

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 2018

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			9 Months Ended 30 September		
	2018	2017 ¹	+ / (-)	2018	2017 ¹	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		(Restated)			(Restated)	
Revenue	60,997	53,393	14.2	185,139	174,769	5.9
Cost of sales	(23,989)	(19,959)	20.2	(70,752)	(65,006)	8.8
Gross profit	37,008	33,434	10.7	114,387	109,763	4.2
Other income	39,712	26,857	47.9	104,487	63,252	65.2
Distribution and marketing expenses	(12,904)	(13,083)	(1.4)	(40,121)	(42,532)	(5.7)
General and administrative expenses	(3,210)	(4,252)	(24.5)	(9,247)	(12,224)	(24.4)
Finance expenses	(47)	(94)	(50.0)	(185)	(283)	(34.6)
Profit from operations	60,559	42,862	41.3	169,321	117,976	43.5
Share of profit of associated company	342	160	113.8	1,036	623	66.3
Profit before taxation	60,901	43,022	41.6	170,357	118,599	43.6
Taxation	(3,684)	(3,118)	18.2	(11,741)	(10,716)	9.6
Profit for the period, net of tax	57,217	39,904	43.4	158,616	107,883	47.0

A consolidated statement of comprehensive income for the 3rd quarter and 9 months ended 30 September 2018:

	Group			Group		
	3rd Quarter Ended 30 September			9 Months Ended 30 September		
	2018	2017 ¹	+ / (-)	2018	2017 ¹	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		(Restated)			(Restated)	
Profit for the period, net of tax	57,217	39,904	43.4	158,616	107,883	47.0
Other comprehensive (expense)/income, after tax, <i>Items that may be reclassified subsequently to profit or loss:</i>						
Currency translation differences on consolidation of foreign entities (net)	(808)	(224)	260.7	(448)	(201)	122.9
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Fair value changes on investments	(34,852)	84,653	N/M	(32,034)	394,077	N/M
Other comprehensive (expense)/income for the period, net of tax	(35,660)	84,429	N/M	(32,482)	393,876	N/M
Total comprehensive income for the period	21,557	124,333	(82.7)	126,134	501,759	(74.9)

Note:

¹ The results for third quarter and nine months ended 30 September 2017 are restated following adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") on 1 January 2018. Please refer to Note 5 for the details on financial impact from the adoption of SFRS(I)s.

N/M - not meaningful

1(a) Notes to the Income Statement

	Group			Group		
	3rd Quarter Ended 30 September			9 Months Ended 30 September		
	2018	2017	+ / (-)	2018	2017	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		(Restated)			(Restated)	
(i) Other income						
Dividend income	37,425	25,635	46.0	97,642	59,622	63.8
Interest income	2,005	924	117.0	5,081	2,634	92.9
Miscellaneous income	282	298	(5.4)	1,764	996	77.1
	39,712	26,857	47.9	104,487	63,252	65.2
(ii) The following were charged/(credited) to the income statement :						
Interest on borrowings	47	94	(50.0)	185	283	(34.6)
Depreciation of property, plant and equipment and investment properties	1,581	1,505	5.0	4,708	4,306	9.3
Inventories written down	4	4	-	60	209	(71.3)
Foreign exchange (gain)/loss, net	(224)	1,480	N/M	(848)	2,948	N/M
Prior years' (over)/under provision of current taxation	(37)	(423)	(91.3)	27	(189)	N/M
Loss on disposal and write-off of property, plant and equipment	5	4	25.0	6	6	-

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		
	30/9/2018 S\$'000	31/12/2017 ¹ S\$'000 (Restated)	1/1/2017 ¹ S\$'000 (Restated)	30/9/2018 S\$'000	31/12/2017 ¹ S\$'000	1/1/2017 ¹ S\$'000
ASSETS						
Cash and bank balances	494,137	400,983	313,012	420,118	361,800	283,955
Trade and other receivables	48,170	32,345	33,814	63,613	135,572	131,836
Inventories	19,199	17,126	11,523	-	-	-
Deferred income tax assets	987	740	539	-	-	-
Associate	5,886	4,850	4,313	2,895	2,895	2,895
Subsidiaries	-	-	-	560,334	560,334	375,357
Investment properties	57,154	58,766	60,757	-	-	-
Property, plant and equipment	26,621	28,561	23,450	-	-	-
Intangible assets	11,116	11,116	11,116	-	-	-
Strategic investments	2,590,735	2,710,474	2,027,025	-	-	-
Total assets	3,254,005	3,264,961	2,485,549	1,046,960	1,060,601	794,043
LIABILITIES						
Trade and other payables	64,005	58,633	52,992	90,254	37,872	34,954
Borrowings	23,062	45,048	45,799	23,062	45,048	45,799
Current income tax liabilities	9,581	11,265	10,981	557	781	621
Deferred income tax liabilities	1,969	71,722	50,832	-	-	-
Total liabilities	98,617	186,668	160,604	113,873	83,701	81,374
NET ASSETS	3,155,388	3,078,293	2,324,945	933,087	976,900	712,669
EQUITY						
Equity attributable to equity holders of the Company						
Share capital	264,084	257,943	251,359	264,084	257,943	251,359
Retained profits	1,154,985	1,006,719	906,916	668,965	714,155	457,202
Other reserves	1,736,319	1,813,631	1,166,670	38	4,802	4,108
Total equity	3,155,388	3,078,293	2,324,945	933,087	976,900	712,669

¹ The statement of financial position as at 31 December 2017 and 1 January 2017 are restated following adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") on 1 January 2018. Please refer to Note 5 for the details on financial impact from the adoption of SFRS(I)s.

