

CORPORATE GOVERNANCE REPORT

Haw Par Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) is committed to upholding good corporate governance practices in line with the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”). The following sections describe the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2016 (“FY 2016”) and explain deviations from any guideline of the Code.

BOARD MATTERS

Board’s Conduct of its Affairs

The principal responsibilities of the Board include:

- approving strategic plans and annual budgets;
- approving major funding, acquisition, investment and divestment proposals;
- ensuring that management establishes and maintains a sound system of internal controls, risk management, financial reporting and statutory compliance in order to safeguard shareholders’ interests and the Group’s assets;
- reviewing the performance of management in attaining agreed goals and objectives; and
- approving the announcement of financial results and declaring dividends.

All Board members bring their judgement and breadth of diversified knowledge and experience to bear on issues of strategy, performance, resources (including sustainability issues) and standards of conduct.

The Board meets at least four times a year to review the performance and business strategy of the Group. Meetings are scheduled in advance. Ad-hoc meetings can be called when there are important and urgent matters requiring the Board’s consideration. Board approval in writing is sometimes needed in between scheduled meetings.

The Group has adopted internal guidelines which set out specific matters requiring Board approval. These written guidelines also include financial and non-financial limits of authority given to management to facilitate operational efficiency. Under the guidelines, Board approval is required for material transactions (above specified limits) such as joint ventures, mergers and acquisitions, as well as adoption and amendment of Group risk management policy.

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The Board has delegated specific responsibilities to four Board Committees, which are the Audit, Nominating, Remuneration and Investment Committees. Each of these Committees has its own charter that is reviewed periodically.

The Board held four meetings during the year. Directors can attend Board and Board Committee meetings by telephone conference if they are unable to attend in person. The attendance of Directors at the Annual General Meeting (AGM), Board and Board Committee meetings held in the financial year ended 31 December 2016 is as follows:

Table 1:
Number of meetings attended in FY 2016

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee	Investment Committee	AGM
Wee Cho Yaw (Non-executive / Non-independent)	4 ⁽²⁾	N/A	1	1	6 ⁽²⁾	1
Wee Ee-chao (Non-executive / Non-independent)	3	N/A	N/A	N/A	N/A	1
Wee Ee Lim⁽¹⁾ (Executive / Non-independent)	4	4	N/A	1	6	1
Sat Pal Khattar (Non-executive / Independent)	3	N/A	1 ⁽²⁾	1 ⁽²⁾	N/A	1
Chew Kia Ngee (Non-executive / Independent)	4	4 ⁽²⁾	N/A	N/A	N/A	1
Hwang Soo Jin (Non-executive / Independent)	4	1	N/A	1	N/A	1
Lee Suan Yew (Non-executive / Independent)	4	NA	1	N/A	N/A	1
Peter Sim Swee Yam (Non-executive / Independent)	4	4	1	N/A	N/A	1
Gn Hiang Meng (Non-executive / Independent)	4	4	N/A	NA	NA	1
Han Ah Kuan (Executive / Non-independent)	4	N/A	N/A	N/A	6	1
Number of meetings held in FY 2016	4	4	1	1	6	1

Notes:

- (1) Mr Wee Ee Lim was in attendance to provide management's perspective at the meetings of the Audit and Remuneration Committees although he is not a member of either Board Committee.
- (2) Denotes chairman of the Board / Board Committee.

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Directors are appointed by way of formal letters of appointment which set out their duties and obligations. The Company has an orientation programme for newly appointed Directors. The programme is tailored according to the profile and experience of new directors. It includes training in areas such as operational knowledge or accounting updates, duties as directors and how to discharge those duties as well as meetings with key personnel to understand the Group's businesses, governance practices, strategic plans and objectives. Site visits are conducted as needed.

