

**UNAUDITED RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2019****PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

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

	Note	Group		
		First Quarter Ended		+ / (-) %
		31.3.2019 \$'000	31.3.2018 \$'000	
Revenue		2,645	2,603	1.6
Cost of sales		(966)	(924)	4.5
Changes in fair value of investment securities	1	584	(408)	n.m.
Gross profit		2,263	1,271	78.0
Other income	2	2,427	1,656	46.6
General and administrative costs		(1,763)	(1,763)	-
Finance costs	3	(591)	(283)	n.m.
Share of after tax results of associates and joint ventures	4	336	201	67.2
Profit before taxation		2,672	1,082	n.m.
Taxation	5	(587)	(386)	52.1
Net profit after taxation		2,085	696	n.m.
Attributable to:				
Owners of the Company		2,089	696	n.m.
Non-controlling interests		(4)	-	n.m.
Profit for the year attributable to owners of the Company		2,085	696	

n.m. denotes not meaningful.

Profit before taxation included the following:

	Group		
	First Quarter Ended		
	31.3.2019	31.3.2018	+ / (-)
	\$'000	\$'000	%
Investment income	28	215	(87.0)
Interest income (included in revenue)	181	153	18.3
Interest on borrowings	(591)	(283)	n.m.
Depreciation on property, plant and equipment and investment properties	(634)	(538)	17.8
Foreign exchange loss	(320)	(266)	20.3
Fair value changes in investment securities	584	(408)	n.m.
(Under)/over provision of taxation in prior years	-	-	-
Other income:			
- Gain on disposal of investment property	2,362	1,572	50.3

Notes to Group Profit and Loss Statement:

- Changes in fair value of investment securities of \$0.6 million in 1Q2019 was due to increases in fair values for fair value through profit and loss ("FVTPL") investment securities arising from favourable market conditions. The STI Index increased from 3,068.76 as at 31 December 2018 to 3,212.88 as at 31 March 2019 and KOSPI Index increased from 2,041.04 as at 31 December 2018 to 2,140.67 as at 31 March 2019.

- Other income comprised the following:

	1Q2019	1Q2018	+ / (-)
	\$'000	\$'000	%
Interest income	1	3	(67)
Gain on disposal of investment properties	2,362	1,572	50
Sundry	64	81	(21)
	<u>2,427</u>	<u>1,656</u>	

- Finance costs increased by \$0.3 million qoq mainly due to higher average loan balance as at 31 March 2019 compared to 31 March 2018.
- Share of after tax results of associates and joint ventures increased by \$0.1 million mainly due to higher share of profits of \$0.1 million quarter-on-quarter ("qoq") from one of its associated companies, Scotts Spazio Pte. Ltd.
- Effective tax rates for 1Q2018 and 1Q2017 were 22.0% and 35.7% respectively. The taxation charge for the Group in 1Q2019 was higher than that arrived at by applying the statutory tax rate of 17% to the profit before taxation mainly due to certain non-deductible expenses and losses incurred by foreign subsidiaries which are not available for offset against profits of local subsidiaries.

Statement of Comprehensive Income

	Note	Group		
		First Quarter Ended		+ / (-) %
		31.3.2019 \$'000	31.3.2018 \$'000	
Net profit after taxation		2,085	696	n.m.
Other comprehensive income/(loss):				
<i>Items that will not be reclassified to profit or loss</i>				
Net gain/(loss) on investment securities	1	962	(1,323)	n.m.
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange difference arising from				
- consolidation	2	454	225	n.m.
- revaluation of net investment in foreign operations	2	532	300	77.3
Revaluation gain realised by an associate to income statement		(187)	(110)	70.0
Other comprehensive income/(loss), net of tax		1,761	(908)	n.m.
Total comprehensive income/(loss) for the period		3,846	(212)	
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company		3,850	(212)	
Non-controlling interests		(4)	-	
		3,846	(212)	

