



# HWA HONG CORPORATION LIMITED

(Company Registration No. 195200130C)

## UNAUDITED RESULTS FOR 3RD QUARTER ENDED 30 SEPTEMBER 2004

### PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	GROUP					
	3rd Quarter ended		+/(–) %	Nine Months ended		+/(–) %
30.9.2004	30.9.2003*	30.9.2004		30.9.2003*		
	\$'000	\$'000	\$'000	\$'000		
<b>Revenue</b>	9,301	10,031	(7.28)	31,309	32,227	(2.85)
Cost of sales	(3,672)	(5,241)	(29.94)	(14,133)	(17,769)	(20.46)
<b>Gross profit</b>	5,629	4,790	17.52	17,176	14,458	18.80
Other income	2,949	2,723	8.30	7,489	10,205	(26.61)
General and administrative costs	(3,233)	(3,279)	(1.40)	(10,349)	(10,815)	(4.31)
Selling and distribution costs	(862)	(667)	29.24	(2,890)	(2,506)	15.32
Other operating costs	–	(110)	(100.00)	–	(1,134)	(100.00)
<b>Operating profit</b>	4,483	3,457	29.68	11,426	10,208	11.93
Finance costs	(232)	(253)	(8.30)	(867)	(833)	4.08
Share of results of associated companies	(695)	(135)	414.81	(1,322)	(160)	726.25
<b>Profit before taxation</b>	3,556	3,069	15.87	9,237	9,215	0.24
Taxation	(2,040)	(955)	113.61	(2,875)	(1,695)	69.62
<b>Profit after taxation</b>	1,516	2,114	(28.29)	6,362	7,520	(15.40)
Minority interests	4	4	–	15	57	(73.68)
<b>Profit attributable to shareholders</b>	1,520	2,118	(28.23)	6,377	7,577	(15.84)

\* Certain comparative figures have been reclassified to conform with current period's presentation.

	<b>GROUP</b>		
	<b>3rd Quarter ended 30.9.2004 \$'000</b>	<b>30.9.2003 \$'000</b>	<b>+/(–) %</b>
Investment income	203	222	(8.56)
Other income including interest income	3,583	3,668	(2.32)
Interest on borrowings	(232)	(253)	(8.30)
Depreciation and amortisation and impairment loss on fixed assets	(269)	(117)	129.91
Write-off for stock obsolescence	–	–	–
Adjustments for (under) or overprovision of tax in respect of prior years	(1,397)	–	n.m.
Exceptional items	–	–	–
Extraordinary items	–	–	–
<i>Other income includes:</i>			
Write-back/(Allowance) for doubtful debts and bad debts written off	548	(110)#	(598.18)
(Provision)/Write-back for impairment in value of investments	(3)	1,830	(100.16)
Foreign exchange gain	47	34	38.24
Gain/(Loss) on disposal of investments	233	(343)	(167.93)
Gain on disposal of investment properties	1,256	197	537.56
Loss on disposal of fixed assets	(81)	–	n.m.

# included in other operating costs.

n.m. denotes not meaningful.

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

	GROUP		COMPANY	
	As at 30.9.2004 \$'000	As at 31.12.2003 \$'000	As at 30.9.2004 \$'000	As at 31.12.2003 \$'000
Fixed assets	13,661	13,536	4,784	4,945
Investment properties	110,339	128,130	–	–
Investment in subsidiaries	–	–	459,577	456,372
Investment in associated companies	57,933	59,256	–	–
Long term investments	89,709	100,355	3,323	3,323
Other receivables	323	357	–	–
<b>Reinsurer's share of technical provisions</b>				
Provision for unearned premiums	3,619	3,211	–	–
Provision for outstanding claims	8,285	7,890	–	–
<b>Current assets</b>				
Short term investments	52,000	43,157	–	–
Inventories	284	387	–	–
Trade receivables	4,764	3,914	–	–
Amount due from associated companies	103,604	93,979	–	–
Amount due from subsidiaries	–	–	144	10
Amount due from affiliated companies	933	636	85	620
Other receivables, deposits and prepayments	4,930	5,855	91	1,214
Cash and bank balances	53,495	63,140	203	189
	220,010	211,068	523	2,033
<b>Current liabilities</b>				
Trade payables and accruals	(2,356)	(3,409)	–	–
Other payables	(8,439)	(8,927)	(1,825)	(2,459)
Amount due to subsidiaries	–	–	(47,725)	(39,857)
Deferred premiums	(1,681)	(2,488)	–	–
Hire purchase creditors	(49)	(49)	–	–
Bank overdrafts	(698)	(129)	–	–
Bank loans	(1,347)	(10,801)	–	–
Provision for taxation	(749)	(1,496)	–	–
	(15,319)	(27,299)	(49,550)	(42,316)
<b>Net current assets/(liabilities)</b>	204,691	183,769	(49,027)	(40,283)
<b>Non current liabilities</b>				
Bank loans	(8,304)	(9,879)	–	–
Hire purchase creditors	–	(37)	–	–
Other payables	(178)	(150)	–	–
Deferred taxation	(5,517)	(5,626)	(44)	(45)
Provision for unearned premiums	(11,567)	(10,333)	–	–
Provision for outstanding claims	(42,674)	(44,446)	–	–
Provision for premium deficiency	(1,696)	(1,696)	–	–
	(69,936)	(72,167)	(44)	(45)
	418,624	424,337	418,613	424,312