The Company is a corporate member of the Singapore Institute of Directors (SID). The Company encourages Directors to keep abreast of relevant new laws, regulations, changing commercial risks and industry development from time to time and arranges and funds the training of Directors to attend external courses and talks by professional organisations if needed. During the year, all Directors were provided a copy of the Directors' Guide published by the SID to keep them updated with the latest regulatory developments. Various board committee members also received the Audit Committee Guide, Nominating Committee Guide and/or the Remuneration Committee Guide issued by the SID. Directors are continuously updated on developments in the regulatory and business environment affecting the Group, through the Company Secretary and auditors (both internal and external). The Directors do not appoint alternate directors to perform any of their roles.

Board Composition and Guidance

The Board considers its present size of ten Directors appropriate for the current scope and nature of the Group's operations. Eight of these Directors are non-executive directors (including the Chairman). The Nominating Committee ("NC") has reviewed the composition of the present Board and is satisfied that the directors, as a group, possess core competencies in management experience, strategic planning, accounting, finance, legal and the necessary industry knowledge. The NC is aware of the importance of diversity of the Board composition (such as skills, experience, qualifications, core competencies, age, gender and race) and board appointments would continue to be based on merit and diversity factors.

The NC, having regard to the Code's guidance for assessing independence, has determined that the majority of Directors on the Board, being six Non-Executive Directors, namely Mr Sat Pal Khattar, Dr Lee Suan Yew, Mr Hwang Soo Jin, Dr Chew Kia Ngee, Mr Peter Sim and Mr Gn Hiang Meng, are Independent Directors, as indicated in Table 1 above, and that they have maintained their independence throughout the year.

Such Non-Executive Independent Directors have no relationships with the Company, its related corporations, its 10% shareholders or its officers which could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. They are not substantial shareholders and are independent from the substantial shareholders of the Company.

The Non-Executive Independent Directors are not immediate family members of a 10% shareholder of the Company and were not directly associated with a 10% shareholder of the Company in the current or immediate past financial year. They and their immediate family members did not have any financial dealings with the Group whether in the current or immediate past financial year, nor are or were they or any of their immediate family members, during the current or immediate past financial year, a substantial shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the Group made, or from which the Group received, significant payments or material services (including auditing, banking, consulting and legal services) in the current or immediate past financial year. Also, neither they nor any of their immediate family members are, or were in the past three financial years employed by the Group. In addition, they and their immediate family members did not receive any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service.

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Although three of the directors, namely Mr Sat Pal Khattar, Dr Lee Suan Yew and Mr Hwang Soo Jin, have served as Non-Executive Directors for more than nine years each, the NC and the Board are of the view that their length of service did not compromise their independence in the discharge of their duties. Notes of Board and Board Committee meetings show that each of the three Directors continues to express his individual independent viewpoints and at all times the interests of the Company, Board and Committees were protected and enhanced by their length of service. Accordingly, the NC and the Board have determined that Mr Sat Pal Khattar, Dr Lee Suan Yew and Mr Hwang Soo Jin can continue to be designated as Independent Directors.

The Board will continue to look for new members who can serve the Board as older members step down in order to facilitate a progressive refreshing of the Board.

Chairman and Chief Executive Officer

There is a clear division of the role and responsibilities between the Non-Executive Chairman of the Board (“Chairman”) and the Chief Executive Officer (“CEO”), who is the son of the Chairman. The Chairman’s principal role is to lead and guide the Board. The scope of responsibilities and limits of authority of the CEO are set out in a written mandate. The CEO executes the strategic directions set by the Board and is responsible for the Group’s day-to-day operations.

Although the Chairman and CEO are related, the Board is of the opinion that it is not necessary to appoint a lead independent director. Shareholders can approach any Independent Director for assistance through the Company Secretary, if he has any issues that affect shareholders generally. Where necessary, the independent Directors also have the discretion to meet without the presences of other Directors and they are able to provide feedback to the Chairman. The chairpersons of each of the board committees have sufficient standing and authority to look into any matter which management or executive directors fail to resolve.

Nominating Committee

The NC comprises four members, namely, Mr Sat Pal Khattar, Dr Wee Cho Yaw, Dr Lee Suan Yew and Mr Peter Sim. The majority of the NC, including the chairman of the NC, Mr Sat Pal Khattar, are Independent Directors.

