



**HAW PAR  
CORPORATION  
LIMITED**

ANNUAL REPORT 2018

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## Corporate Profile

**H**aw Par Corporation Limited, a Singapore grown multinational Group, is listed on the Singapore Exchange since 1969.

**The Haw Par Group is an enterprise with a strong consumer healthcare business that promotes healthy lifestyles through its healthcare products.**

Haw Par Corporation Limited, a Singapore-grown multinational Group, is listed on the Singapore Exchange since 1969. Over the decades, the Group has been disciplined in asset rationalisation, organically growing its core businesses, and making selected acquisitions.

Today, the Haw Par Group is an enterprise with a strong consumer healthcare business that promotes healthy lifestyles through its healthcare products. The largest contributor to the healthcare business comes from a brand that it owns – Tiger Balm. With a wide range of products available

in over 100 countries, Tiger Balm is arguably the world's leading and most versatile topical analgesic brand. Besides the consumer healthcare business, the Group also engages in the leisure business and holds significant investments in securities and properties.

Leveraging on its financial strength and global business network, the Group is well placed in its strategic direction to further expand its portfolio of operating businesses and drive growth through alliances with multinational partners and acquisitions of complementary brands and compelling business platforms.



## Chairman's Statement



2018 was another good year for the Group with profit after tax increasing by 46% to \$179.1 million. Improved operating profits and higher dividend income from our strategic investments contributed to the better performance. The Group's balance sheet remains robust although our investments continue to be impacted by the volatile equity markets.

The Group's revenue grew 7% from \$222.8 million to \$237.8 million, mainly fueled by higher demand for our Healthcare products. Healthcare's profit increased 13% from \$68.6 million to \$77.3 million on the back of higher revenue. Special and higher dividend income of \$97.8 million was 64% higher than last year's.

### Highlights of Operations

Tiger Balm's range of products continued to be well received by

“  
**The Group's revenue grew 7% from \$222.8 million to \$237.8 million, mainly fueled by higher demand for our Healthcare products.**  
 ”

consumers around the world. The brand equity built over generations helped to grow the consumer

franchise. New product extensions have gained increasing popularity while the classic Tiger Balm ointment continued to be a treasured remedy for families. Rising affluence and increasing frequent leisure travellers contributed to the demand for trusted Tiger Balm products known for safety and quality.

Leisure's Underwater World Pattaya revenue improved with more visitors from foreign markets. The aquarium is home to an array of marine life and a key attraction in the city.

On the property front, rentals of office space remained relatively stable and supported the Group's bottom line.

### Dividend

The Board has recommended a final dividend of 15 cents per share. Together with the interim dividend of

15 cents paid in September, the total dividend per share for the financial year ended 31 December 2018 is 30 cents per share (2017: 20 cents per share). In addition, the Board has recommended a one-time payment of a special dividend of 85 cents per share as the Group celebrates its 50<sup>th</sup> Anniversary in 2019.

### Business Outlook and Strategy

Global economies continue to be embroiled in trade tensions. With escalating trade protectionism and uncertainties, business sentiments could deteriorate and impact consumer spending.

Healthcare's margins may come under pressure if prices of raw materials increase further with more regulations over environmental concerns. To partially offset the impact, we will continue to invest in automation to increase productivity and control costs through economies of scale. We are also looking to widen our consumer base by extending distribution channels and expanding product lines in selected markets.

Underwater World Pattaya will need to continuously renew itself to enhance visitor experience as competition stiffens.

PROFIT  
AFTER TAX  
**\$179.1**  
MILLION

TURNOVER  
**\$237.8**  
MILLION

it went through, I am heartened that the Company has withstood the test of time. With the support of our stakeholders, I am confident the Company will go forth with greater resilience and resolve.

I thank my trusted Board members for their counsel and guidance and would like to extend my warmest welcome to Mr Chew Choon Soo who joined us in February 2019. On behalf of the Board, I would like to express my appreciation to all business partners and shareholders for your continued support. To our team of management and staff, thank you for your dedication and commitment as we progress beyond this 50<sup>th</sup> milestone.

**WEE CHO YAW**  
*Chairman*

Seeking new business opportunities and acquisitions remains our strategic priority. We keep an open mind for suitable opportunities that may arise in the midst of volatility. Over the years, the Group has maintained a strong balance sheet and steadily grown its cash position through disciplined investment and cost management. This robust foundation will put us in an ideal position to seize growth opportunities that may surface.

### Acknowledgement

The Company celebrates its 50<sup>th</sup> anniversary in 2019. As I reflect on both the turbulent and jubilant times

## 主席致辞



2018年是集团又一个创收年，税后利润增长46%，达1亿7910万元。较高的营运盈利和源自策略性投资的股息收入，提升了集团业绩。尽管我们的投资组合继续受到全球股市波动不定的影响，但集团的资产负债状况强健持稳。

集团的收入从2亿2280万元增长至2亿3780万元，增长7%，乃拜我们的保健产品的市场需求增加所赐。由于收入增加，保健业务的盈利从6860万元增加至7730万元，增长13%。此外，特别及更高的股息收入达9780万元，与去年同比高出64%。

### 营运重点摘要

虎标品牌产品系列继续受到全球消费者的欢迎。数代人打造的品牌资

集团的收入  
从2亿2280万元  
增长至  
2亿3780万元，  
增长7%，乃拜  
我们的保健产  
品的市场需求  
增加所赐。



产，力助扩大品牌消费群。延伸的新产品日趋受青睐，而经典的虎标

万金油延续扮演“居家必备良药”的角色。更为富裕和各地递增的休闲游客量更是提升了对安全可靠、品质优良并值得信赖的虎标产品的需求。

休闲业务方面，芭堤雅海底世界的收益随着更多外国游客的到来而呈增长。水族馆是众多海洋生物的家，也是该市的主要景点。

在物业业务方面，楼盘租金保持相对稳定，有助于支撑集团的总盈利。

### 股息

董事局建议派发年终股息每股15分。加上9月派发的中期股息每股15分，截至2018年12月31日财年的每股总计股息为30分（2017年：每股

20分）。此外，为庆祝集团于2019年成立50周年，董事局建议一次性派发每股85分的特别股息。

### 业务展望及策略

全球经济继续陷入国际贸易关系紧张局势。随着贸易保护主义和不确定性的加剧，商业情绪可能随之恶化进而影响消费者支出。

原材料价格若因对环境问题的监管力度加大而进一步上涨，保健业务的利润率可能面临压力。为了部分抵消影响，我们将继续投资于生产线自动化提高生产力，并透过规模经济控制成本。我们也希望通过扩大分销渠道和特定市场的产品线来扩大我们的消费群。

随着竞争的加剧，芭堤雅海底世界需不断自我更新，以优化游客体验。

寻求新的商业和收购机会仍然是我们的策略重点。我们对市场波动中可能衍生的适当商机保持开放心态。多年来，集团一直维持坚稳的

除税后盈利

1亿 7910 万元

营业额

2亿 3780 万元

我在此感谢我们深值信任的董事局成员的建议和指导，并向于2019年2月加入董事局的周俊式先生表示热烈的欢迎。本人谨此代表董事局感谢商业伙伴和股东对集团的持续支持。值此迈向50周年里程碑之际，本人也对付出忠诚奉献和不懈努力的管理层和全体员工致以谢意。

黄祖耀  
主席

资产负债状况，并通过严谨的投资和成本管理使现金状况稳步增长。这一坚实的基础使我们处于一个能把握成长机会的理想位置。

### 致谢

公司于2019年庆祝成立50周年。回顾公司历经的动荡与欢腾时刻，让我倍感欣慰的是公司经受住了时间的考验。在我们的股东的支持下，我相信公司将以更大的坚韧性和决心继续迈进。

## Board of Directors



### WEE CHO YAW

Chairman

Non-Executive and Non-Independent  
First appointed as a Director: 31 October 1975  
Last re-appointed as a Director: 29 April 2016

Dr Wee Cho Yaw, 90, was appointed Chairman of the Company since 1978.

A banker with more than 60 years' experience, Dr Wee is a veteran in the banking, insurance, real estate and hospitality industries. He received many accolades for his business achievements and support of education, community welfare and the business community.

#### Board Committee(s) served on:

- Investment Committee (Chairman)
- Remuneration Committee (Member)
- Nominating Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

- United Overseas Insurance Limited (Chairman)
- UOL Group Limited (Chairman)
- United Industrial Corporation Limited (Chairman)

#### Other Principal Commitments:

- United Overseas Bank Limited (Chairman Emeritus and Honorary Adviser)
- Pan Pacific Hotels Group Limited (Chairman)
- Marina Centre Holdings Private Limited (Chairman)
- Nanyang Technological University (Pro-chancellor)
- Singapore Federation of Chinese Clan Associations (Honorary President)
- Singapore Hokkien Huay Kuan (Honorary President)
- Singapore Chinese Chamber of Commerce & Industry (Honorary President)
- Wee Foundation (Chairman)
- Chung Cheng High School (Chairman)

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- Far Eastern Bank Limited (till May 2018)
- United Overseas Bank Limited (till April 2018)
- Singapore Land Limited (till October 2014)

#### Professional Qualifications & Achievements:

- Chinese high school education
- Legacy Award for Singapore, ASEAN Business Advisory Council (2017)
- Honorary Doctor of Letters, Nanyang Technological University (2014)
- The Distinguished Service Order, Singapore (2011)
- The Asian Banker Lifetime Achievement Award (2009)
- Honorary Doctor of Letters, National University of Singapore (2008)
- Credit Suisse-Ernst & Young Lifetime Achievement Award (2006)
- Businessman of the Year, Singapore Business Awards (2001 and 1990)

## Board of Directors



### WEE EE-CHAO

Deputy Chairman  
Non-Executive and Non-Independent  
First appointed as a Director: 8 July 2003  
Last re-elected as a Director: 27 April 2017



### WEE EE LIM

President & CEO  
Executive and Non-Independent Director  
First appointed as a Director: 23 March 1994  
Last re-elected as a Director: 24 April 2018



### SAT PAL KHATTAR

Non-Executive and Independent Director  
First appointed as a Director: 1 January 1977  
Last re-appointed as a Director: 29 April 2016



### HWANG SOO JIN

Non-Executive and Independent Director  
First appointed as a Director: 28 October 1986  
Last re-appointed as a Director: 29 April 2016

Mr Wee Ee-chao, 64, is the Deputy Chairman of the Company.