	GROUP		COMPANY	
	As at 30.9.2004 \$'000	As at 31.12.2003 \$'000	As at 30.9.2004 \$'000	As at 31.12.2003 \$'000
Share capital	163,361	163,255	163,361	163,255
Share premium	8,766	8,681	8,766	8,681
Capital reserve	128,220	130,070	233,965	230,761
Revenue reserve	117,107	121,216	12,521	21,615
Currency translation adjustment reserve	1,159	1,090	–	–
<b>Share capital and reserves</b>	<b>418,613</b>	<b>424,312</b>	<b>418,613</b>	<b>424,312</b>
Minority interests	11	25	–	–
	<b>418,624</b>	<b>424,337</b>	<b>418,613</b>	<b>424,312</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 30.9.2004		As at 31.12.2003	
Secured	Unsecured	Secured	Unsecured
\$2,045,000	–	\$10,930,000	–

**Amount repayable after one year**

As at 30.9.2004		As at 31.12.2003	
Secured	Unsecured	Secured	Unsecured
\$8,304,000	–	\$9,879,000	–

**Details of any collateral**

The amount of long term bank loans repayable after one year and an amount of \$1.245 million (31.12.2003: \$10.09 million) of long term bank loans repayable within one year of a subsidiary are secured over the investment properties of the Group. Short term bank overdrafts of \$0.698 million (31.12.2003: \$0.13 million) of two subsidiaries are secured by corporate guarantees supported by charges over time deposits. Short term bank loans of \$0.102 million (31.12.2003: \$0.71 million) of another subsidiary are secured by its plant and machinery.

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

	<b>GROUP</b>	
	<b>3rd Quarter ended</b>	
	<b>30.9.2004</b>	<b>30.9.2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flow from operating activities:</b>		
<b>Operating profit</b>	4,483	3,457
<i>Adjustments for:-</i>		
Interest income	(1,923)	(1,745)
Depreciation and impairment loss on fixed assets	269	117
Gain on disposal of investment properties	(1,256)	(197)
Loss on disposal of fixed assets	81	-
Allowance for doubtful receivables from affiliated companies	-	104
Provision for outstanding claims	1,448	2,519
Write-back of provision for unearned premiums	(104)	(458)
	(1,485)	340
<b>Operating income before reinvestment in working capital</b>	2,998	3,797
(Increase)/Decrease in receivables and short term investments	(5,513)	1,912
(Increase)/Decrease in inventories	(5)	32
Decrease in payables	722	1,583
	(4,796)	3,527
<b>Cash (used in)/generated from operations</b>	(1,798)	7,324
Net claims paid	(2,101)	(2,707)
Interest received	1,923	1,745
Interest paid	(232)	(253)
Income taxes paid	(2,282)	(295)
	(2,692)	(1,510)
<b>Net cash (used in)/generated from operating activities</b>	(4,490)	5,814
<b>Cash flow from investing activities:</b>		
Purchase of fixed assets	(238)	-
Decrease in other investments	6,579	9,097
Proceeds from disposal of investment properties	16,821	475
<b>Net cash generated from investing activities</b>	23,162	9,572
<b>Cash flow from financing activities:</b>		
Net repayment of bank loans	(10,980)	(1,458)
Increase/(Decrease) in bank overdrafts	96	(76)
Increase in amount due from associated companies	(3,961)	-
Dividends paid	(5,258)	(5,093)
Repayment to hire purchase creditors	(12)	(12)
<b>Net cash used in financing activities</b>	(20,115)	(6,639)
Net (decrease)/increase in cash and cash equivalents	(1,443)	8,747
Cash and cash equivalents at beginning of the period	54,938	51,994
<b>Cash and cash equivalents at end of the period</b>	53,495	60,741

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.