The principal responsibilities of the NC are to:

- recommend appointments / reappointments of Directors and key executives, including the CEO;
- review the composition of the Board and Board Committees;
- perform succession planning for Directors, in particular for the Chairman and the CEO;
- assess the independence of Directors;
- evaluate the performance of the Board and Board Committees; and
- review training and professional development programmes for Directors.

Each year, the NC reviews the composition of the Board as part of its succession planning. Suitable candidates are identified through personal and professional networks and the NC reviews each candidate through an objective and comprehensive process. When assessing potential candidates, the NC takes into account the existing Board composition, the candidate’s background, qualification, experience, time commitment and his/her ability to contribute to the Board’s collective skills, knowledge and experience.

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The NC makes annual recommendations to the Board on the re-election of Directors having regard to their competencies, commitment, contributions and performance on a qualitative basis. Each year, one-third of the Board retires from office by rotation and may submit themselves for re-election. New Directors submit themselves for re-election at the AGM immediately following their appointment by the Board.

In its review of the Directors' ability to commit time to the Company's affairs, the NC has taken into account whether a limit on the number of boards of other listed companies that Directors could sit on was necessary. The NC decided that it was not necessary to prescribe a limit on the number of boards of other listed companies that Directors of the Company sit on. Although some Directors have multiple board representations and principal commitments, none of them has more than six listed companies' directorships and the NC is satisfied that each Director has devoted sufficient time and attention to the Company's affairs to adequately and competently carry out his duties as a Director of the Company. For a full list of each Director's directorships and principal commitments, please refer to the "Board of Directors" section of this Annual Report.

Board Performance

The NC evaluated and assessed the effectiveness of the Board's performance as a whole, taking into consideration, amongst other matters, the Board's discharge of its principal responsibilities, earnings of the Group, return on equity and the share price performance of the Company over a five-year period. These performance criteria also include performance of the Company as compared to industry peers and are linked to long term shareholder value. The NC is of the opinion that the Board as a whole has performed well during the year and that the Chairman and each Director have contributed to the overall effectiveness of the Board.

The NC evaluated and reviewed the performance of the Board Committees (except the NC itself). It is satisfied with the matters dealt with by the Board and Board Committees and the frequency of such deliberations.

The Chairman of the Board and the Chairman of the NC evaluated the collective performance, commitment and contribution of all Directors based on each Director's attendance and contribution at Board meetings. They also reviewed the contribution of the Executive Directors and are of the view that the performance of each of them has been satisfactory.

Access to Information

Directors have unfettered access to complete and adequate information on the Group's financials and operations in a timely manner. Comprehensive information including strategic, financials, key operational and compliance matters is provided to Directors on a monthly and quarterly basis to enable them to make informed decisions. Matters requiring the Board's decision are generally sent to Directors at least five working days prior to Board meetings. Board meetings for each year are scheduled at least three months in advance while urgent Board meetings, if needed, are scheduled at least five days in advance save in exceptional circumstances. The Board is also provided with opportunities to meet with managers and heads of divisions, as needed to understand the businesses of the Group.

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Directors have separate, independent and unrestricted access to the Company Secretary for assistance. The Company Secretary is required to attend and attends all Board and Board Committee meetings and ensures that board procedures are followed and the rules and regulations applicable to the Board are complied with. The Company Secretary is responsible for ensuring adequate information flows within the Board and Board Committees and between senior management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. Directors may take independent professional advice, if necessary and with the approval of the Chairman, at the Company's expense, to carry out their duties. Under the Constitution of the Company, the decision to appoint or remove the Company Secretary rests with the Board as a whole.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises three members, namely Mr Sat Pal Khattar, Dr Wee Cho Yaw and Mr Hwang Soo Jin. The majority of the RC, including the chairman of the RC, Mr Sat Pal Khattar, are Independent Directors. All the members of the RC are Non-Executive Directors. The RC is supported by the Group Human Resource and/or external consultants if needed.