Notes to Statement of Comprehensive Income

- 1) Net gain on FVOCI investment securities in 1Q2019 of \$1.0 million was mainly due to increase in fair values in certain investments held by the Group.
- 2) Exchange differences arising from consolidation and revaluation of net investment in foreign operations in 1Q2019 of \$0.5 million and \$0.5 million respectively were mainly due to favourable foreign exchange impact arising from the translation of Sterling Pound against Singapore Dollar for those UK net investments and assets. The strengthening of the Sterling Pound against the Singapore Dollar from 1.743628 as at 31 December 2018 to 1.768104 as at 31 March 2019 resulted in an overall net foreign exchange gain of approximately \$0.7 million for 1Q2019. This is made up of \$1.0 million in Other Comprehensive Income, which is partially offset by a translation loss in the profit and loss account of \$0.3 million. The unrealised translation loss of \$0.3 million arose mainly due to the translation of receivables denominated in Singapore Dollars of a UK subsidiary arising from the strengthening of the Sterling Pound against the Singapore Dollar.

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.

	Note	Group		Company	
		31.3.2019 \$'000	31.12.2018 \$'000	31.3.2019 \$'000	31.12.2018 \$'000
Non-current assets					
Property, plant and equipment		4,368	4,443	-	-
Investment properties	1	155,680	156,089	-	-
Investment in subsidiaries		-	-	167,849	167,849
Investment in joint ventures		3,205	3,107	-	-
Investment in associates	2	22,600	23,699	746	746
Investment securities	3	27,796	26,799	-	-
Other receivables		14,211	13,936	-	-
		227,860	228,073	168,595	168,595
Current assets					
Tax recoverable		17	17	-	-
Trade receivables	4	2,280	1,861	-	-
Prepayments and deposits		176	180	47	48
Other receivables	5	2,865	4,067	-	-
Amounts due from subsidiaries		-	-	11,414	11,264
Amounts due from associates	6	7,129	6,383	-	-
Investment securities	7	18,895	18,426	-	-
Cash and bank balances	8	35,771	32,371	373	674
		67,133	63,305	11,834	11,986
Current liabilities					
Bank overdrafts (secured)		(181)	(100)	-	-
Trade payables		(566)	(317)	-	-
Other payables		(3,125)	(2,983)	(380)	(372)
Accrued operating expenses	9	(1,821)	(2,382)	(365)	(279)
Amounts due to associates		(1,982)	(1,983)	(363)	(366)
Bank loans (secured)	10	(64,258)	(65,120)	-	-
Tax payable	11	(2,003)	(1,698)	-	-
		(73,936)	(74,583)	(1,108)	(1,017)
Net current (liabilities)/assets		(6,803)	(11,278)	10,726	10,969
Non-current liabilities					
Bank loans (secured)	10	(17,484)	(17,217)	-	-
Deferred tax liabilities		(4,992)	(4,915)	-	-
Other payables		(5,615)	(5,543)	-	-
		(28,091)	(27,675)	-	-
Net assets		192,966	189,120	179,321	179,564

	Group		Company	
	31.3.2019	31.12.2018	31.3.2019	31.12.2018
	\$'000	\$'000	\$'000	\$'000
Equity attributable to Owners of the Company				
Share capital	172,154	172,154	172,154	172,154
Treasury shares	(260)	(260)	(260)	(260)
Capital reserve	704	891	-	-
Revenue reserve	44,462	42,373	7,427	7,670
Fair value reserve	(1,245)	(2,207)	-	-
Currency translation reserve	(22,849)	(23,835)	-	-
	192,966	189,116	179,321	179,564
Non-controlling interests	- *	4	-	-
Share capital and reserves	192,966	189,120	179,321	179,564

* Denotes amount less than \$1,000.

