



HAW PAR CORPORATION LIMITED

(Company Registration Number: 196900437M)
(Incorporated in the Republic of Singapore)

Unaudited Third Quarter Financial Results for the Period Ended 30 September 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			Group		
	3rd Quarter Ended 30 September 2019	2018	+ / (-)	9 Months Ended 30 September 2019	2018	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	56,974	60,997	(6.6)	200,435	185,139	8.3
Cost of sales	(24,488)	(23,989)	2.1	(83,495)	(70,752)	18.0
Gross profit	32,486	37,008	(12.2)	116,940	114,387	2.2
Other income	43,479	39,712	9.5	113,381	104,487	8.5
Distribution and marketing expenses	(12,025)	(12,904)	(6.8)	(40,363)	(40,121)	0.6
General and administrative expenses	(3,501)	(3,210)	9.1	(9,534)	(9,247)	3.1
Finance expenses	(58)	(47)	23.4	(167)	(185)	(9.7)
Share of profit of associated company	439	342	28.4	1,320	1,036	27.4
Profit before taxation	60,820	60,901	(0.1)	181,577	170,357	6.6
Taxation	(4,017)	(3,684)	9.0	(12,250)	(11,741)	4.3
Profit for the financial period, net of tax	56,803	57,217	(0.7)	169,327	158,616	6.8

A consolidated statement of comprehensive income for the 3rd quarter and 9 months ended 30 September 2019:

	Group			Group		
	3rd Quarter Ended 30 September 2019	2018	+ / (-)	9 Months Ended 30 September 2019	2018	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the financial period, net of tax	56,803	57,217	(0.7)	169,327	158,616	6.8
Other comprehensive income, after tax,						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Currency translation differences on consolidation of foreign entities (net)	128	(808)	N/M	232	(448)	N/M
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Fair value changes on investments	(39,023)	(34,852)	12.0	184,735	(32,034)	N/M
Other comprehensive income/(expense) for the financial period, net of tax	(38,895)	(35,660)	9.1	184,967	(32,482)	N/M
Total comprehensive income for the financial period	17,908	21,557	(16.9)	354,294	126,134	180.9

N/M - not meaningful

1(a) Notes to the Income Statement

	Group			Group		
	3rd Quarter Ended 30 September 2019	2018	+ / (-)	9 Months Ended 30 September 2019	2018	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
(i) Other income						
Dividend income	41,168	37,425	10.0	106,171	97,642	8.7
Interest income	1,998	2,005	(0.3)	6,554	5,081	29.0
Miscellaneous income	313	282	11.0	656	1,764	(62.8)
	43,479	39,712	9.5	113,381	104,487	8.5
(ii) The following were charged/(credited) to the income statement :						
Interest on borrowings	49	47	4.3	143	185	(22.7)
Depreciation of property, plant and equipment and investment properties	1,589	1,581	0.5	4,838	4,708	2.8
Inventories written down	20	4	400.0	36	60	(40.0)
Foreign exchange gain, net	(1,049)	(224)	368.3	(814)	(848)	(4.0)
Prior years' under/(over) provision of current taxation	3	(37)	N/M	(359)	27	N/M
Loss on disposal and write-off of property, plant and equipment	3	5	(40.0)	12	6	100.0

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.

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Cash and bank balances	440,684	519,627	350,914	446,164
Trade and other receivables	41,161	40,881	57,260	63,402
Inventories	19,392	24,479	-	-
Deferred income tax assets	2,437	2,082	-	-
Associate	7,060	5,740	2,895	2,895
Subsidiaries	-	-	555,922	555,834
Investment properties	56,109	56,569	-	-
Property, plant and equipment	26,506	26,983	-	-
Intangible assets	11,116	11,116	-	-
Strategic investments	2,528,672	2,342,975	-	-
Total assets	3,133,137	3,030,452	966,991	1,068,295
LIABILITIES				
Trade and other payables	67,555	65,788	190,634	46,530
Borrowings	24,196	23,251	24,196	23,251
Current income tax liabilities	10,498	12,655	844	973
Deferred income tax liabilities	725	725	-	-
Total liabilities	102,974	102,419	215,674	70,754
NET ASSETS	3,030,163	2,928,033	751,317	997,541
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	266,228	264,173	266,228	264,173
Retained profits	1,090,338	1,175,230	485,051	733,330
Other reserves	1,673,597	1,488,630	38	38
Total equity	3,030,163	2,928,033	751,317	997,541