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

Amount repayable in one year or less, or on demand

As at 30/9/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
23,062	-	45,048	-

Amount repayable after one year

As at 30/9/2018		As at 31/12/2017	
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	2017	9 Months Ended 30 September 2018	2017
	S\$'000	S\$'000 (Restated)	S\$'000	S\$'000 (Restated)
Cash flows from operating activities				
Profit before tax	60,901	43,022	170,357	118,599
Adjustments for:				
Dividend income	(37,425)	(25,635)	(97,642)	(59,622)
Interest income	(2,005)	(924)	(5,081)	(2,634)
Depreciation of property, plant and equipment and investment properties	1,581	1,505	4,708	4,306
Share of profits of associated company	(342)	(160)	(1,036)	(623)
Finance expenses	47	94	185	283
Inventories written down	4	4	60	209
Loss on disposal and write-off of property, plant and equipment	5	4	6	6
Expensing of share options	-	116	-	388
Unrealised currency translation (gains)/losses	(111)	901	(1,068)	2,204
Operating profit before working capital changes	22,655	18,927	70,489	63,116
Increase in inventories	(3,490)	(4,060)	(2,133)	(4,829)
Decrease/(increase) in trade and other receivables	1,436	6,256	(15,360)	(4,690)
Increase in trade and other payables	4,416	3,866	6,086	6,243
Cash generated from operations	25,017	24,989	59,082	59,840
Dividend income received	37,425	25,635	50,033	34,438
Interest income received	1,449	1,022	4,075	2,864
Net taxation paid	(6,348)	(4,813)	(13,262)	(11,742)
Net cash provided by operating activities	57,543	46,833	99,928	85,400
Cash flows from investing activities				
Proceeds from disposal of investments	-	-	66,821	-
Purchase of property, plant and equipment	(476)	(1,209)	(1,995)	(4,848)
Purchase of investments	-	(2,702)	-	(2,702)
Improvements to investment properties	(71)	-	(76)	(65)
Proceeds from sale of property, plant and equipment	-	-	2	-
Net cash (used in)/provided by investing activities	(547)	(3,911)	64,752	(7,615)
Cash flows from financing activities				
Payment of dividends to shareholders of the Company	(33,124)	(22,004)	(55,180)	(43,993)
Repayment of borrowings	-	-	(23,110)	-
Proceeds from issue of share capital	277	1,110	6,141	6,242
Bank deposits released from pledge	-	-	222	-
Interest expense paid	(47)	(124)	(215)	(314)
Net cash used in financing activities	(32,894)	(21,018)	(72,142)	(38,065)
Net increase in cash and cash equivalents	24,102	21,904	92,538	39,720
Cash and cash equivalents at beginning of the financial period	469,738	329,245	400,562	312,596
Effects of currency translation on cash and cash equivalents	95	(1,106)	835	(2,273)
Cash and cash equivalents at end of the financial period	493,935	350,043	493,935	350,043
Cash and cash equivalents comprised the following:				
Cash and bank balances	494,137	350,463	494,137	350,463
Less: Bank deposits pledged for banker's guarantee	(202)	(420)	(202)	(420)
	493,935	350,043	493,935	350,043

Note: During the financial period ended 30 September 2018, approximately \$47.6m (2017: \$25.2m) of dividend income was received as non-cash strategic investments in lieu of cash dividends.

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						
2018						
Balance at 31 December 2017 (previously reported)	257,943	1,789,809	23,728	(14,551)	1,175,518	3,232,447
Adoption of SFRS (I)	-	-	-	14,645	(168,799)	(154,154)
Balance at 1 January 2018 (restated)	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 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
2017						
Balance as at 1 January 2017	251,359	1,143,580	23,090	(15,151)	1,072,672	2,475,550
Adoption of SFRS (I)	-	-	-	15,151	(165,756)	(150,605)
Balance at 1 January 2017 (restated)	251,359	1,143,580	23,090	-	906,916	2,324,945
Issue of share capital	6,242	-	-	-	-	6,242
Expensing of share options	-	-	388	-	-	388
Dividends paid	-	-	-	-	(43,993)	(43,993)
Total comprehensive income/(expense) for the period	-	394,077	-	(201)	107,883	501,759
Balance at 30 September 2017	257,601	1,537,657	23,478	(201)	970,806	2,789,341

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	Fair Value Reserve	Other Reserves	Retained Profits	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>The Company</u>					
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 ¹	-	-	(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
2017					
Balance at 1 January 2017	251,359	(23)	4,131	457,202	712,669
Issue of share capital	6,242	-	-	-	6,242
Expensing of share options	-	-	388	-	388
Dividends paid	-	-	-	(43,993)	(43,993)
Total comprehensive income for the financial period	-	3	-	219,994	219,997
Balance at 30 September 2017	257,601	(20)	4,519	633,203	895,303

¹ 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 also 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.**

Since 30 June 2018, 30,000 shares were issued pursuant to the exercise of share options.