Notes to Statement of Financial Position:

1. Investment properties decreased by \$0.4 million mainly due to:
 - a. disposal of a residential property in Singapore;
 - b. depreciation of the investment property; offset by
 - c. additions during the period; and
 - d. translation gain arising from the UK properties as Sterling Pound had strengthened against Singapore Dollar.
2. Investment in associates decreased by \$1.1 million mainly due to receipt of \$1.5 million dividends received from an associates, partially offset by share of results of \$0.3 million during the period.
3. Non-current investment securities increased by \$1.0 million mainly due to fair value gains in this period.
4. Trade receivables increased by \$0.4 million mainly due to receivables from an equity investment transaction amounting to \$0.3 million.
5. Other current receivables decreased by \$1.2 million mainly due to receipt of \$0.7 million from a joint venture and \$0.3 million from a joint venture partner.
6. Amounts due from associates increased by \$0.7 million mainly due to increase in loans provided to one of the associates.
7. Current investment securities increased by \$0.5 million mainly due to fair value gains.
8. Increase in Group's cash at bank balances of \$3.4 million was mainly due to proceeds from disposal of a residential investment property in Singapore.
9. Accrued operating expenses decreased by \$0.6 million mainly due to payment of employee bonuses during the period.
10. Current bank loans decreased by \$0.9 million mainly due to repayment of \$1.6 million, partially offset by translation loss of \$0.7 million for the period. Non-current bank loans increased mainly due to translation loss for the period.
11. Tax payable increased by \$0.3 million mainly due to provision for tax on certain chargeable income partially offset by tax payment made during the period.

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

Amount repayable in one year or less, or on demand

	31.3.2019		31.12.2018	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Bank overdrafts	181	-	100	-
Short term bank loans	64,258	-	65,120	-
	64,439	-	65,220	-

Amount repayable after one year

	31.3.2019		31.12.2018	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Long term bank loans	17,484	-	17,217	-

The Group has sufficient resources to repay the bank overdrafts, short-term and long-term bank loans.

Details of any collateral

Short term bank loans comprised:

- An amount of \$25.2 million (2018: \$24.9 million) secured by a pledge of \$15 million (2018: \$15 million) on a subsidiary's fixed deposits and a corporate guarantee from the Company.
- An amount of \$24.6 million (2018: \$24.2 million) is secured by a legal charge over a subsidiary's investment property and assignment of tenancy agreement in respect of the property.
- An amount of \$3.5 million (2018: \$3.5 million) secured by a pledge of \$4 million (2018: \$4 million) on a subsidiary's fixed deposits.
- An amount of \$10.9 million (2018: \$12.5 million) secured by a legal charge over a subsidiary's investment property, assignment of tenancy agreement in respect of the property and a corporate guarantee from another subsidiary company of the Group.

Long term bank loan is secured by a pledge of \$0.3 million (2018: Nil) on a subsidiary's fixed deposits, a corporate guarantee from a subsidiary and a legal charge over a subsidiary's investment property.

Bank overdraft is secured by a legal charge over a subsidiary's property and assignment of tenancy agreement in respect of the property.

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	
	First Quarter Ended	
	31.3.2019	31.3.2018
	\$'000	\$'000
Cash flows from operating activities:		
Profit before taxation	2,672	1,082
Adjustments for:		
Interest income	(182)	(156)
Interest expense	591	283
Depreciation on property, plant and equipment and investment properties	634	538
Dividend income from investment securities	(28)	(215)
Fair value changes in investment securities	(584)	408
Share of results of associates and joint ventures	(336)	(201)
Gain on disposal of investment properties	(2,362)	(1,572)
Unrealised exchange differences	219	329
	(2,048)	(586)
Operating cash flows before changes in working capital	624	496
Decrease/(increase) in receivables and current investments	901	(729)
Decrease in payables	(199)	(216)
	702	(945)
Cash flows from/(used in) operations	1,326	(449)
Dividend income from investment securities	28	215
Interest received	138	86
Interest paid	(591)	(283)
Income taxes paid	(222)	(258)
	(647)	(240)
Net cash flows from/(used in) operating activities	679	(689)
Cash flows from investing activities:		
Increase in other investments	-	(3,079)
Increase in amounts due from associates	(712)	(6)
Proceeds from disposal of investment properties	3,805	2,468
Dividends received from associates	1,500	-
Additions to investment properties	(367)	(14,903)
Net cash flows from/(used in) investing activities	4,226	(15,520)
Cash flows from financing activities:		
Repayment of bank loans	(1,600)	-
Increased in pledged deposits	(4)	13,606
Net cash flows (used in)/from financing activities	(1,604)	13,606
Net increase/(decrease) in cash and cash equivalents	3,301	(2,603)
Cash and cash equivalents at beginning of the period	11,548	31,683
Effects of exchange rate changes on cash and cash equivalents	14	29
Cash and cash equivalents at end of the period	14,863	29,109