The principal responsibilities of the RC include:

- (a) in consultation with the Chairman of the Board, reviewing and recommending to the Board for its endorsement, a framework of remuneration for the Board and the key executives of the Company;
- (b) determining the specific remuneration packages of each Executive Director;
- (c) reviewing and approving the remuneration packages for key executives; and
- (d) administering the Company's share option scheme.

During the year, the RC reviewed the amount of Directors' fees payable to the Non-Executive Directors to be recommended for shareholders' approval. It also assessed the performance of and determined all aspects of remuneration for the Executive Directors, and reviewed the remuneration packages for key executives and share options to eligible staff and the terms thereof. In 2015, the RC, through management, appointed Mercer, an independent consultant to review the remuneration structure of senior executives, which includes the short and long term incentive schemes.

The RC has reviewed the Group's obligations arising in the event of termination of the Executive Directors' and key executives' service contracts, to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous.

Level and Mix of Remuneration and Disclosure on Remuneration

The RC takes into consideration current industry norms on compensation and adopts a remuneration policy in line with industry practices.

None of the Non-Executive Directors has any service contract or consultancy agreement with the Company. Non-Executive Directors, including the Chairman of the Board, are paid directors' fees which comprise a basic fee and additional fees for serving on Board Committees. The RC recommends Directors' fees to the Board for endorsement prior to submission to shareholders for approval at each annual general meeting. The Company's share option scheme allows for grants of share options to Non-Executive Directors. To date, the Non-Executive Directors have not been granted any share option.

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The Directors' fee⁽¹⁾ structure for services on the Board and Board Committees is as follows:–

Board	\$
– Chairman	80,000
– Deputy Chairman	52,000
– Member	40,000
Audit Committee	
– Chairman	20,000
– Member	10,000
Nominating and Remuneration Committee	
– Chairman	10,000
– Member	5,000

(1) The remuneration structure of the Non-Executive Directors is based solely on a retainer fee basis, with additional fees for board committees' membership to commensurate with effort, time and role of these Directors. There is no proposed increase in the base fees for these directors, except for a new base fee for the Deputy Chairman, who was newly appointed by the NC during the year.

The Group remunerates its employees at market competitive levels, commensurate with their performance and contribution to the long-term interests and success of the Group. The remuneration package comprises fixed and variable compensation and share options (for eligible employees). The fixed component comprises basic salary, provident fund contributions and annual wage supplement. The variable component comprises variable bonus based on the Group's and each individual's performance. A variable bonus scheme is in place for each business unit. The economic value-added based bonus scheme takes into consideration working capital efficiency, productivity, current year earnings and long-term sustainability in order to align with the interests of shareholders and promote the long-term success of the Group.

In the annual review of the remuneration of the Executive Directors and key management personnel, the RC takes into consideration performance of the individuals and comparative remuneration of similarly placed persons in the market as well as the findings of an independent consultant, Mercer in 2015. The performance criteria for the Executive Directors include additional achievement of financial objectives using financial indicators such as overall profitability and return of assets over a period of time. These criteria were satisfactorily met during the year. Their remuneration is reviewed annually by the RC and includes a variable bonus component which is performance-based. The level and structure of remuneration for Executive Directors are aligned with the long term interest of the Group.

Share options are granted to the Executive Directors and eligible key executives, based on their performance during the year. These share options are granted at market price around the date of grant and can only be exercised after a vesting period of usually one year to ensure that employees' interest is aligned with the longer term performance of the Group. In the event of misconduct on the part of a participant in the share option scheme, the RC may in its absolute discretion treat any outstanding option as lapsed and null and void. More information on the Haw Par Corporation Group 2002 Share Option Scheme can be found in the Directors' Statement and notes to the financial statements.