Mr Wee is the Chairman and Managing Director of UOB-Kay Hian Holdings Limited and also manages Kheng Leong Company (Private) Limited which is involved in real estate development and investments.

#### Board Committee(s) served on:

Nil

#### Present Directorships in other listed companies (as at 31 December 2018):

- UOB-Kay Hian Holdings Limited (Chairman and Managing Director)
- UOL Group Limited (Director)

#### Other Major Appointments/Principal Commitments:

- Kheng Leong Company (Private) Limited
- Wee Foundation (Director)

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- UOB Kay Hian Securities (Thailand) Public Co Limited (listed on the Stock Exchange of Thailand) (till April 2016)

#### Professional Qualifications:

- Bachelor of Business Administration degree from The American University, Washington DC, USA

Mr Wee Ee Lim, 57, is the President & CEO of the Company. He is closely involved in the management and growth of Haw Par group of companies for more than 30 years.

#### Board Committee(s) served on:

- Investment Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

- UOL Group Limited (Deputy Chairman)
- United Industrial Corporation Limited (Director)
- United Overseas Bank Limited (Director)

#### Other Major Appointments/Principal Commitments:

- Wee Foundation (Director)

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- Singapore Land Limited (till August 2014)
- Hua Han Health Industry Holdings Limited (till July 2015)

#### Professional Qualifications:

- Bachelor of Arts (Economics) degree from Clark University, USA

Mr Sat Pal Khattar, 76, is a Non-Executive and Independent Director of the Company. He is the Chairman and Director of Khattar Holdings Pte Ltd group of companies which is principally engaged in investments.

#### Board Committee(s) served on:

- Remuneration Committee (Chairman)
- Nominating Committee (Chairman)

#### Present Directorships in other listed companies (as at 31 December 2018):

Nil

#### Other Major Appointments/Principal Commitments:

Nil

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

Nil

#### Professional Qualifications & Achievements:

- LLB degree and LLB (Hons) degree from the University of Singapore
- Padma Shri (2011) (India)
- SICCI-DBS Singapore-India Business Award (2009)

Mr Hwang Soo Jin, 83, is a Non-Executive and Independent Director of the Company. He is a veteran insurer, with more than 50 years of experience in the industry.

He was a Director of a number of other public listed companies previously.

#### Board Committee(s) served on:

- Remuneration Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

- Singapore Reinsurance Corporation Ltd (Chairman Emeritus, Director & Senior Adviser)
- United Industrial Corporation Limited (Director)
- United Overseas Insurance Limited (Director)

#### Other Major Appointments/Principal Commitments:

Nil

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- Singapore Land Limited (till August 2014)

#### Professional Qualifications & Achievements:

- Chartered Insurer of the Chartered Insurance Institute UK
- Honorary Fellow of the Singapore Insurance Institute
- Lifetime Achievements Award (Asia Insurance Industry Award) (2013)

## Board of Directors



### LEE SUAN YEW

Non-Executive and Independent Director  
First appointed as a Director: 18 December 1995  
Last re-appointed as a Director: 29 April 2016



### CHEW KIA NGEЕ

Non-Executive and Independent Director  
First appointed as a Director: 11 May 2011  
Last re-elected as a Director: 24 April 2018



### PETER SIM SWEE YAM

Non-Executive and Independent Director  
First appointed as a Director: 11 May 2011  
Last re-elected as a Director: 24 April 2018



### GN HIANG MENG

Non-Executive and Independent Director  
First appointed as a Director: 13 August 2014  
Last re-elected as a Director: 27 April 2017

Dr Lee Suan Yew, 85, is a Non-Executive and Independent Director of the Company. He is a medical practitioner with over 50 years' experience.

Dr Lee was appointed Justice of the Peace from 1998-2008 and President of the Singapore Medical Council for 4 years (2000-2004). He was also Chairman of the Singapore National Medical Ethics Committee (2007 and 2008).

#### Board Committee(s) served on:

- Nominating Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

Nil

#### Other Major Appointments/Principal Commitments:

Nil

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- K1 Ventures Limited (till February 2018)

#### Professional Qualifications & Achievements:

- MBBS Chir. Degree from the University of Cambridge
- MRCP and FRCP from the Royal College of Physicians, Glasgow
- Public Service Star (Bar) (2002)
- Public Service Star (1991)

Dr Chew Kia Ngee, 73, is a Non-Executive and Independent Director of the Company. He is a Chartered Accountant with about 40 years' experience in the public accounting profession.

#### Board Committee(s) served on:

- Audit and Risk Committee (Chairman)

#### Present Directorships in other listed companies (as at 31 December 2018):

Nil

#### Other Major Appointments/Principal Commitments:

- Singapore Eye Foundation (Board Member)
- Kong Meng San Phor Kark See Monastery Audit Committee (Member)
- Miclyn Express Offshore Ltd (Board Member)

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- Ausgroup Ltd (till November 2014)

#### Professional Qualifications:

- Bachelor of Economics (Honours) degree from the University of Malaya
- Master of Commerce from the University of Melbourne
- PhD in Business and Management from the University of South Australia
- Fellow of Institute of Chartered Accountants in Australia
- Fellow of CPA Australia
- Fellow of Institute of Singapore Chartered Accountants

Mr Peter Sim Swee Yam, 63, is a Non-Executive and Independent Director of the Company. He is a practising lawyer and Director of Sim Law Practice LLC and has more than 30 years of legal practice.

#### Board Committee(s) served on:

- Audit and Risk Committee (Member)
- Nominating Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

- Lum Chang Holdings Ltd (Independent Director)
- Marco Polo Marine Ltd (Independent Director)
- Mun Siong Engineering Ltd (Independent Director)
- Singapore Reinsurance Corporation Ltd (Independent Director)

#### Other Major Appointments/Principal Commitments:

- Singapore Heart Foundation (Board Member)

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

- Young Men's Christian Association (YMCA) of Singapore (till May 2016)
- Latitude Tree International Group Ltd (till January 2014)

#### Professional Qualifications & Achievements:

- Degree in Law from the National University of Singapore
- Bintang Bakti Masyarakat (2008)
- Pingat Bakti Masyarakat (2000)

Mr Gn Hiang Meng, 70, is a Non-Executive and Independent Director of the Company. Mr Gn has more than 30 years of investment banking and hospitality industry experience. He was a senior banker with the United Overseas Bank Group for 28 years and was the Deputy President of UOL Group prior to his retirement in 2007.

#### Board Committee(s) served on:

- Audit and Risk Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

- Centurion Corporation Limited (Non-Executive and Independent Director)
- Koh Brothers Group Limited (Non-Executive and Independent Director)
- TEE International Limited (Non-Executive and Independent Director)
- SingHaiyi Group Limited (Non-Executive and Independent Director)

#### Other Major Appointments/Principal Commitments:

Nil

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

Nil

#### Professional Qualifications:

- Bachelor of Business Administration (Honours) degree from the National University of Singapore

## Board of Directors



### CHEW CHOON SOO

Non-Executive and Independent Director  
First appointed as a Director: 28 February 2019



### HAN AH KUAN

Executive and Non-Independent Director  
First appointed as a Director: 28 January 2005  
Last re-elected as a Director: 27 April 2017

Mr Chew Choon Soo, 61, is a Non-Executive and Independent Director of the Company. He has more than 23 years of senior executive search experience and has served in various senior management and committee roles. He is currently engaged in human capital advisory, focusing mainly on the healthcare industry in China.

#### Board Committee(s) served on:

- Remuneration Committee (Member) (with effect from 28 February 2019)

#### Present Directorships in other listed companies (as at 31 December 2018):

KS Energy Ltd

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

Nil

#### Professional Qualifications:

- BSc (Hons) in Economics and Accounting from Bristol University UK.
- MBA from Wharton School of the University of Pennsylvania.

Mr Han Ah Kuan, 70, is an Executive Director of the Company. He joined the Group in 1991 as the General Manager of Haw Par Healthcare Limited.