For purposes of presenting consolidated cash flow statements, the consolidated cash and cash equivalents comprise the following:

	Group	
	31.3.2019 \$'000	31.3.2018 \$'000
Cash and bank balances	35,771	48,219
Less: cash and bank balances pledged	(19,283)	(19,000)
bank overdraft	(181)	(110)
restricted cash	(1,444)	-
Cash and cash equivalents at end of the period	14,863	29,109

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.

	----- Attributable to Owners of the Company -----							Total equity \$'000
	Share capital \$'000	Treasury shares \$'000	Capital reserve ** \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Non-controlling interests \$'000	
Group								
Balance at 1.1.2019	172,154	(260)	891	42,373	(2,207)	(23,835)	4	189,120
Total comprehensive (loss)/gain for the period	-	-	(187)	2,089	962	986	(4)	3,846
Balance at 31.3.2019	172,154	(260)	704	44,462	(1,245)	(22,849)	-	192,966
Balance at 1.1.2018	172,154	(165)	1,001	45,202	823	(21,874)	-	197,141
Total comprehensive (loss)/gain for the period	-	-	(110)	696	(1,323)	525	-	(212)
Balance at 31.3.2018	172,154	(165)	891	45,898	(500)	(21,349)	0	196,929

** Capital reserve relates to unrealised revaluation gain pertaining to certain properties purchased from an associate.

	Share capital \$'000	Treasury shares \$'000	Revenue reserve \$'000	Total equity \$'000
Company				
Balance at 1.1.2019	172,154	(260)	7,670	179,564
Total comprehensive loss for the period	-	-	(243)	(243)
Balance at 31.3.2019	172,154	(260)	7,427	179,321
Balance at 1.1.2018	172,154	(165)	8,955	180,944
Total comprehensive loss for the period	-	-	(241)	(241)
Balance at 31.3.2018	172,154	(165)	8,714	180,703

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, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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.

	31/3/2019	31/12/2018
	\$'000	\$'000
Share capital	172,154	172,154
	<u>172,154</u>	<u>172,154</u>
	31/3/2019	31/12/2018
	'000	'000
Total number of issued shares	653,504	653,504
Total number of treasury shares	(843)	(843)
Total number of subsidiary holdings	-	-
Total number of issued shares excluding treasury shares and subsidiary holdings	<u>652,661</u>	<u>652,661</u>

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.

	31/3/2019	31/12/2018
	'000	'000
Total number of issued shares	653,504	653,504
Total number of treasury shares	(843)	(843)
Total number of issued shares excluding treasury shares	<u>652,661</u>	<u>652,661</u>

As at 31 March 2019 and 31 December 2018, there were no outstanding convertibles.

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

There was no share buy-back during the current quarter.

1(d)(v) A statement showing all sales, transfers, 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 have not been audited nor reviewed by the 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.

Except as disclosed below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2018.

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.

The Group and the Company have adopted the following new SFRS(I)s, amendments to and interpretations of SFRS(I) that are effective for the financial periods beginning on 1 January 2019:-

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT FRS 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

The adoption of the new and revised standards did not have any material financial impact on the financial statements of the Group and the Company for the quarter ended 31 March 2019.