	GROUP		COMPANY	
	3rd Quarter ended 30.9.2004 \$'000	30.9.2003 \$'000	3rd Quarter ended 30.9.2004 \$'000	30.9.2003 \$'000
<b>Share capital</b>				
Balance at beginning and at end of the period	163,361	163,240	163,361	163,240
<b>Share premium</b>				
Balance at beginning and at end of the period	8,766	8,681	8,766	8,681
<b>Revenue reserve</b>				
Balance at beginning of the period	120,845	118,198	18,582	26,045
Profit/(Loss) for the period	1,520	2,118	(834)	1,077
Dividend	(5,258)	(5,093)	(5,227)	(5,093)
Balance at end of the period	117,107	115,223	12,521	22,029
<b>Capital reserve</b>				
Balance at beginning of the period	128,243	137,323	231,964	228,057
Adjustment due to disposal of investment properties	(23)	-	-	-
Net surplus/(deficit) on revaluation of				
- investment properties	-	(13)	-	-
- subsidiaries	-	-	2,001	1,016
Balance at end of the period	128,220	137,310	233,965	229,073
<b>Currency translation adjustment reserve</b>				
Balance at beginning of the period	1,458	(1,419)	-	-
Exchange differences arising on consolidation	(299)	(12)	-	-
Balance at end of the period	1,159	(1,431)	-	-
<b>Share capital and reserves</b>	<b>418,613</b>	<b>423,023</b>	<b>418,613</b>	<b>423,023</b>

- 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 2004, changes in the issued ordinary share capital of the Company are as follows:

	<b>No. of shares of \$0.25 each</b>
As at 1 July 2004 and 30 September 2004	653,444,000
Issue and allotment of shares arising from exercise of options granted under the <i>terminated</i> Hwa Hong Corporation Limited Executives' Share Option Scheme	60,000
As at 8 November 2004	653,504,000
Issued ordinary share capital as at 8 November 2004	\$163,376,000

As at 30 September 2004, there were unexercised options to subscribe for 60,000 ordinary shares of \$0.25 each in the capital of the Company under the *terminated* Hwa Hong Corporation Limited Executives' Share Option Scheme as compared with 544,000 as at 30 September 2003.

No options have been granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme since its adoption on 29 May 2001.

- 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 our 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.**

The Group has 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 2003.

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.

None.

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.

	<b>GROUP</b>	
	<b>30.9.2004</b>	<b>30.9.2003</b>
Earnings per \$0.25 ordinary share after deducting any provision for preference dividends:-		
(i) Based on the weighted average number of ordinary shares in issue	0.23 cents	0.32 cents
(ii) On a fully diluted basis	0.23 cents	0.32 cents

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.

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>As at 30.9.2004</b>	<b>As at 31.12.2003</b>	<b>As at 30.9.2004</b>	<b>As at 31.12.2003</b>
Net asset value per \$0.25 ordinary share	64.06 cents	64.79 cents	64.06 cents	64.79 cents



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.**

The decrease of about 7.28% in Group revenue from \$10.03 million for the third quarter ended 30 September 2003 ("3Q 2003") to \$9.30 million for the third quarter ended 30 September 2004 ("3Q 2004") was mainly attributable to:

- (a) decrease in gross written premiums (3Q 2004: \$5.95 million; 3Q 2003: \$6.30 million) from Tenet Insurance Company Ltd ("Tenet Insurance"); and
- (b) lower consultancy service income (3Q 2004: Nil; 3Q 2003: \$0.5 million) recorded by Global Trade Investment Management Pte Ltd.

Cost of sales decreased mainly due to the decrease in revenue as mentioned above and the decrease in net claims incurred (3Q 2004: \$1.4 million; 3Q 2003: \$2.5 million) by Tenet Insurance. With lower cost of sales, gross profit for 3Q 2004 increased as compared with 3Q 2003.