#### Board Committee(s) served on:

- Investment Committee (Member)

#### Present Directorships in other listed companies (as at 31 December 2018):

Nil

#### Past Directorships in Listed Companies and Principal Commitments held over the preceding five years (1 January 2014 to 31 December 2018):

Nil

#### Professional Qualifications:

- Bachelor of Business Administration (Honours) degree from the University of Singapore

## Corporate Information

### DIRECTORS

#### Wee Cho Yaw

Chairman (Non-Executive)

#### Wee Ee-chao

Deputy Chairman (Non-Executive)

#### Wee Ee Lim

President & Chief Executive Officer

#### Sat Pal Khattar

Independent Director

#### Hwang Soo Jin

Independent Director

#### Lee Suan Yew

Independent Director

#### Chew Kia Ngee

Independent Director

#### Peter Sim Swee Yam

Independent Director

#### Gn Hiang Meng

Independent Director

#### Chew Choon Soo

Independent Director

#### Han Ah Kuan

Executive Director

### AUDIT AND RISK COMMITTEE

#### Chew Kia Ngee

Chairman

#### Peter Sim Swee Yam

#### Gn Hiang Meng

### INVESTMENT COMMITTEE

#### Wee Cho Yaw

Chairman

#### Wee Ee Lim

#### Han Ah Kuan

#### Paul Chow

### NOMINATING COMMITTEE

#### Sat Pal Khattar

Chairman

#### Wee Cho Yaw

#### Lee Suan Yew

#### Peter Sim Swee Yam

### REMUNERATION COMMITTEE

#### Sat Pal Khattar

Chairman

#### Wee Cho Yaw

#### Hwang Soo Jin

#### Chew Choon Soo

### COMPANY SECRETARY

#### Lee Kay Swee

### AUDITORS

#### PRICEWATERHOUSECOOPERS LLP

#### Yeoh Oon Jin (2018)

Audit Partner-in-charge

### REGISTRAR

#### BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD

50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623  
Tel : 6536 5355  
Fax : 6536 1360

### REGISTERED OFFICE

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598  
Tel : 6337 9102  
Fax : 6336 9232  
Website : www.hawpar.com  
Reg. No : 196900437M

### INVESTOR RELATIONS

Email: InvestorRelations@hawpar.com



## Key & Senior Executives

### TARN SIEN HAO

#### Group General Manager

Joined the Group in 2001 as Deputy General Manager (Corporate Development) and was promoted to the position of General Manager (Corporate Development) in 2005 and General Manager (Corporate Development and Property Division) in 2010. Appointed to present position in 2012.

Holds a Master of Business Administration from the University of Dubuque.

### PAUL CHOW

#### Group Financial Controller

Joined the Group in 2000 as Senior Investment Officer and promoted to present position in 2019.

Holds a Degree in Business Administration from National University of Singapore (NUS). A CFA charter holder.

### SHIU SIEW LENG

#### Group Internal Audit Manager

Joined the Group in 1991 as Internal Auditor and promoted to Assistant Internal Audit Manager in 2003 and Internal Audit Manager in 2008. Promoted to present position in 2012.

Holds a Bachelor's Degree in Accountancy from the National University of Singapore. A member of the Institute of Singapore Chartered Accountants.

### LEE KAY SWEE

#### Legal Counsel & Company Secretary

Joined the Group in 2014 as Legal Counsel and appointed to present position in 2019.

Holds a Degree in Law (Honours) from the University of Nottingham, UK and a Degree in Arts (Economics) from National University of Singapore (NUS).

### EDWIN CHIA

#### Human Resource Director

Joined the Group in 2017 as Human Resource Director.

Holds a Bachelor of Science (2<sup>nd</sup> Upper Class) from the National University of Singapore (NUS) as well as a Graduate Diploma in Personnel Management from the Singapore Institute of Management (SIM).

### JASMIN HONG

#### General Manager (Marketing), Healthcare

Joined Haw Par Healthcare in 2004 as Deputy General Manager (Marketing). Promoted to present position in 2014.

Holds a Bachelor of Commerce degree from the University of Melbourne.

### KEETH CHUA

#### General Manager (Marketing), Healthcare

Joined Haw Par Healthcare in 2011 as Deputy General Manager (Marketing). Promoted to present position in 2019.

Holds a Bachelor of Business in Business Administration from the Royal Melbourne Institute of Technology.

### GOH BEE LEONG

#### General Manager (Manufacturing), Healthcare

Joined Haw Par Healthcare in 1977 as Quality Control Pharmacist. Promoted to present position in 2006.

Holds a Bachelor of Science (Pharmacy) from the University of Singapore.

### KOW MUI LICK

#### Senior Manager (Quality & Regulatory Affairs), Healthcare

Joined Haw Par Healthcare in 1991 as QC/Laboratory Manager and promoted to Senior Manager (QC & QA) in 2007. Appointed to present position in 2011.

Holds a Bachelor of Science (Chemistry) from the University of Singapore.

### NG WAHTONG

#### Deputy General Manager (Manufacturing), Healthcare

Joined Haw Par Healthcare in 2009 as Production Manager, promoted to Manufacturing Manager in 2012. Promoted to present position in 2013.

Holds a Bachelor of Science (Pharmacy) from the National University of Singapore.

### KELVIN WHANG

#### General Manager, Underwater World Pattaya

Joined Underwater World Pattaya in 2008 as Marketing Manager. Promoted to present position in 2011.

Attended college education at Dominion College, Ontario.

## Group Financial Highlights

### REVENUE

**\$237.8**  
MILLION

### PROFIT FROM OPERATIONS AND INVESTMENTS

**\$192.3**  
MILLION

### PROFIT AFTER TAX

**\$179.1**  
MILLION

### SHAREHOLDERS' FUNDS

**\$2.9**  
BILLION

### RETURN ON EQUITY

**6.1%**

### TOTAL ASSETS

**\$3.0**  
BILLION

## Group Financial Highlights

### Financial Highlights

Group turnover increased 7% from \$222.8 million to \$237.8 million as a result of better performance at Healthcare. As cost of sales increased 11% to \$92.1 million, due mainly to higher cost of raw materials, gross margin was reduced from 63% to 61%. Nonetheless, profit before tax of \$192.3 million was 39% higher than last year due mainly to higher profit from operations and investment income. Earnings for the year of \$179.1 million is 46% higher than prior year's earnings.

Against last year, Healthcare recorded an 8% increase in revenue to \$216.9 million and 13% increase in profits to \$77.3 million. Growth in sales was mainly driven by higher sales volume in key markets. Revenue from Property and Leisure segments decreased slightly by 1% due to lower occupancy at Property segment, partially offset by increase in revenue at Underwater World Pattaya from the increase in visitorship. Consequently, profit from Property and Leisure segments was stable at around \$12.3m.

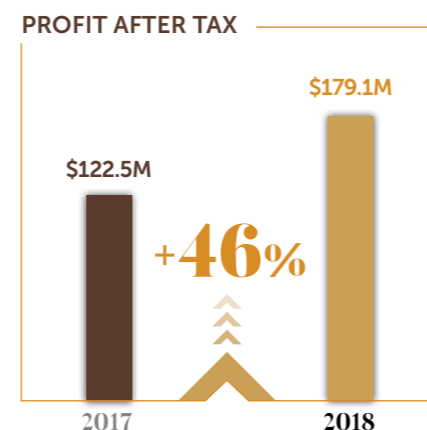
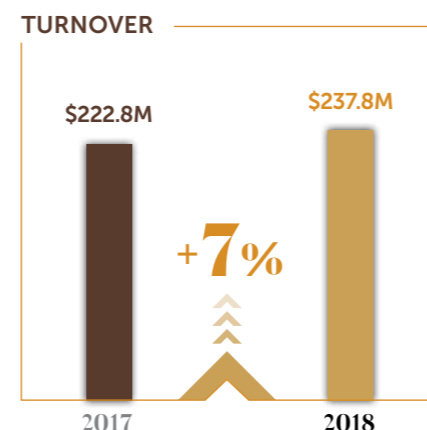
### Financial Position

Shareholders' funds decreased to \$2,928 million (2017: \$3,078 million) due mainly to lower market valuations of the Group's strategic investments.

The Group ended the financial year with net cash balances of \$519.4 million (2017: \$400.6 million) due mainly to cash from operating activities of \$69.5 million and cash from investing activities of \$120.4 million, reduced by repayment of borrowings and higher dividend amount paid to shareholders during the year of \$55.2 million (2017: \$44.0 million).

### Dividend

The Board of Directors are recommending a final dividend of 15 cents per share and special dividend of 85 cents per share to commemorate the Group's 50<sup>th</sup> Anniversary to be approved by shareholders at the coming Annual General Meeting. Together with the interim dividend of 15 cents paid in September 2018, the total dividend per share for the financial year ended 31 December 2018 is 115 cents per share (2017: 20 cents per share).



## Financial Calendar

**10  
MAY  
2018**

Announcement of 2018  
1<sup>st</sup> quarter results

**13  
AUGUST  
2018**

Announcement of 2018  
2<sup>nd</sup> quarter results

**7  
SEPTEMBER  
2018**

Payment of 2018 First &  
Interim dividend

**9  
NOVEMBER  
2018**

Announcement of 2018  
3<sup>rd</sup> quarter results

**27  
FEBRUARY  
2019**

Announcement of 2018  
full-year audited results

**28  
MARCH  
2019**

Announcement of  
Notice of Annual  
General Meeting

**18  
APRIL  
2019**

50<sup>th</sup> Annual General  
Meeting

**6  
MAY  
2019**

Proposed books closure  
date for dividend  
entitlement

**15  
MAY  
2019**

Proposed payment of  
2018 Second & Final  
dividend and Special  
dividend

# HEALTHCARE Operations Review

## Another Year of Steady Growth

In 2018, we saw a continued upward sales trend for Tiger Balm in various markets in ASEAN, including the Indochina region and Europe. Our strategy of investing in the growth of new products is working. Our core European markets achieved good development across the product range with Tiger Balm Neck & Shoulder Rub gaining traction. In key ASEAN markets, Tiger Balm Plaster continues to outperform our main competitors. The support from the expanding tourist market also contributed to our results.