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

	GROUP	
	First Quarter Ended	
	31.3.2019	31.3.2018
Earnings per ordinary share after deducting any provision for preference dividends:		
(i) Based on the weighted average number of ordinary shares in issue (cents)	0.32	0.11
(ii) On a fully diluted basis (cents)	0.32	0.11

7. Net asset value (for the issuer and group) per ordinary share based on 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	
	31.3.2019	31.12.2018	31.3.2019	31.12.2018
Net asset value per ordinary share (cents)	29.57	28.98	27.48	27.51

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.

Revenue (excluding all inter-segment transactions)

	1Q2019 \$'000	1Q2018 \$'000	+/(-) %
Rental	2,436	2,235	9.0
Investments	209	368	(43.2)
Corporate and Others	-	-	n.m.
	<u>2,645</u>	<u>2,603</u>	

Increase in revenue for rental segment by \$0.2 million qoq takes into account:-

- increase in rental income from 20 Garrett Street by \$0.3 million qoq arising from the acquisition of the property in December 2018;
- increase in rental income from 20 Midtown by \$0.2 million qoq arising from the increase in shareholding from a joint operation to 100% wholly-owned subsidiary;
- decrease in rental income from Herbal Hill by \$0.3 million qoq subsequent to the disposal of joint operation in 2Q2018.

Decrease in investments segment by \$0.2 million was mainly due to decrease in dividend income by \$0.2 million qoq.

Profit before tax (excluding all inter-segment transactions)

	1Q2019 \$'000	1Q2018 \$'000	+/(-) %
Rental	3,316	2,348	41.2
Investments	774	(208)	n.m.
Corporate and Others ("Corporate")	(534)	(540)	(1.1)
	<u>3,556</u>	<u>1,600</u>	
unallocated items	(884)	(518)	
	<u><u>2,672</u></u>	<u><u>1,082</u></u>	

Rental segment refers to rental of residential, commercial and industrial properties. Increase in profit before taxation for Rental segment by \$1.0 million qoq was mainly due to increase in gain from disposal of investment properties by \$0.8 million qoq.

Investment segment refers to investment holding and the increase in profit before taxation in 1Q2019 takes into account:-

- fair value gains in FVPL investment securities of \$0.6 million in 1Q2019 compared to a loss in fair value changes in FVPL of \$0.4 million in 1Q2018;
- increase in share of profits of associates and joint ventures of \$0.1 million qoq; and
- decrease in dividend income of \$0.2 million qoq.

Corporate segment refers to the provision of management, administrative and support services to related companies and investment holding.

Unallocated items refer to items such as finance costs and certain foreign exchange differences which are managed on a Group basis and are not allocated to the segments. The losses increased qoq by \$0.4 million mainly due to higher finance costs.

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

Not applicable.

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 trade uncertainties and the possibility of a disruptive Brexit are expected to affect demand for real estate investments in 2019.

In the UK, Brexit risks have continued to dampen demand in the residential market. Despite the weak sentiment in the UK residential market, our residential properties remain fully let. The commercial property market in the UK remains stable and our commercial properties continue to perform as expected.

In Singapore, residential property prices are likely to moderate owing to an increase in supply and weaker buying sentiment. One apartment at RiverGate was sold and a gain of \$2.4 million was recognised in Q1. All remaining residential and commercial properties are fully let.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. INTERESTED PERSON TRANSACTIONS

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	Nil	Nil

^ There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. CONFIRMATION BY THE BOARD

The Board of Directors of Hwa Hong Corporation Limited confirms that to the best of its knowledge, nothing has come to its attention which may render the interim financial results to be false or misleading in any material respect.

15. UNDERTAKINGS CONFIRMATION

The Company hereby confirms that the undertakings as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual has been procured from all its Directors and Executive Officers.

SUBMITTED BY

Lee Soo Wei
Chief Financial Officer
24 April 2019