprehensive income for the financial period, net of tax</b>	<b>109,844</b>	127,767	(14.0)
<b>Total comprehensive income for the financial period</b>	<b>131,915</b>	147,107	(10.3)

## 1(a) Notes to the Income Statement

	Group		
	Period Ended 31 March		
	2019 S\$'000	2018 S\$'000	+ / (-) %
(i) <b>Other income</b>			
Interest income	2,423	1,361	78.0
Miscellaneous income	75	1,273	(94.1)
	<b>2,498</b>	<b>2,634</b>	<b>(5.2)</b>
(ii) <b>The following were charged/(credited) to the income statement :</b>			
Interest on borrowings	46	91	(49.5)
Depreciation of property, plant and equipment and investment properties	1,640	1,555	5.5
Inventories written down	26	10	160.0
Foreign exchange loss, net	915	1,257	(27.2)
Prior years' overprovision of current taxation	-	(4)	N/M
Loss on disposal and write-off of property, plant and equipment	3	1	200.0

N/M - not meaningful

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>31/3/2019</b>	<b>31/12/2018</b>	<b>31/3/2019</b>	<b>31/12/2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>ASSETS</b>				
Cash and bank balances	529,645	519,627	455,565	446,164
Trade and other receivables	54,505	40,881	59,479	63,402
Inventories	23,858	24,479	-	-
Deferred income tax assets	2,300	2,082	-	-
Associate	6,204	5,740	2,895	2,895
Subsidiaries	-	-	555,834	555,834
Investment properties	56,187	56,569	-	-
Property, plant and equipment	27,273	26,983	-	-
Intangible assets	11,116	11,116	-	-
Strategic investments	2,452,219	2,342,975	-	-
<b>Total assets</b>	<b>3,163,307</b>	<b>3,030,452</b>	<b>1,073,773</b>	<b>1,068,295</b>
<b>LIABILITIES</b>				
Trade and other payables	63,725	65,788	49,568	46,530
Borrowings	23,062	23,251	23,062	23,251
Current income tax liabilities	14,615	12,655	1,094	973
Deferred income tax liabilities	726	725	-	-
<b>Total liabilities</b>	<b>102,128</b>	<b>102,419</b>	<b>73,724</b>	<b>70,754</b>
<b>NET ASSETS</b>	<b>3,061,179</b>	<b>2,928,033</b>	<b>1,000,049</b>	<b>997,541</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital	265,404	264,173	265,404	264,173
Retained profits	1,197,301	1,175,230	734,607	733,330
Other reserves	1,598,474	1,488,630	38	38
<b>Total equity</b>	<b>3,061,179</b>	<b>2,928,033</b>	<b>1,000,049</b>	<b>997,541</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 31/3/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
23,062	-	23,251	-

**Amount repayable after one year**

As at 31/3/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

**Details of any collateral**

The Group has provided certain investment properties to secure its borrowings.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<b>Group</b>	
	<b>Period Ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	26,241	23,968
Adjustments for:		
Interest income	(2,423)	(1,361)
Depreciation of property, plant and equipment and investment properties	1,640	1,555
Share of profits of associated company	(464)	(288)
Finance expenses	54	91
Inventories written down	26	10
Loss on disposal and write-off of property, plant and equipment	3	1
Unrealised currency translation losses	647	957
<b>Operating profit before working capital changes</b>	<b>25,724</b>	<b>24,933</b>
Decrease/(increase) in inventories	595	(70)
Increase in trade and other receivables	(15,139)	(10,285)
Decrease in trade and other payables	(2,971)	(3,135)
<b>Cash generated from operations</b>	<b>8,209</b>	<b>11,443</b>
Net taxation paid	(1,931)	(514)
<b>Net cash from operating activities</b>	<b>6,278</b>	<b>10,929</b>
<b>Cash flows from investing activities</b>		
Interest income received	3,432	927
Purchase of property, plant and equipment	(174)	(887)
Improvements to investment properties	(45)	(5)
Proceeds from disposal of investments	-	66,821
<b>Net cash from investing activities</b>	<b>3,213</b>	<b>66,856</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital for share options exercised	1,231	2,002
Interest expense paid on borrowings and lease liabilities	(69)	(121)
Principal element of lease payments	(33)	-
Repayment of borrowings	-	(23,110)
Bank deposits released from pledge	-	222
<b>Net cash from/(used in) financing activities</b>	<b>1,129</b>	<b>(21,007)</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,620</b>	<b>56,778</b>
Cash and cash equivalents at beginning of the financial period	519,427	400,562
Effects of currency translation on cash and cash equivalents	(605)	(1,076)
<b>Cash and cash equivalents at end of the financial period</b>	<b>529,442</b>	<b>456,264</b>
<b>Cash and cash equivalents comprised the following:</b>		
Cash and bank balances	529,645	456,467
Less: Bank deposits pledged for banking facilities	(203)	(203)
	<b>529,442</b>	<b>456,264</b>

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Fair Value Reserve	Other Reserves	Foreign Currency Translation Reserve	Retained Profits	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>						
<b>2019</b>						
<b>Balance at 1 January 2019</b>	264,173	1,486,478	2,427	(275)	1,175,230	2,928,033
Issue of share capital	1,231	-	-	-	-	1,231
Total comprehensive income for the financial period	-	109,488	-	356	22,071	131,915
<b>Balance at 31 March 2019</b>	<b>265,404</b>	<b>1,595,966</b>	<b>2,427</b>	<b>81</b>	<b>1,197,301</b>	<b>3,061,179</b>
<b>2018</b>						
<b>Balance at 1 January 2018</b>	257,943	1,789,809	23,728	94	1,006,719	3,078,293
Issue of share capital	2,002	-	-	-	-	2,002
Transfer from share option reserve and capital reserve to retained profits <sup>1</sup>	-	-	(21,508)	-	21,508	-
Transfer of cumulative gain on disposal of investments to retained profits	-	(23,422)	-	-	23,422	-
Total comprehensive income for the financial period	-	127,415	-	352	19,340	147,107
<b>Balance at 31 March 2018</b>	<b>259,945</b>	<b>1,893,802</b>	<b>2,220</b>	<b>446</b>	<b>1,070,989</b>	<b>3,227,402</b>

<sup>1</sup> The share option reserve was reclassified to retained profits upon cessation of the share option scheme of the Company. Capital reserve was reclassified to retained profits due to the change in certain subsidiaries' Constitution.