## New Products — Offering A Wider Spectrum of Consumer Appeals

Building on effective partnerships and networks with our various local business partners, we made successful inroads into new retail channels, increased store penetration and enhanced shelf visibility. Top line growth was accompanied by an improvement in net earnings.

We have been working closely with Enterprise Singapore in the automation of our production facilities thereby increasing the capacity to meet our growing needs.



1. United Arab Emirates: the new Tiger Balm Oil received positive consumer response.
2. India: endorsement by e-Sports Gamer Balaji Ramnarayan as well as VJ and Actress Anusha Dandekar for the launch of Tiger Balm Neck & Shoulder Rub.
3. Korea: Tiger Balm Neck & Shoulder Cream launched with online and on ground campaigns to educate consumers.
- 4-6. Hong Kong, USA and Malaysia: Tiger Balm ACTIVE campaigns targeted the fitness conscious. The USA campaign was fronted by world class athletes such as record-breaking rock climber Sasha Digiulian. Sponsorship of high profile sports events including the Hong Kong Dragon Boat Carnival and The Music Run in Malaysia provided sampling opportunities.

## Wider And Deeper Distribution — Increasing Availability To Consumers

...We continue to work with our proven strategies of introducing more new products...



- 7, 11. Tapping into growing tourism markets through the availability of Tiger Balm range at tourist hubs in Thailand and Singapore.
- 8-10. Tiger Balm Neck & Shoulder Cream available online and in store in Korea, and window display in Germany

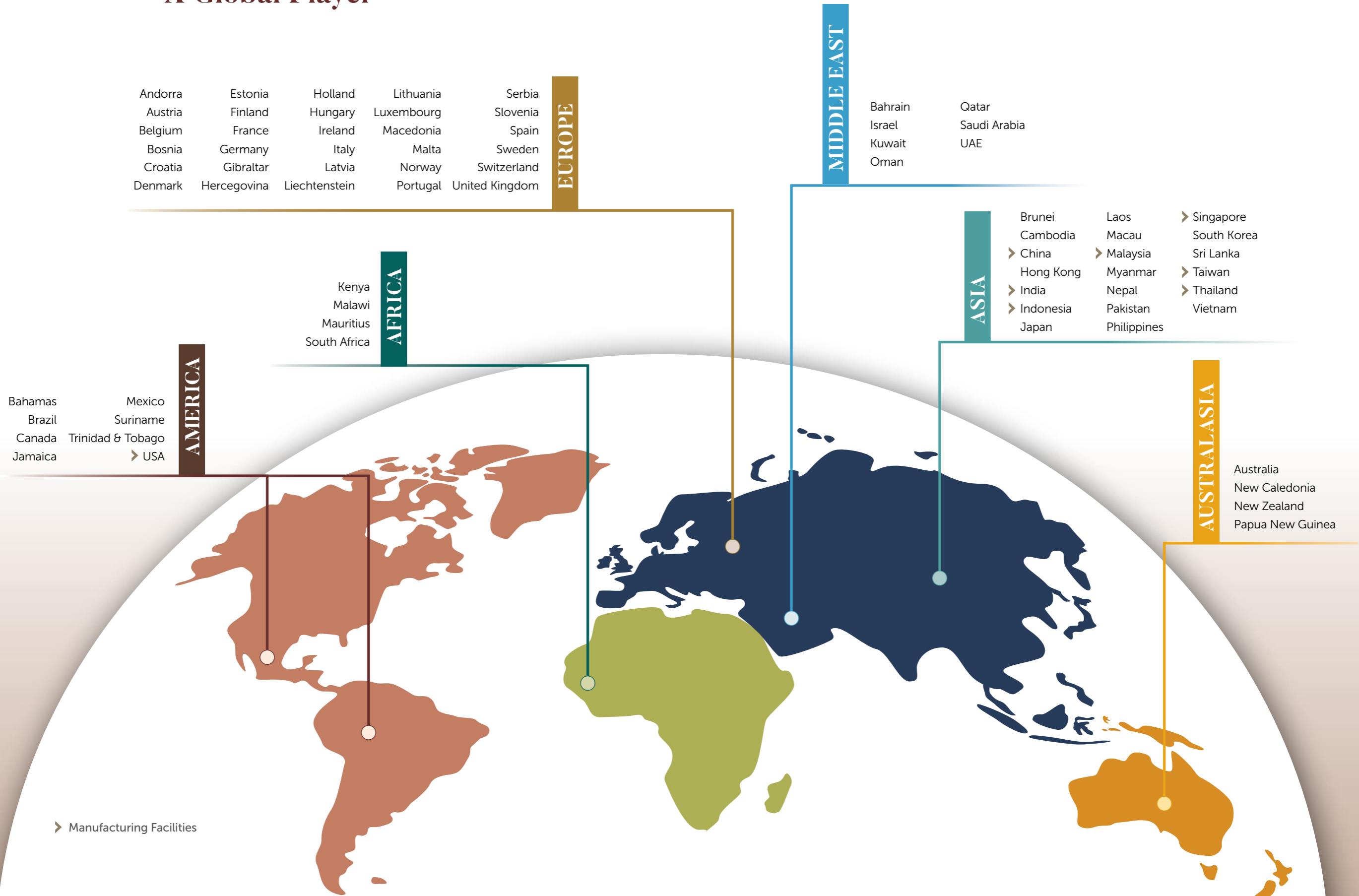


## Challenges & Opportunities

Certain markets experienced a difficult 2018. Our Middle East market faced geopolitical tensions and a weak economy. Unfortunately, we do not expect this situation to improve in the coming year. Trade tensions between USA and China, slowing of China's economy, political crisis in Germany, Brexit and the social unrest in France adds uncertainty to our businesses.

In 2019, we continue to work with our proven strategies of introducing more new products into existing markets whilst sustaining our current product portfolio's growth.

# TIGER BALM A Global Player



# THE TIGER BALM Community



1



4



5



6



7



2



8



9



3

**4,6-8. Team Tiger Balm**  
New Tiger Balm Ambassadors in 2018 include professional scooter rider Jon Reyes (USA), kitesurfer Markus Robert (Sweden) and Skyfitness gym trainers (Hong Kong). Others have been inspired to be a part of Tiger Balm such as model and rapper Don Benjamin (USA).

**2. Tiger Balm Family**  
Distributors from 36 markets participated in the biennial Tiger Balm International Marketing Conference held in Beijing, China, in April 2018.

**1,3. Outreach to promote active living**  
Tiger Balm supported active living through sponsorship of sporting events such as Stockholm Swimrun (Sweden) and City2Surf run (Australia).

**5,9. Tiger Balm Signature Events**  
Tiger Balm Trail Marathons (Thailand) and the Tiger Balsam Training Camp (Sweden) gained following among sports enthusiasts and helped bring communities together.

# INVESTMENT & PROPERTY Operations Review

The Group has substantial investments that are managed under the guidance of the Investment Committee. These strategic assets have provided the Group with a stable source of recurring dividend income and financial strength over the years.

## The Key Investments in the Group Include:

|   | No. of Shares |            | Fair Value |           | Gross Investment Income |        |
|---|---------------|------------|------------|-----------|-------------------------|--------|
|   | 2018          | 2017       | 2018       | 2017      | 2018                    | 2017   |
| <b>Strategic Investment Portfolio Profile</b> |               |            | \$'000     | \$'000    | \$'000                  | \$'000 |
| <b>Quoted Equity Securities</b>               |               |            |            |           |                         |        |
| United Overseas Bank Limited                  | 74,850,539    | 73,245,368 | 1,839,078  | 1,933,678 | 85,035                  | 50,820 |
| UOL Group Limited                             | 72,044,768    | 72,044,768 | 443,075    | 637,596   | 12,608                  | 6,716  |
| United Industrial Corporation Limited         | –             | –          | –          | –         | –                       | 2,087  |



The Property division holds the Group's investment properties and manages their leasing. The total lettable area of 45,398 square metres under the investment portfolio comprises commercial and industrial space in Singapore and Malaysia.

Our Singapore portfolio comprises 3 leasehold properties. Haw Par Centre and Haw Par Glass Tower are office buildings conveniently located in Clemenceau Avenue with a combined lettable area of 13,567 square metres. Haw Par Technocentre is a light industrial building located in Commonwealth Avenue with a lettable area of 15,700 square

metres. During the Year 2018, Haw Par Technocentre and Haw Par Glass Tower enjoyed 100% occupancy while Haw Par Centre's was close to 80%.

Menara Haw Par, a freehold commercial building located in Kuala Lumpur's Golden Triangle along Jalan Sultan Ismail, has a total lettable area of 16,131 square metres. As the overhanging office space supply situation exacerbated in Kuala Lumpur from the city centre to the fringe, attracting quality tenants remained a market challenge. The property was about 70% tenanted during 2018.