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Disclosure of Remuneration

The details of the remuneration of each Director for FY 2016 are as follows:

Table 2:

Name	Directors' Fees ¹ \$'000	Base or fixed salary \$'000	Variable bonus \$'000	Benefit-in-kind and others \$'000	Total \$'000	Total Share options granted No. of shares
Wee Ee Lim	–	855	770	84	1,709	–
Han Ah Kuan	–	335	287	131	753	66,000
Wee Cho Yaw	90	–	–	–	90	–
Wee Ee-chao	50	–	–	–	50	–
Sat Pal Khattar	60	–	–	–	60	–
Hwang Soo Jin	48	–	–	–	48	–
Lee Suan Yew	45	–	–	–	45	–
Chew Kia Ngee	60	–	–	–	60	–
Peter Sim Swee Yam	52	–	–	–	52	–
Gn Hiang Meng	50	–	–	–	50	–

¹ Directors' fees are subject to shareholders' approval at the forthcoming annual general meeting on 27 April 2017.

Remuneration of Key Executives

The remuneration of each of the top six senior executives of the Group (who are not Directors or CEO), in no order of quantum sum, is as follows:

Table 3:

Name/Position	Base or fixed salary %	Variable bonus %	Benefit-in-kind and others %	Total %	Share options granted No. of shares
\$500,000 – \$750,000					
Kwek Meng Tiam [#] Regional GM	30	0	70	100	26,000
\$250,000 – \$500,000					
Goh Bee Leong, GM – Manufacturing	53	34	13	100	35,000
Jasmin Hong, GM – Marketing	53	34	13	100	44,000
Keeth Chua, DGM – Marketing	55	32	13	100	26,000
Tarn Sien Hao, Group GM	54	29	17	100	44,000
Zann Lim, CFO	54	33	13	100	33,000

[#] Ceased employment in the Group during the year.

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The total remuneration paid/accrued to the top six senior executives is about \$2,665,000.

The aggregate amount of termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel is around \$554,000.

Save as disclosed below, there is no employee (other than the CEO) who is an immediate family member of a Director or the CEO and whose remuneration exceeds \$50,000 during the year. A relative of the CEO, Mr Kelvin Whang, who is the General Manager of Underwater World Pattaya, received annual remuneration of between \$150,000 to \$200,000.

ACCOUNTABILITY AND AUDIT

Accountability

The Board provides shareholders with a balanced and understandable assessment of the Group's performance through announcements of its quarterly and full-year results as well as timely announcement of any price-sensitive information, through various media, including press releases posted on the Company's website and disclosure via SGXNET. Internal guidelines are in place to comply with legislative and regulatory requirements and Management provides the Board with monthly management accounts of the Group. The management reports, containing sufficient details and comparisons to planned budgets, provide the Directors with a means to monitor the Group's performance and prospects.

Risk Management and Internal Controls

The Group has established a formal risk management framework across the entire organisation to provide a structured approach for managing risks. The framework enables management to have a formal structure in risk management assessment. The framework is designed to ensure that risks are identified, assessed, monitored and effectively managed. It is in line with the best practices as contained in the Risk Governance Guidance for Listed Boards, issued by the Corporate Governance Council in May 2012.

The Board has overall responsibility for the governance of risk and determination of risk policies. The Board, assisted by the Audit Committee, is responsible for determining the Company's level of risk tolerance and oversees the management in implementing the risk management and internal controls system.

The Risk Management Committee is chaired by the CEO and comprises an Executive Director, the Chief Financial Officer ("CFO"), the Internal Audit Manager and Group General Manager. It performs the following roles:

- oversees the development of risk management policies;
- provides overall leadership, vision, framework and direction for risk management;
- promotes a risk management culture through human resources, use of technology and organisation structure;
- monitors the effectiveness of risk management and makes refinements as and when necessary;
- ensures that risks are properly addressed; and
- reports to the AC and the Board twice a year on risk management activities and attestation undertaken.