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

Amount repayable in one year or less, or on demand

As at 30/9/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
24,196	-	23,251	-

Amount repayable after one year

As at 30/9/2019		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.**

	Group		Group	
	3rd Quarter Ended 30 September	2018	9 Months Ended 30 September	2018
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before tax	60,820	60,901	181,577	170,357
Adjustments for:				
Dividend income	(41,168)	(37,425)	(106,171)	(97,642)
Interest income	(1,998)	(2,005)	(6,554)	(5,081)
Depreciation of property, plant and equipment and investment properties	1,589	1,581	4,838	4,708
Share of profit of associated company	(439)	(342)	(1,320)	(1,036)
Finance expenses	58	47	167	185
Inventories written down	20	4	36	60
Loss on disposal and write-off of property, plant and equipment	3	5	12	6
Unrealised currency translation gains	(774)	(111)	(540)	(1,068)
Operating profit before working capital changes	18,111	22,655	72,045	70,489
Decrease/(increase) in inventories	2,329	(3,490)	5,051	(2,133)
Decrease/(increase) in trade and other receivables	8,104	1,436	(1,058)	(15,360)
Increase in trade and other payables	1,841	4,416	853	6,086
Cash generated from operations	30,385	25,017	76,891	59,082
Net taxation paid	(5,830)	(6,348)	(14,314)	(13,262)
Net cash from operating activities	24,555	18,669	62,577	45,820
Cash flows from investing activities				
Dividend income received	41,168	37,425	106,171	50,033
Interest income received	1,635	1,449	6,831	4,075
Purchase of property, plant and equipment	(998)	(476)	(1,580)	(1,995)
Improvements to investment properties	(885)	(71)	(1,296)	(76)
Proceeds from disposal of property, plant and equipment	-	-	2	2
Proceeds from disposal of investments	-	-	-	66,821
Net cash from investing activities	40,920	38,327	110,128	118,860
Cash flows from financing activities				
Payment of dividends to shareholders of the Company	(33,161)	(33,124)	(254,219)	(55,180)
Proceeds from issue of share capital for share options exercised	86	277	2,055	6,141
Interest expense paid on borrowings and lease liabilities	(59)	(47)	(183)	(215)
Principal element of lease payments	(39)	-	(106)	-
Repayment of borrowings	-	-	-	(23,110)
Bank deposits released from pledge	-	-	-	222
Net cash used in financing activities	(33,173)	(32,894)	(252,453)	(72,142)
Net increase/(decrease) in cash and cash equivalents	32,302	24,102	(79,748)	92,538
Cash and cash equivalents at beginning of the financial period	407,347	469,738	519,427	400,562
Effects of currency translation on cash and cash equivalents	825	95	795	835
Cash and cash equivalents at end of the financial period	440,474	493,935	440,474	493,935
Cash and cash equivalents comprised the following:				
Cash and bank balances	440,684	494,137	440,684	494,137
Less: Bank deposits pledged for banking facilities	(210)	(202)	(210)	(202)
	440,474	493,935	440,474	493,935

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
The Group						
2019						
Balance at 1 January 2019	264,173	1,486,478	2,427	(275)	1,175,230	2,928,033
Issue of share capital	2,055	-	-	-	-	2,055
Dividends paid	-	-	-	-	(254,219)	(254,219)
Total comprehensive income for the financial period	-	184,735	-	232	169,327	354,294
Balance at 30 September 2019	266,228	1,671,213	2,427	(43)	1,090,338	3,030,163
2018						
Balance at 1 January 2018	257,943	1,789,809	23,728	94	1,006,719	3,078,293
Issue of share capital	6,141	-	-	-	-	6,141
Transfer from share option reserve and capital reserve to retained profits ¹	-	-	(21,508)	-	21,508	-
Transfer of cumulative gain on disposal of investments to retained profits	-	(23,322)	-	-	23,322	-
Dividends paid	-	-	-	-	(55,180)	(55,180)
Total comprehensive (expense)/income for the financial period	-	(32,034)	-	(448)	158,616	126,134
Balance at 30 September 2018	264,084	1,734,453	2,220	(354)	1,154,985	3,155,388