1. Haw Par Glass Tower
2. Haw Par Centre
3. Haw Par Technocentre
- 4-5. Menara Haw Par



# LEISURE Operations Review

## Operating in A Highly Competitive but Attractive Space

Leisure operates in a highly competitive but attractive industry that benefits from sustained growth in tourism and the shift in consumer preference for experiences over ownership. To gain mindshare and market share, Underwater World Pattaya focused on offering guests up-close animal encounters through its array of immersive and interactive aquarium displays, supported by thematic programming. Partnerships with various media, including digital platforms, widened its outreach to target audiences, both local and overseas. Year-on-year revenue performance improved in 2018 in line with an increase in visitor numbers at the attraction. Business opportunities in the leisure sector will continue to be of interest to Haw Par.

## Challenges & Opportunities

Risks that can affect the outlook for the tourism and travel industry in 2019 include terrorism and global recession. Underwater World Pattaya also has to continue to confront competitive threats from existing and new attractions within the vicinity, as well as other aquariums. Nevertheless, Pattaya's strategic location only two hours' drive away from Bangkok —

one of the top cities in the world for international travel offers our aquarium a competitive edge. Located on the popular beach resort city Pattaya, Underwater World Pattaya with its showcase of natural wonders can continue to be a tourist draw. In the coming year, we will focus on adapting to the changes in customer profile and behaviour to stay relevant in this dynamic industry.



1. Feeding session at Underwater Tunnel
2. Rare Poison Dart Frog on display
3. Underwater FIFA World Cup in June 2018

# PEOPLE & The Community

## Delivering Health And Wellness

At Haw Par, we aspire to contribute to society through meaningful initiatives and programmes. Over the years, we have focused our efforts on delivering health and wellness to communities in which we operate. In 2018, we continued with our tradition of providing Tiger Balm products to those in need. Vulnerable groups that received our support include villagers in rural regions in Asia who have limited access to healthcare services, elderly from St Joseph's Home, children from Thye Hua Kwan Early Intervention Programme for Infant and Children centres, and patients at Assisi Hospice. Tiger Balm products were included as gifts in the donation drives organised by Project Chulia Street and Itsrainingraincoats with the aim of enhancing the wellbeing of migrant workers in Singapore. Team Tiger Balm in France and Hong Kong also participated in causes to enrich the lives of children.



1. Volunteers giving out Tiger Balm to rural villagers in Cambodia.
2. Students from Temasek Polytechnic Community Service Club distributing Tiger Balm during their Mid-Autumn Festival organised for the elderly.
3. Migrant workers receiving Tiger Balm as gifts from Itsrainingraincoats' volunteers.
4. Team Tiger Balm Hong Kong conquering the Sowers Action Charity Marathon in October 2018 to raise funds for underprivileged children and orphans in mainland China.
5. Team Tiger Balm France – volunteers from Max'avenir Association accompanying a child with special needs to complete the 2018 Natureman Marathon on his e-Joelette sponsored by Tiger Balm.

# PEOPLE & The Community

## Enabling Active Living

We believe that no one should be constrained from leading an active life, and sport is a force for wellbeing and empowerment. Since 2015, Haw Par has been supporting the athletes from Singapore Disability Sports Council (SDSC). In 2018, over 200 students from special education and mainstream schools had the opportunity to hone their skills in swimming and athletics at Haw Par Inclusive Youth Championships. The Singapore National Para Games also provided a platform for competitions at the national level. Tiger Balm Boccia Open 2018 showcased the achievements of athletes from Singapore, Malaysia, Thailand and Korea as they pitted their skills in the arena. Going beyond sponsorship of broad based competitions, Haw Par introduced a Sports Bursary this year to help financially-marginalised athletes to sustain their sports development and enable more individuals to live healthier and active lives.



6. Haw Par Group General Manager Mr Tarn Sien Hao with athletes and officials at the Victory Ceremony of the Tiger Balm Boccia Open 2018. Photo: Alfie Lee/SDSC
7. Haw Par Group CEO Mr Wee Ee Lim receiving the Certificate of Recognition jointly awarded by SDSC, Singapore National Paralympic Council and International Paralympic Committee in appreciation of Haw Par's contribution towards disability sports in Singapore. The certificate was presented by Ms Sim Ann, Senior Minister of State, Ministry of Culture, Community and Youth & Ministry of Communications and Information, and Mr Kevin Wong, SDSC President. Photo: MCCY

8. Singapore Education Minister Mr Ong Ye Kung, Haw Par Group CEO Mr Wee Ee Lim and SDSC President Mr Kevin Wong with recipients of the inaugural Haw Par Para Sports Bursary Awards. Photo: SDSC
9. Guest-of-Honour, champion Paralympian and Nominated Member of Parliament Ms Yip Pin Xiu and Executive Director of Haw Par Corporation Mr A K Han presenting prizes to the community winners at the 2018 Singapore National Para Games. Photo: SDSC

## Promoting Environmental Awareness

We recognise that healthy communities do largely depend on a healthy planet, which is in turn dependent on healthy ecosystems with a rich biodiversity. Haw Par is a supporter of the United Nations Decade on Biodiversity 2011-2020 and is doing its part to contribute to environmental protection and conservation. In line with our Blue Mission to inspire, educate, conserve, Underwater World Pattaya pledged its support for Earth Hour for the 10th year in 2018 and celebrated World Ocean Day. As the tiger and leopard, listed among the most endangered species on Earth, are the namesakes of Haw Par and our company's founders, we have been sponsoring the Malayan Tiger Exhibit and the Leopard Exhibit at the Night Safari and the Singapore Zoo since 1995 and 1986 respectively.



## Sustainability Report

Haw Par published its second Sustainability Report that is prepared in accordance with the Global Reporting Initiative (GRI) standards. Environmental, Social and Governance (ESG) factors covered in the report include economic performance, compliance and good governance, occupational health and safety of employees, product quality and safety, Labour Practices and Issues, and Supply Chain.



- 11-12. Haw Par contributes to environmental education through its sponsorship of leopard and tiger exhibits at the Singapore Zoo and the Night Safari respectively. Photo: Wildlife Reserves Singapore
13. Underwater World Pattaya joined the global observation of World Oceans Day on 8 June 2018 to remind visitors of the need to protect the oceans.
14. Underwater World Pattaya supported the Earth Hour on 24 March 2018 by switching off façade lights and encouraging guests to reduce, reuse and recycle. Photo: WWF



# FIVE-YEAR Financial Summary

|  | 2018               | 2017 <sup>1</sup> | 2016 <sup>1</sup> | 2015 <sup>1</sup> | 2014 <sup>1</sup> |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Results (\$'000)</b>                              |                    |                   |                   |                   |                   |
| Group turnover                                       | 237,814            | 222,763           | 201,644           | 178,834           | 154,222           |
| Profit from operations                               | 190,989            | 136,905           | 133,064           | 135,249           | 107,944           |
| – Healthcare   | 77,252             | 68,579            | 66,051            | 48,122            | 33,885            |
| – Investment   | 105,508            | 60,217            | 61,366            | 88,419            | 66,850            |
| – Others <sup>2</sup>                                | 12,322             | 12,674            | 8,935             | 1,521             | 10,858            |
| – Unallocated expenses                               | (4,093)            | (4,565)           | (3,288)           | (2,813)           | (3,649)           |
| Associates' contribution                             | 1,290              | 937               | 854               | 56,376            | 11,917            |
| Profit before taxation                               | 192,279            | 137,842           | 133,918           | 191,625           | 119,861           |
| Profit attributable to equity holders of the Company | 179,068            | 122,460           | 120,109           | 181,236           | 111,718           |
| <b>Per share</b>                                     |                    |                   |                   |                   |                   |
| Earnings (cents)                                     | 81.2               | 55.7              | 54.8              | 82.7              | 51.0              |
| Dividend net (cents)                                 | 115.0 <sup>4</sup> | 20.0              | 20.0              | 35.0 <sup>3</sup> | 20.0              |
| Dividend cover (times)                               | 0.7                | 2.8               | 2.7               | 2.4               | 2.6               |
| <b>Statement of Financial Position (\$'000)</b>      |                    |                   |                   |                   |                   |
| Strategic investments                                | 2,342,975          | 2,710,474         | 2,027,025         | 2,080,555         | 2,311,492         |
| Investment properties                                | 56,569             | 58,766            | 60,757            | 64,862            | 69,103            |
| Property, plant and equipment                        | 26,983             | 28,561            | 23,450            | 24,406            | 33,187            |
| Associated companies                                 | 5,740              | 4,850             | 4,313             | 3,859             | 137,690           |
| Intangible assets                                    | 11,116             | 11,116            | 11,116            | 11,116            | 11,116            |
| Other net assets                                     | 484,650            | 264,526           | 198,284           | 204,364           | 88,731            |
| Net assets / Shareholders' funds                     | 2,928,033          | 3,078,293         | 2,324,945         | 2,389,162         | 2,651,319         |
| <b>Statistics</b>                                    |                    |                   |                   |                   |                   |
| Return on equity (%)                                 | 6.1                | 4.0               | 5.2               | 7.6               | 4.2               |
| Net assets per share (\$)                            | 13.26              | 13.98             | 10.60             | 10.90             | 12.11             |
| Share price (\$)                                     | 12.02              | 11.35             | 9.09              | 8.27              | 8.52              |
| Debt/Equity (%)                                      | 0.8                | 1.5               | 2.0               | 1.8               | 2.1               |
| Number of shareholders                               | 18,675             | 19,109            | 19,620            | 19,834            | 20,039            |
| <b>Employees</b>                                     |                    |                   |                   |                   |                   |
| Number of employees                                  | 595                | 529               | 513               | 546               | 469               |
| Group turnover per employee (\$'000)                 | 400                | 421               | 393               | 328               | 329               |
| Pre-tax profit per employee (\$'000)                 | 323                | 261               | 261               | 351               | 256               |