As at 30 September 2018, unissued shares under the share option scheme of the Company were as follows:

	<u>30/9/2018</u>	<u>30/9/2017</u>
The Haw Par Corporation Group 2002 Share Option Scheme	<u>536,000</u>	<u>1,292,000</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.**

	<u>30/9/2018</u>	<u>31/12/2017</u>
Total number of issued shares	<u>220,832,173</u>	<u>220,141,173</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.

- 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 2017, 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 2018, the Group adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s"). In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group's opening balance sheet as at 1 January 2017 has been prepared under SFRS(I)s, which is the Group's date of transition to SFRS(I)s.

Application of SFRS(I) 1

(i) Cumulative translation differences

The Group has elected for the optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition on 1 January 2017. As a result, foreign currency translation reserve losses of \$15,151,000 were reclassified to retained profits as at 1 January 2017.

(ii) Change in measurement basis for Investment Properties

As permitted with the adoption of the new accounting framework SFRS(I)s, the Group has elected to change its accounting policy of carrying its investment properties at fair value to cost less accumulated depreciation and accumulated impairment losses. As a result, retained profits as at 1 January 2017 and 31 December 2017 decreased by \$150,605,000 and \$154,154,000 respectively. Profit or loss and currency translation differences on consolidation of foreign entities in Q3 2017 reduced by \$602,000 and increased by \$118,000 respectively whilst the impact on nine months ended 30 September 2017 on the same reduced by \$1,806,000 and \$4,000 respectively.

On adoption of SFRS(I), the Group has elected to present its statement of financial position based on liquidity instead of a current and non-current classification, as around 80% of the Group's net assets are made up of investments that have no defined operating cycle. We believe the presentation of the statement of financial position based on liquidity provides more useful and relevant information to shareholders.

On 1 January 2018, the Group also adopted SFRS(I)s, and amendments and interpretations of SFRS(I)s that are mandatory for application for the financial year, including SFRS(I) 15 *Revenue from contract with customers*. The adoption did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

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 2018	2017 (Restated)	9 Months Ended 30 September 2018	2017 (Restated)
Earnings per ordinary share:				
(a) Based on the weighted average number of ordinary shares on issue	25.9 cts	18.2 cts	71.9 cts	49.1 cts
(b) On a fully diluted basis	25.9 cts	18.1 cts	71.8 cts	49.0 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	
	30/9/2018	31/12/2017 (Restated)	30/9/2018	31/12/2017
Net asset value per ordinary share (S\$)	14.29	13.98	4.23	4.44

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

3rd quarter ended 30 September 2018 (vs 3rd quarter ended 30 September 2017)

Group revenue for the quarter was 14.2% higher at \$61.0m due to higher sales of Healthcare products in Asia. Cost of sales increased 20.2% to \$24.0m due mainly to higher cost of raw materials. Prices of raw materials increased in line with higher commodity prices and lower supply. As a result, gross margin on sales reduced from 63% to 61%. Gross profit increased 10.7% to \$37.0m.

Other income increased 47.9% to \$39.7m for the quarter due to higher dividend income from the Group's investment in UOB and higher interest income.

General and administrative expenses decreased 24.5% to \$3.2m for the quarter due mainly to foreign exchange gains in the quarter.

Earnings for the quarter increased 43.4% to \$57.2m as a result of higher dividend income and higher operating profits mainly from Healthcare.

9 months ended 30 September 2018 (vs 9 months ended 30 September 2017)

Group revenue increased 5.9% to \$185.1m mainly driven by sales growth in most key markets of Healthcare. Gross profit increased 4.2% to \$114.4m.

Other income increased 65.2% to \$104.5m largely due to higher investment income.

General and administrative expenses decreased 24.4% to \$9.2m due mainly to net foreign exchange fluctuations.

Earnings increased 47.0% to \$158.6m due to higher dividend income from investments, higher operating profit and foreign exchange gains.

Statements of financial position (30 September 2018 vs 31 December 2017)

Cash and cash equivalents increased 23.2% to \$494.1m mainly due to cash generated from operations and disposal of certain investments.

Trade and other receivables increased 48.9% to \$48.2m due mainly to higher sales.

Inventories increased 12.1% to \$19.2m due to increase in demand for Healthcare products and higher cost of raw materials.

Borrowings decreased 48.8% to \$23.1m due mainly to partial repayment of loan in 1Q2018.

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 2018 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.**

Escalating trade tensions continue to create volatility in global markets. Higher commodity prices will increase cost of raw materials and affect operating margins.

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.**

No dividend has been declared by the Company for the quarter ended 30 September 2018.

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 2018 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

Zann Lim
Company Secretary
9 November 2018