¹ 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 \$'000	Fair Value Reserve \$'000	Other Reserves \$'000	Retained Profits \$'000	Total Equity \$'000
The Company					
2019					
Balance at 1 January 2019	264,173	-	38	733,330	997,541
Issue of share capital	2,055	-	-	-	2,055
Dividends paid	-	-	-	(254,219)	(254,219)
Total comprehensive income for the financial period	-	-	-	5,940	5,940
Balance at 30 September 2019	266,228	-	38	485,051	751,317
2018					
Balance at 1 January 2018	257,943	33	4,769	714,155	976,900
Issue of share capital	6,141	-	-	-	6,141
Transfer from share option reserve to retained profits ²	-	-	(4,731)	4,731	-
Dividends paid	-	-	-	(55,180)	(55,180)
Total comprehensive (expense)/income for the financial period	-	(33)	-	5,259	5,226
Balance at 30 September 2018	264,084	-	38	668,965	933,087

² 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 30 June 2019, 10,000 shares were issued pursuant to the exercise of share options.

As at 30 September 2019, unissued shares under the share option scheme of the Company were as follows:

	<u>30/9/2019</u>	<u>30/9/2018</u>
The Haw Par Corporation Group 2002 Share Option Scheme	<u>296,000</u>	<u>536,000</u>

The Company did not hold any treasury shares and there were no subsidiary holdings as at 30 September 2019 and 30 September 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>30/9/2019</u>	<u>31/12/2018</u>
Total number of issued shares	<u>221,072,173</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.

	Group		Group	
	3rd Quarter Ended 30 September		9 Months Ended 30 September	
	2019	2018	2019	2018
Earnings per ordinary share:				
(a) Based on the weighted average number of ordinary shares on issue	25.7 cts	25.9 cts	76.6 cts	71.9 cts
(b) On a fully diluted basis	25.7 cts	25.9 cts	76.6 cts	71.8 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.

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
Net asset value per ordinary share (S\$)	13.71	13.26	3.40	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 (3Q 2019 vs 3Q 2018)

3rd quarter ended 30 September 2019

Group revenue for the quarter decreased by 6.6% to \$57.0m due mainly to decline in Healthcare sales in certain markets. Cost of sales increased by 2.1% to \$24.5m due to higher input costs. Consequently, gross profit margin dropped from 60.7% to 57.0%.

Finance expenses increased by 23.4% to \$58k due to interest expense on lease liabilities following the adoption of SFRS(I) 16 Leases.

9 months ended 30 September 2019

Group revenue increased by 8.3% to \$200.4m mainly driven by stronger sales from Healthcare in the first half of 2019. However, rising production costs has impacted gross margin which reduced to 58.3% compared to 61.8% for the same period last year.

Statements of financial position (30 September 2019 vs 31 December 2018)

Cash and cash equivalents decreased by 15.2% to \$440.7m due mainly to special dividend paid to shareholders in May 2019, partially offset by cash generated from operations and cash dividends received from strategic investments.

Inventories decreased by 20.8% to \$19.4m mainly due to lower finished goods.

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 3Q 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.**

The Group's businesses may face stronger headwinds if the US-China trade conflict and a slowing global economy persist. In particular, the healthcare segment may also be affected if trade sentiments and domestic issues in certain regional markets worsen.

Valuation of the Group's strategic investments may experience volatility.

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 30 September 2019 as it is not the practice for the Board to declare quarterly dividend based on third 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 nine months ended 30 September 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
13 November 2019