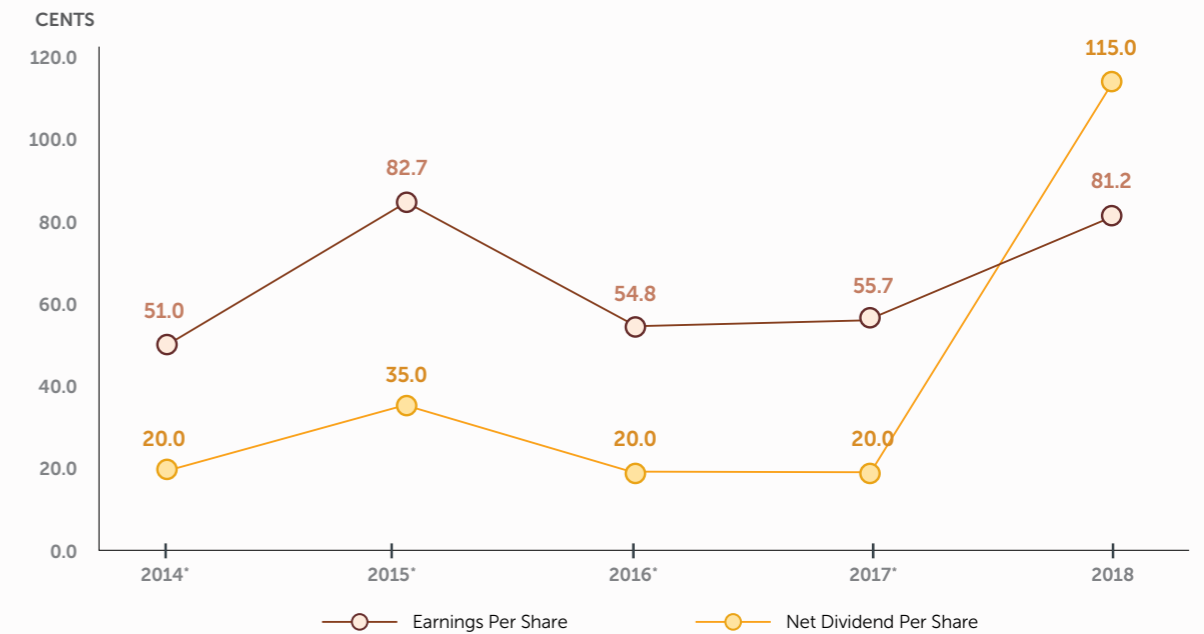
<sup>1</sup> 2014 to 2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s") on 1 January 2018.

<sup>2</sup> Included in "Others" are property and leisure divisions which constitute less than 25% of the Group's revenue.

<sup>3</sup> Includes a special dividend of 15 cents per share declared for 2015 and paid in 2016.

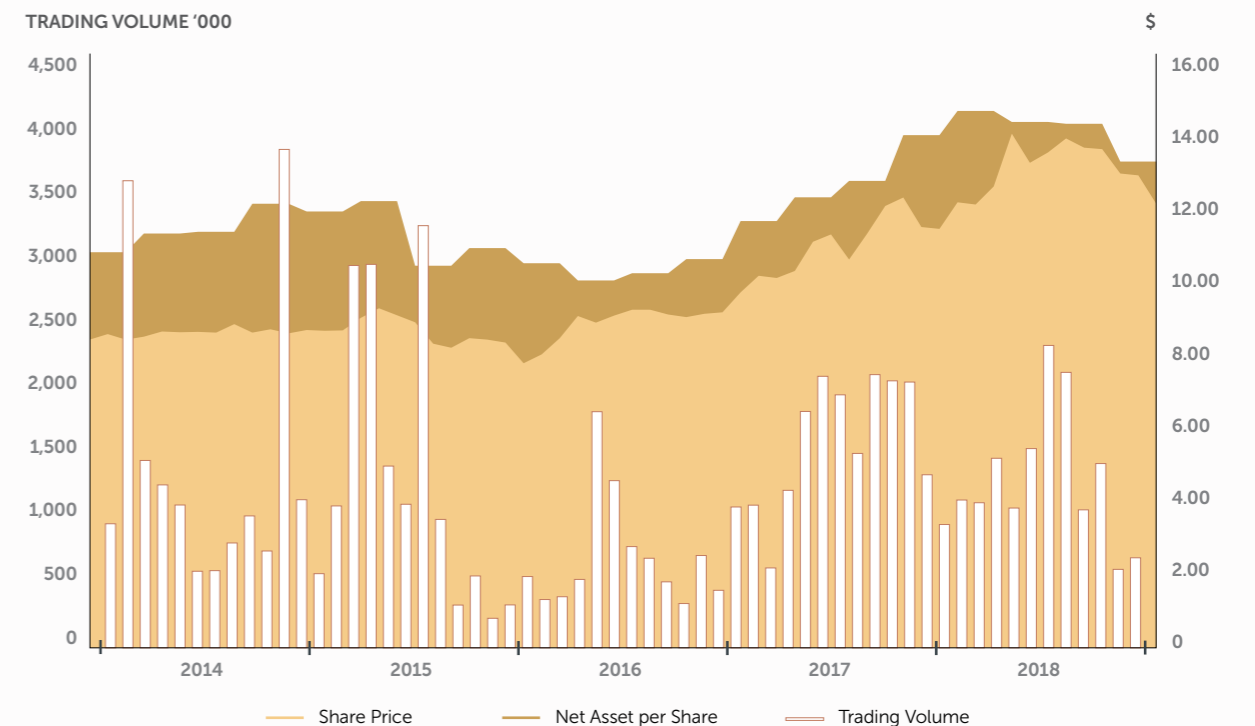
<sup>4</sup> Includes a proposed special dividend of 85 cents per share.

## Earnings Per Share and Net Dividend Per Share



\* 2014 to 2017 Earnings Per Share have been restated following the adoption of the new financial reporting framework, SFRS(I)s on 1 January 2018.

## Trading Volume, Share Price & Net Assets Per Share



# Financial Review

## Overview

Group revenue at \$237.8 million was 7% higher than 2017 due mainly to revenue growth from Healthcare. Operating segment profits before interest expense and tax for Healthcare grew 13% to \$77.3 million while Leisure and Property segments were stable at \$12.3 million. Investments increased 75% to \$105.7 million due to higher dividend income from strategic investments and higher interest income.

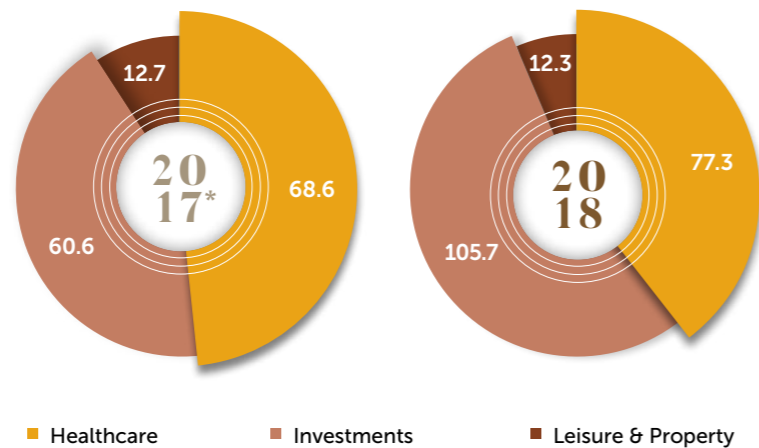
Group earnings increased 46% to \$179.1 million (2017: \$122.5 million) and earnings per share increased to 81.2 cents (2017: 55.7 cents) due mainly to higher income from investments. Net asset per share decreased to \$13.26 (2017: \$13.98) mainly due to lower market valuations of the Group's strategic investments as at 31 December 2018.

## Return on Assets Employed

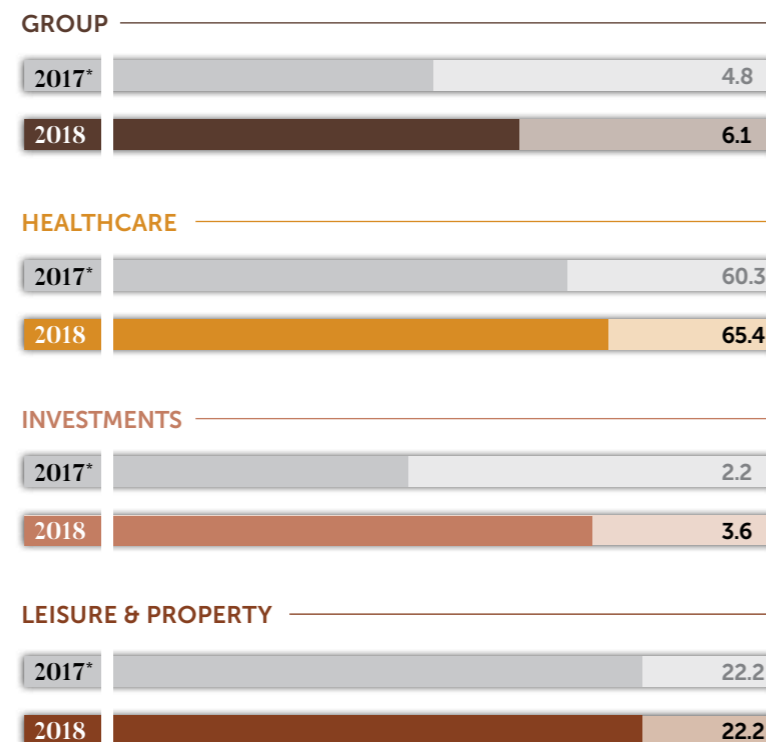
The Group applies a Return of Assets Employed ("ROA") measure to evaluate the performance of its business operations. The ROA measures profitability of assets utilised by the various segments.