Risks are analysed and assessed in terms of risk impact and risk likelihood. Risk impact includes financial, operational (business interruption), regulatory/legal and reputational impact. Risk likelihood includes both quantitative and qualitative appraisals and classified as 'Low', 'Moderate', 'High' and 'Critical'. Management evaluates the options and controls needed to deal with identified risks, depending on the risk impact, likelihood and related costs and benefits. These risks are reviewed both against the entity level parameters and from the Group's perspective. The AC monitors the Risk Management Committee's activities on behalf of the Board.

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Risks are broadly categorised as follows:

Strategic risks

These include most of the inherent risks of each operating unit and the relevant macro-environment such as competition and epidemic outbreak risks. All such risks are reported to the AC and the Board. Measures taken to manage risks include diversifying either geographically or in product offerings, putting in place business continuity plans and ensuring sufficient insurance coverage for various types of risks.

Operational risks

These relate to day-to-day operations and include effective and efficient use of the Group's resources. Operational risks include security threats, employee attrition and brand protection. The general manager of each operating unit implements policies and procedures to monitor such risks.

Compliance risks

Each operating unit is subject to various degrees of regulatory controls, particularly the Healthcare division. Compliance with local laws and regulations in various geographical locations is monitored by the operating unit and the functional departments in Singapore.

Financial risks

Financial risks are mitigated by using appropriate hedging instruments when necessary and actively managing foreign exchange and credit exposures. Financial risks are monitored by the Investment Committee. Generally, the Group is conservative in its financial dealings and do not engage in speculative instruments that would expose the Group to unnecessary financial risks.

The operations of the Group do not require complex use of information technology or data. Thus the risks in this area are not high.

The Board (assisted by the Audit Committee) reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

For the year under review, the Board has received assurances from the CEO and the CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) that the Company's risk management and internal control systems are adequate and effective in all material respects as at 31 December 2016.

Based on work performed by the internal and external auditors and reviews undertaken by the Risk Management Committee and the AC, the Board, with the concurrence of the AC, is of the opinion that the internal controls addressing financial, operational, compliance and information technology risks, and risk management systems and processes were adequate and effective for the Group as at 31 December 2016.

The Group's internal controls and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any reasonably foreseeable event. The Board recognises that no system of internal controls and risk management can provide absolute assurance.

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Audit Committee (“AC”)

The AC comprises three members, namely, Dr Chew Kia Ngee, Mr Gn Hiang Meng and Mr Peter Sim, all of whom are Non-Executive Independent Directors. The chairman of the AC, Dr Chew Kia Ngee, is a senior accountant with over 40 years’ experience in the profession. Mr Gn Hiang Meng was formerly a senior banker with more than 30 years’ experience in investment banking and hospitality industry. Mr Peter Sim is a practising lawyer with more than 30 years of legal practise and experienced with a wide-range of industry practices.

The principal responsibilities of the AC include:

- reviewing the audit plans with the internal and external auditors;
- reviewing the audit report of the external auditors and the results of the internal audit procedures;
- recommending the appointment, re-appointment and removal of external auditors and approving the compensation and terms of engagement of the external auditors;
- reviewing annually the independence and objectivity of the external auditors, the cost effectiveness of the audit, and the nature and extent of non-audit services;
- approving the hiring, removal, evaluation of the performance and compensation of Group Internal Audit Manager;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;
- reviewing the adequacy of the internal audit function annually;
- reviewing the Group’s quarterly and full-year results and annual financial statements prior to approval by the Board, and the appropriateness and consistency of accounting principles and policies adopted across the Group, including significant financial reporting issues and judgements;
- reviewing the adequacy and effectiveness of the Company’s system of internal controls, including accounting controls, and addressing financial, operational, compliance and information technology risks and risk management processes;
- reviewing interested person transactions; and
- reviewing whistle-blowing reports.

The AC has full authority to investigate any matter including but not restricted to issues of internal controls, suspected fraud or irregularity. It has access to and full co-operation by the management and may invite any director or executive officer to attend its meetings.