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Fair Value Reserve	Other Reserves	Retained Profits	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Company</b>					
<b>2019</b>					
Balance at 1 January 2019	264,173	-	38	733,330	997,541
Issue of share capital	1,231	-	-	-	1,231
Total comprehensive income for the financial period	-	-	-	1,277	1,277
<b>Balance at 31 March 2019</b>	<b>265,404</b>	<b>-</b>	<b>38</b>	<b>734,607</b>	<b>1,000,049</b>
<b>2018</b>					
Balance at 1 January 2018	257,943	33	4,769	714,155	976,900
Issue of share capital	2,002	-	-	-	2,002
Transfer from share option reserve to retained profits <sup>2</sup>	-	-	(4,731)	4,731	-
Total comprehensive expense for the financial period	-	-	-	(321)	(321)
<b>Balance at 31 March 2018</b>	<b>259,945</b>	<b>33</b>	<b>38</b>	<b>718,565</b>	<b>978,581</b>

<sup>2</sup> The share option reserve was reclassified to retained profits upon cessation of the share option scheme of the Company.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Since 31 December 2018, 139,000 shares were issued pursuant to the exercise of share options.

As at 31 March 2019, unissued shares under the share option scheme of the Company were as follows:

	<u>31/3/2019</u>	<u>31/03/2018</u>
The Haw Par Corporation Group 2002 Share Option Scheme	<u>388,000</u>	<u>1,003,000</u>

The Company did not hold any treasury shares and there were no subsidiary holdings as at 31 March 2019 and 31 March 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>31/3/2019</u>	<u>31/12/2018</u>
Total number of issued shares	<u>220,980,173</u>	<u>220,841,173</u>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures as shown in the announcement have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

These financial results have been prepared based on accounting policies and methods of computation consistent with those adopted in the most recently audited annual financial statements for the year ended 31 December 2018, except as stated in Note 5.



**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

On 1 January 2019, the Group adopted new or amended SFRS(I)s and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year, including SFRS(I) 16 *Leases*. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I).

Upon the adoption of SFRS(I) 16 *Leases*, the Group applied certain transition reliefs under a simplified approach and did not restate comparative amounts.

Practical expedients were applied to recognise right-of-use ("ROU") assets that is equivalent to its lease liabilities of approximately S\$978,000 on the balance sheet on 1 January 2019. Recognition exemptions for short-term leases and leases of low-value items are used as permitted by the standard.

Under SFRS(I) 16, the recognition of operating lease expenses on a straight-line basis is replaced with the combination of depreciation expenses for ROU assets and interest expense on lease liabilities.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Group</b>	
	<b>Period Ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
Earnings per ordinary share:		
(a) Based on the weighted average number of ordinary shares on issue	<b>10.0 cts</b>	8.8 cts
(b) On a fully diluted basis	<b>10.0 cts</b>	8.8 cts

**7. Net asset value (for the issuer and group) per ordinary share based on the issued share capital of the issuer at the end of the:-**

**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>31/3/2019</b>	<b>31/12/2018</b>	<b>31/3/2019</b>	<b>31/12/2018</b>
Net asset value per ordinary share (S\$)	<b>13.85</b>	13.26	<b>4.53</b>	4.52

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

**Income statement and statement of comprehensive income (1Q 2019 vs 1Q 2018)**

Group revenue increased 22.3% to \$73.4m due mainly to higher demand for Healthcare products. Cost of sales increased 36.4% to \$29.8m due mainly to higher cost of raw materials. Consequently, gross margin decreased from 64% to 59%.

Distribution and marketing expenses increased 24.3% to \$16.2m due mainly to increased advertising and promotion activities to drive sales at Healthcare.

Finance expenses decreased 40.7% due to partial repayment of borrowings in March 2018.

**Statements of financial position (31 March 2019 vs 31 December 2018)**

Trade and other receivables increased 33.3% to \$54.5m in line with higher sales.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was made previously in respect of 1Q 2019 results.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Global uncertainties could affect our operating businesses and valuation of our strategic investments.

Healthcare's operating margin may decline further if price of raw materials continues to increase.

11. **If a decision regarding dividend has been made: -**

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and -**

- (b) **(i) Amount per share :**

**(ii) Previous corresponding period:**

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated.)**

Not applicable.

- (d) **The date the dividend is payable**

Not applicable.

- (e) **The date on which Registrable Transfers received by the company (up to 5:00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

12. **If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

No dividend has been declared for the quarter ended 31 March 2019 as it is not the practice for the Board to declare quarterly dividend based on first quarter results.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have any general mandate from shareholders pursuant to Rule 920.

14. **Negative confirmation pursuant to Rule 705 (5) of the Listing Manual**

#### **CONFIRMATION BY THE BOARD**

The Board of Directors hereby confirm that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results of the Group for the three months ended 31 March 2019 to be false or misleading.

15. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

#### **BY ORDER OF THE BOARD**

Lee Kay Swee  
Company Secretary  
8 May 2019