The increase in other income was mainly due to (i) gain on disposal of an investment property in United Kingdom (3Q 2004: \$1.26 million; 3Q 2003: \$0.20 million), (ii) gain on disposal of investment (3Q 2004: profit of \$0.2 million; 3Q 2003: loss of \$0.3 million), and (iii) write-back of provision for doubtful debts (3Q 2004: \$0.5 million; 3Q 2003: Nil), and partially offset by lower write-back in provision for impairment in value of investments (3Q 2004: Nil; 3Q 2003: \$1.8 million).

Selling and distribution costs increased mainly due to the increase in net commission expense (3Q 2004: \$0.8 million; 3Q 2003: \$0.5 million) of Tenet Insurance. The increase in net commission expense was mainly due to the decrease in commission rate received and the non renewal of a treaty protection from reinsurance. This reduced the commission received and hence, increased the net commission expense.

Share of net losses of associated companies increased mainly due to the increase in the share of losses (3Q 2004: loss of \$0.5 million; 3Q 2003: profit of \$0.03 million) in Riverwalk Promenade Pte Ltd ("RWP"). The increase in the losses of RWP was mainly due to lower rental income as tenancies are not renewed to pave the way for the redevelopment of the property at Trademart site.

As compared to 3Q 2003, Group profit before taxation for 3Q 2004 increased by about 15.87% mainly attributable to the reasons explained above.

However, Group profit after taxation for 3Q 2004 decreased by about 28.29% mainly due to higher taxation, and this was mainly due to taxes raised in the current year in respect of prior years. The Group was assessed with additional taxation in respect of prior years because The Comptroller of Income Tax ("CIT") had imputed a profit based on 5% of cost of services charged to subsidiaries. In addition, certain gains on short term foreign investments which were not remitted into Singapore were subjected to tax by the CIT. These additional assessments are being contested.

Net current assets of the Group as at 30 September 2004 increased mainly because a subsidiary has refinanced its bank borrowings by replacing short term borrowings with long term borrowings.

There was cash outflow from operating activities for 3Q 2004 as compared with cash inflow from operating activities for 3Q 2003. Despite higher operating profit for 3Q 2004, net cash used in operating activities was about \$4.49 million as compared with net cash generated of about \$5.81 million for 3Q 2003 mainly due to:

- (a) purchases of short term investments;
- (b) payment of additional income taxes; and
- (c) classification of proceeds from disposal of investment properties under investing activities.

The net repayment of bank loans increased for 3Q 2004 as compared with 3Q 2003 mainly due to the repayment of an outstanding bank loan upon disposal of a property in United Kingdom in 3Q 2004.

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

None.

**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 economic growth of Singapore is anticipated to moderate as higher oil prices continue to affect world economy. The gross domestic product (GDP) for next year is forecast to be between 3% and 5% on the assumption that oil prices would decline to an average of US\$45 to US\$46 a barrel. Going forward, this scenario will pose a challenge for the Group.

Tenet Insurance Company Ltd (“Tenet Insurance”) continued to face pressure on premium rates in areas of motor and fire business. A number of insurers have reduced rates to gain market share. However, Tenet Insurance will continue to observe prudent underwriting principles to achieve positive underwriting results. Investment income will be stable as interest rates are not expected to decline any further.

The industrial property market in Singapore remains cautious and rental rates are not expected to increase. In London, all the residential units are fully let for the next 6 months and no further disposal of properties are planned until the expiry of tenancies.

The launch of the condominium development at the Trademart site which has been slightly delayed is expected to take place by this year end after all government approvals have been complied and obtained. The buying momentum for residential properties has picked up and this augers well for the launch of the project.

Norwest Holdings Pte Ltd Group which is involved in the manufacturing, refining, distribution and marketing of premium grade value added phosphate chemical in China and in which the Group has a 49.5% interest, has returned to profitability in the current year. As the Group had previously made provision for impairment loss of about \$4.065 million, the Directors of the Company will review the necessity of the provision. If the provision for impairment loss is not considered to be necessary, the Group’s profit may be increased by a potential write-back of provision for impairment loss of about \$1.5 million.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared 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/recommendeded, a statement to that effect.**

No dividend has been declared or recommended for the 3rd quarter ended 30 September 2004.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**15. A breakdown of sales.**

Not applicable.

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

17. **INTERESTED PERSON TRANSACTIONS**

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

**BY ORDER OF THE BOARD**

TAN MEE CHOO  
COMPANY SECRETARY  
8 NOVEMBER 2004