During the year, the AC held four meetings during which it performed its responsibilities as set out above. The Group’s internal and external auditors were also present throughout these meetings. It met the external and internal auditors separately in the absence of management to discuss the competency and adequacy of finance function, cooperation provided by management and inquired into material weaknesses or control deficiencies noted during the course of their work. It was noted that there was no adverse feedback from these meetings.

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For the review of financial statements, the AC discussed with management the key accounting policies applied and areas where judgement and critical estimates were involved. One of the key changes to accounting policies applied for the year ended 31 December 2016 was the early adoption of Financial Reporting Standard 109 on “Financial Instruments”. After extensive discussions, the AC was satisfied with the measurement and disclosure of the related financial instruments in the Group’s accounts in all material aspects. The AC also discussed with the external auditor all significant matters noted during their audit from their report to the AC. The valuation of financial assets was the key audit matter highlighted by the auditor in its audit report. Following the review and discussions, the AC recommended to the Board to approve the full year financial statements.

In reviewing non-audit services, the AC was satisfied that amount of non-audit services provided by the external auditor was not material and would not impair the independence of the external auditor. The AC has confirmed that the Company has complied with Rule 712 and Rule 715/716 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) which set out the requirements on the appointment of the auditor. The AC has recommended to the Board the re-appointment of PricewaterhouseCoopers LLP as the Group’s auditor for the ensuing year. The aggregate amount of fees paid/payable to PricewaterhouseCoopers LLP for FY 2016 was \$337,000. The breakdown of fees paid/payable for audit and non-audit services were \$326,000 and \$11,000 respectively. The AC has reviewed and is satisfied with the independence and objectivity of the external auditor.

The AC members are continuously updated by management and the auditors (both internal and external) on changes to accounting standards and issues which have a direct impact on financial statements, compliance with legislation and accounting-related matters.

Code of Conduct and Whistle-Blowing Policy

The Group has in place a Code of Conduct that sets out the business practices, procedures and ethical conduct expected of all employees in their course of employment and in dealings with customers, suppliers and consultants. The Code of Conduct is sent to all employees and newly hired employees have a separate briefing on it.

In line with the Code of Conduct, the Group has in place a whistle-blowing policy and process under which employees and external parties may report to the AC any improprieties or suspected wrong-doing by management or other staff without fear of reprisal. All reports received are accorded confidentiality and independently investigated by the whistle-blowing unit, comprising the Group Human Resource Manager and Group Internal Audit Manager. Details of the whistle-blowing policy are posted on the Company’s intranet. New employees are briefed on the policy during their orientation. Existing employees are reminded of the policy from time-to-time in order to raise awareness of the availability of the channel for such reporting.

Internal Audit

The Company has an internal audit (“IA”) department which is staffed with professionally qualified personnel. The Group Internal Audit Manager, who has close to 3 decades of internal audit experience within the Group, reports directly to the Chairman of the AC on audit matters and to the CEO on administrative matters. The appointment, removal, evaluation of performance and compensation of the Group Internal Audit Manager rests with the AC.

The IA function follows the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA adopts an Internal Audit Charter that is reviewed annually and has strict procedures in reporting its audit findings to the management and the AC.

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The role of the IA function is to render support to the AC in ensuring that the Group maintains a sound system of internal controls by performing regular monitoring and testing of key controls and procedures, reviewing operational and financial activities and undertaking investigations as requested by the AC.

The IA department submits its internal audit plan to the AC for approval at the beginning of each year. IA reviews are carried out on all significant business units in the Group and a summary of findings and recommendations is discussed during each AC meeting. The IA has unfettered access to the AC and to all documents, records, properties and personnel for the purposes of its audit. The AC is of the view that the IA function is adequately resourced and staffed with persons with the relevant qualifications and experience and has appropriate standing within the Company.

Shareholders Rights and Communication with Shareholders

The Group is guided by an investor relations policy that aims to promote regular, effective and fair communication with shareholders. Communication of relevant announcements of the Group is generally made through annual reports, press releases, SGXNET announcements and its corporate website at www.hawpar.com. The Company's Annual Report is sent in a CD-ROM to all shareholders and posted on the Group's website. Hard copies of the Annual Report are available on request.