The Group's ROA improved to 6.1% in 2018 (2017: 4.8%) due mainly to higher earnings and lower market valuation of the Group's strategic investments. ROA of Healthcare division improved from 60.3% to 65.4% in 2018 with higher earnings generated from the division. ROA of Investments increased to 3.6% due mainly to higher dividend and interest income, coupled with lower market valuations of strategic investments in 2018. ROA of Leisure and Property maintained at 22.2%.

Segment Profits Before Interest Expense and Tax (\$Million)



Return on Assets Employed (%)



\* 2017 was restated following the adoption of SFRS(I)s on 1 January 2018. Please see Note 2(a) in the Financial Statements for more details.

## Segmental Performance

### Healthcare

Healthcare products continued to be well received and overall revenue increased 8% to \$216.9 million (2017: \$201.7 million) from higher demand in key markets. Sales to ASEAN countries grew \$18.8 million and countries outside of Asia grew \$3.9 million. However sales to other Asian countries decreased \$7.5 million due to trade disruptions in certain market arising from new tax system and a change of distributor. Operating profit increased 13% to \$77.3 million on the back of higher sales volume in key markets, and lower marketing expenses for certain markets and products that have reached some critical mass, offsetting higher cost of raw materials.

### Investment

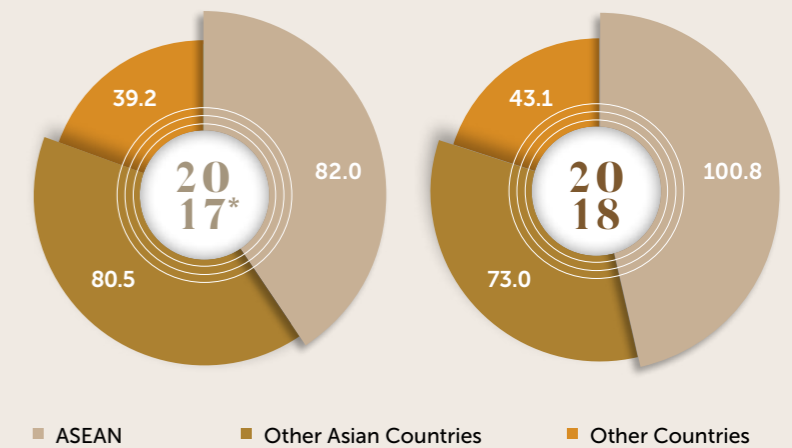
Fair value of the Group's investments portfolio decreased from \$2,710.5 million as of 31 December 2017 to \$2,343.0 million as of 31 December 2018 due mainly to lower market valuations of strategic investments.

The Group elected to receive \$47.6 million (2017: \$25.2 million) of dividend income as scrip shares in lieu of cash dividends during the year. With the higher share base as the Group progressively opted for scrip shares in lieu of cash dividends, coupled with the increase in dividend rate, dividend income from strategic investments increased 64% to \$97.8 million (2017: \$59.8million).

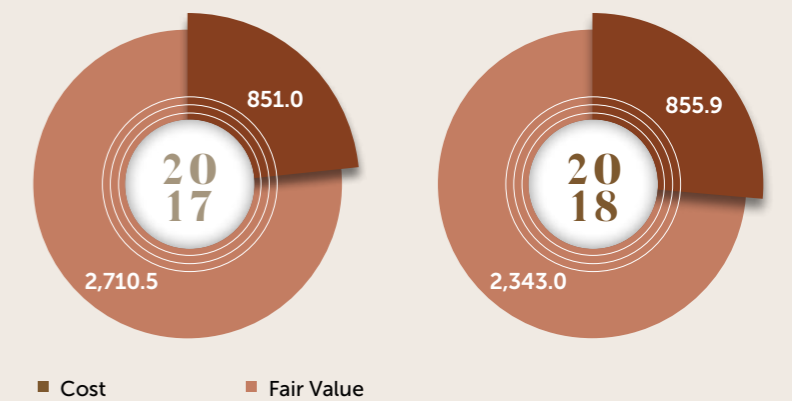
### Property

Property occupancy rate decreased during the year due to slower take up of office space when tenancies expired.

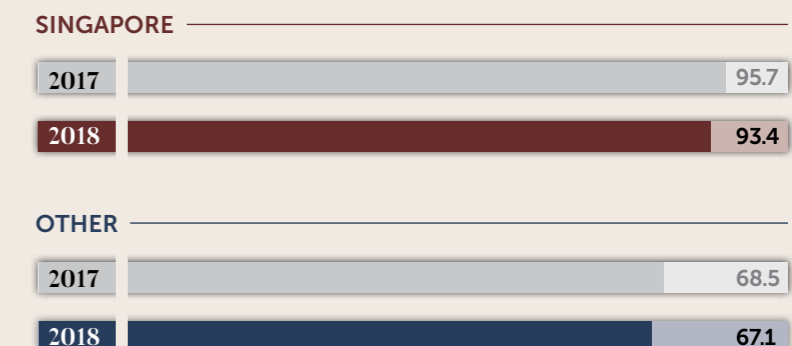
Healthcare Sales by Region (\$Million)



Investment (Cost and Fair Value) (\$Million)



Property Average Building Occupancy (%)





# **Corporate Governance Report 2018**

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# Corporate Governance Report

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Haw Par Corporation Limited (the “Company, and together with its subsidiaries, the “Group”) is committed to upholding good corporate governance practices so as to enhance long-term shareholder value and safeguard the interests of its stakeholders. It has adopted a framework of corporate governance policies and practices in line with the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”). The Board is in the process of reviewing and preparing for compliance with the Code of Corporate Governance 2018 (issued on 6 August 2018), which will apply to the Company’s 2019 Annual Report. The following sections describe the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2018 (“FY 2018”) 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;
- approving the announcement of financial results and declaring dividends;
- guiding, reviewing and approving corporate strategy and financial planning, including major capital expenditures, acquisitions and divestments;
- reviewing and approving material interested person transactions (“IPT”) and related person transactions;
- ensuring succession planning; and
- establishing and upholding an appropriate culture, values and ethical standards at all levels of the Group.

All Board members bring their judgement and breadth of diversified knowledge and experience to bear on issues of strategy (including sustainability and environmental issues), performance, resources and standards of conduct. Board members exercise due diligence and discharge their duties and responsibilities objectively at all times as fiduciaries, in the best interests of the Company.

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 are called when there are important and urgent matters requiring the Board’s consideration. Board approval is sometimes obtained between scheduled meetings by circular resolutions in writing.

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. Under the guidelines, Board approval is required for material transactions including joint ventures, mergers and acquisitions, and for the adoption and amendment of the Group risk management policy. In respect of matters in relation to which a Board member has a conflict of interest, the Board member must abstain from any discussion or vote.

# Corporate Governance Report

On sustainability issues, the Sustainability Steering Committee (“SSC”) consisting of senior management and led by the Chief Executive Officer (“CEO”), champions sustainability efforts and priorities within the Group. The SSC reports to the Board, which has specifically considered sustainability issues as part of its strategic formulation, and has determined the Environmental, Social and Governance (“ESG”) factors identified as material to the business of the Group. The Board oversees the management and monitoring of these ESG factors. The material ESG factors that are the focus in the Sustainability Reporting of the Group for FY 2018 include economic performance, compliance and good governance, occupational health and safety of employees, product quality and safety, labour practices and issues, and supply chain. The report can be found on the Company’s website at [www.hawpar.com/sustainability](http://www.hawpar.com/sustainability).

The Board has delegated specific responsibilities to four Board Committees, which are the Audit and Risk, Nominating, Remuneration and Investment Committees. Each of these Committees has its own charter / terms of reference. These are reviewed periodically to ensure their continued relevance. Changes to the Board Committees’ composition and appointments to the Board Committees are approved by the Board.