A dedicated communications channel with the Investor Relations Department is available to shareholders and can be reached via email at investorrelations@hawpar.com. The Investor Relations Department is required to respond to shareholders' queries in a timely and effective manner. When matters requiring shareholders' meetings are to be held, notices are published in newspapers and reports or circulars are sent in a timely manner to all shareholders. Shareholders will be informed of the rules, including voting procedures, which govern the shareholders' meetings. Resolutions of all general meetings of shareholders are conducted by electronic poll. The results of the votes for all resolutions taken during AGM and general meetings of shareholders are validated by independent scrutineers and are broadcast at the AGM. The results are also announced on the SGXNET after the meeting. The meetings' minutes with substantial and relevant comments are available to shareholders at the registered office upon request within reasonable time after each general meeting.

The Company holds regular meetings with research analysts, fund managers and institutional investors to solicit and understand the views of shareholders, review the Company's performance and provide investors with a better understanding of the Group's businesses.

Conduct of Shareholder Meetings

The Company ensures that shareholders are given the opportunity to participate effectively in and vote at general meeting. The Company encourages the attendance of shareholders at general meetings, which are always held at a central location in Singapore. At such general meetings, shareholders are invited to raise questions on any matter that needs clarification. The notices of general meetings setting out the agenda are despatched to shareholders with the annual reports, and if necessary, letters to shareholders on the item of special business, at least 14 days before the general meetings are called to pass ordinary resolutions or 21 days before the general meetings are called to pass special resolutions. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. Chairman and the other Directors (in particular, the chairpersons of the AC, NC and RC) as well as the external auditor are present at general meetings to address queries from shareholders on matters affecting the Group and the conduct of external audit. The Company Secretary is present to ensure that procedures under the Constitution and the Listing Manual of the SGX-ST are followed. Key management personnel are also present at such general meetings to respond to queries from shareholders.

CORPORATE GOVERNANCE REPORT

The reception after each general meeting of shareholders provides an opportunity for shareholders to informally communicate their views and expectations to the Company's representatives.

Separate resolutions on each issue are tabled at such general meetings. A registered shareholder who is unable to attend the general meetings can appoint up to 2 proxies to attend, participate and vote in the general meetings on his behalf. The Company allows corporations which provide nominee or custodial services and the Central Provident Fund Board to appoint more than 2 proxies so that shareholders who hold shares through such corporations and the Central Provident Fund Board can attend, participate and vote in general meetings as proxies, in accordance with the provisions of the Constitution.

The Company does not have a formal dividend policy. For more than 30 years the Company has maintained sustainable dividend payments with an upward trend. In certain years, such as in 2016, the Company also paid special dividends.

OTHER GOVERNANCE PRACTICES

Investment Committee

The Investment Committee ("IC") is headed by the Chairman of the Board and comprises two Executive Directors and the CFO. The IC meets bi-monthly to review the performance of the Group's investments, funding requirements, key financial risks and strategic issues of each operating unit.

Interested Person Transactions

Management reports all interested person transactions to the AC. The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Listing Manual of the SGX-ST with regard to interested person transactions. During the year, there were no interested person transactions entered into by the Company and any Director that require disclosure under the SGX-ST listing rules.

Material Contracts

Except as disclosed in the financial statements, there were no other material contracts entered into by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholder of the Company.

Dealings in Securities

The Group adopts best practices with respect to dealings in securities set out in Rule 1207(19) of the Listing Manual of the SGX-ST. It has a policy which prohibits its officers from dealing in the securities of the Company during the period commencing two weeks before the announcement of the financial results for each of the first three quarters and one month before the announcement of the full-year results. The Company Secretary issues guidelines periodically to Directors and employees to remind them of the prohibitions in dealing with the Company's securities on short-term considerations or while in possession of material unpublished price-sensitive information, and to comply with the insider trading laws at all times.