The Board held four meetings during FY 2018. 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 FY 2018 is as follows:

**Table 1:**

## Number of meetings attended in FY 2018

| Name   | Board            | Audit and Risk Committee | Nominating Committee | Remuneration Committee | Investment Committee | AGM |
|--|------------------|--------------------------|----------------------|------------------------|----------------------|-----|
| <b>Wee Cho Yaw</b><br>(Non-executive / Non-independent)          | 4 <sup>(2)</sup> | N/A                      | 1                    | 1                      | 5 <sup>(2)</sup>     | 1   |
| <b>Wee Ee-chao</b><br>(Non-executive / Non-independent)          | 3                | N/A                      | N/A                  | N/A                    | N/A                  | 1   |
| <b>Wee Ee Lim<sup>(1)</sup></b><br>(Executive / Non-independent) | 4                | 4                        | N/A                  | 1                      | 5                    | 1   |
| <b>Sat Pal Khattar</b><br>(Non-executive / Independent)          | 3                | N/A                      | 1 <sup>(2)</sup>     | 1 <sup>(2)</sup>       | N/A                  | 1   |
| <b>Chew Kia Ngee</b><br>(Non-executive / Independent)            | 4                | 4 <sup>(2)</sup>         | N/A                  | N/A                    | N/A                  | 1   |
| <b>Hwang Soo Jin</b><br>(Non-executive / Independent)            | 3                | N/A                      | N/A                  | 1                      | N/A                  | 1   |
| <b>Lee Suan Yew</b><br>(Non-executive / Independent)             | 4                | N/A                      | 1                    | N/A                    | N/A                  | 1   |
| <b>Peter Sim Swee Yam</b><br>(Non-executive / Independent)       | 4                | 4                        | 1                    | N/A                    | N/A                  | 1   |
| <b>Gn Hiang Meng</b><br>(Non-executive / Independent)            | 4                | 4                        | N/A                  | NA                     | NA                   | 1   |
| <b>Han Ah Kuan</b><br>(Executive / Non-independent)              | 4                | N/A                      | N/A                  | N/A                    | 5                    | 1   |
| <b>Number of meetings held in FY 2018</b>                        | 4                | 4                        | 1                    | 1                      | 5                    | 1   |

**Notes:**

- (1) Mr Wee Ee Lim was in attendance to provide management’s perspective at the meetings of the Audit and Risk 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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# Corporate Governance Report

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The Board and Board committees also make decisions by way of circulation resolutions in writing as needed.

Directors are appointed by way of formal letters of appointment which set out their duties and obligations. The Company has in place a comprehensive 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 industry and operational knowledge or accounting updates, duties as directors and how to discharge those duties as well as meetings with key personnel for new Directors to understand the Group's businesses, governance practices, strategic plans and objectives. Site visits are conducted as needed. The orientation programmes are conducted by the CEO, Company Secretary and various heads of business units and functions, in order to familiarise new Directors with the Group's operations, practices and code of conduct.

The Company is a corporate member of the Singapore Institute of Directors. 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 these are relevant and needed. Directors are continuously updated on developments in the regulatory and business environment affecting the Group, by the Company Secretary and auditors. During FY 2018, the Directors were given updates on proposed changes and changes to Listing Rules of Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance 2018 and changes in the new accounting standards/reporting requirements. None of the Directors have nominated 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. 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, customer-based experience, accounting, finance, legal knowledge and the necessary industry knowledge. The NC is aware of the importance of diversity of the Board (as regards skills, experience, core competencies, gender and knowledge of the Company) and Board appointments will continue to be based on merit and diversity.

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 are independent and have maintained their independence throughout FY 2018.

Independent Directors have no relationships with the Company, its related corporations, its substantial shareholders or its officers which could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. They are not substantial shareholders and are independent of the substantial shareholders of the Company.

The Independent Directors are not family members of any substantial shareholder of the Company and were not directly associated with any substantial shareholder in FY 2018 or the immediate past financial year. They and their immediate family members did not have any financial dealings with the Group whether in FY 2018 or the immediate past financial year, nor were they or any of their immediate family members, during FY 2018 or the immediate past financial year, a substantial shareholder of, or a partner in (with 5% 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 FY 2018 or the immediate past financial year. Also, neither they nor any of their immediate family members were in FY 2018 or the past three financial years employed by the Group. In addition, they and their immediate family members did not receive any significant compensation (of more than \$100,000) from the Company or any of its related corporations for the provision of services, for FY 2018 or the immediate past financial year, other than compensation for services on the Board.

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# Corporate Governance Report

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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 act in the interests of the Company. 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.

Mr Chew Choon Soo was appointed to the Board from 28 February 2019. Mr Chew brings with him more than 20 years of human capital advisory experience. In the recent years, Mr Chew had been involved in fund management particularly in the healthcare sector in China. The Board will continue to look for new members to facilitate the progressive renewal of the Board.

## Chairman and Chief Executive Officer

There is a clear division of the roles and responsibilities between the Non-Executive Chairman of the Board and the 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 writing. The CEO executes the strategic directions set by the Board and is responsible for the Group's day-to-day operations. The division of responsibilities between the Chairman and the CEO has been clearly established, set out in writing in a table of authority grid and approved by the Board.

Although the Chairman and CEO are related, the Board is of the opinion that it is not necessary to appoint a lead independent director for the reasons specified in this paragraph. A shareholder can approach any Independent Director for assistance through the Company Secretary, if he /she has any issues that affect shareholders generally. Where necessary, the Independent Directors also have the discretion to meet without the presence of other Directors and can provide feedback to the Chairman following such meetings. The chairmen of the Board Committees have sufficient standing and authority to look into any matter which management or the 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. The NC reviews each candidate objectively. When assessing potential candidates, the NC takes into account the existing Board composition, and the candidate's background, qualification, experience, time commitment and his/her ability to contribute to the Board's collective skills, knowledge and experience. Where a suitable candidate is found and assessed to be suitable, the NC makes a recommendation for the Board to approve the formal appointment.

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# Corporate Governance Report

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The NC makes annual recommendations to the Board on the re-election of existing Directors having regard to their competencies, commitment, contributions and performance on a qualitative basis. All Directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years. Each year, one-third of the Board retires from office by rotation. 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 can sit on is 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 can sit on. Although some Directors have multiple board representations and principal commitments, none of them has more than six listed company directorships and the NC is satisfied that each Director is able to and 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 in listed companies 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 is linked to long term shareholder value. The NC is of the opinion that the Board as a whole has performed well during FY 2018 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 depth and 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 information on strategic, financial, 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. The Board has adopted the use of an electronic portal to which electronic board papers are uploaded for its meetings. This also increased the Board's control over confidential and price sensitive information in a secure environment, while reducing paper usage as part of its sustainability efforts. The electronic portal also contains a library of resources, including constitutional documents, documents relating to past Board meetings and annual reports as well as communication tools to enable Directors to have the required information at their fingertips throughout the year.

Regular Board meetings are scheduled in November each year for the following year while urgent Board meetings, if needed, are normally scheduled at least five working days in advance. The Board is also provided with opportunities to meet with managers and heads of divisions, on a quarterly basis, to understand the businesses of the Group. In the event a new business project or matter requires the Board's input, the relevant head of division and/or subject expert will be present in person at the relevant Board meeting to facilitate the Board's decision-making. Non-Executive Directors constructively challenge management's proposals on strategy and review the performance of management in meeting short and long term business goals.



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# Corporate Governance Report

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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. She 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. Under the Constitution of the Company, the decision to appoint or remove the Company Secretary rests with the Board as a whole. Directors may take independent professional advice, if necessary.

## 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 Human Resource Director 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 management personnel of the Company;
- (b) reviewing and recommending to the Board for its endorsement the remuneration packages/fees of Directors;
- (c) reviewing the remuneration packages for key management personnel; and
- (d) administering the Company's long term incentive plan.

During FY 2018, 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 of the Executive Directors, and reviewed the remuneration packages for key management personnel.

The RC has reviewed the Group's obligations arising in the event of termination of the service contracts of the Executive Directors' and key management personnel, to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous. The RC considered whether contractual provisions are necessary to allow it to reclaim incentive components of remuneration from Executive Directors and key management personnel. As the nature of the industry and business model of the operations are not overly complex, the RC did not think such provisions are necessary.

### 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. None of the Board members or RC members is involved in deliberations relating to any remuneration, fees, options and/or benefits to be granted to him individually. The RC recommends Directors' fees to the Board for endorsement prior to submission to shareholders for approval at each AGM. In the process, the RC takes into consideration the complexity of the Group and workload of each Board Committee member as well as market trends before recommending the fee structure to the Board.

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# Corporate Governance Report

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The Directors' fee<sup>(1)</sup> structure for services on the Board and Board Committees is as follows :-

|  |                              |
|--|------------------------------|
| <b>Board</b>                                 | <b>\$</b>                    |
| – Chairman                                   | 90,000 (previously \$80,000) |
| – Deputy Chairman                            | 58,500 (previously \$52,000) |
| – Member                                     | 45,000 (previously \$40,000) |
| <b>Audit and Risk Committee</b>              |                              |
| – Chairman                                   | 20,000                       |
| – Member                                     | 10,000                       |
| <b>Nominating and Remuneration Committee</b> |                              |
| – 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 Committee membership to commensurate with effort, time and role of Board Committee Members. There is a proposed increase of 12.5% in the base fee structure for FY 2018 as compared to the previous year which is subject to shareholders' approval of the aggregate directors' fees at the forthcoming AGM on the 18 April 2019.

The Group generally remunerates its employees at market competitive levels, commensurate with their performance and contribution to the long-term interests and success of the Group. It takes into account the risk policies of the Group including risk outcomes and the time horizon of risks. The remuneration package normally comprises fixed and variable components. The fixed component comprises basic salary, allowances and provident fund contributions. The variable component comprises a variable bonus based on the Group's and each individual's performance and grants under the Haw Par Long Term Cash Award Plan ("HPLTI Plan"). A variable bonus scheme is in place for each business unit. This economic value-added based bonus scheme takes into consideration working capital efficiency, productivity and current year earnings in order to derive a pool for distribution in accordance with the individual's performance and his/her contributions towards meeting the respective work plans for the year. In determining the pool, investment income relating to the dividend income from the Group's strategic investments and interest income/expense from the Group's central treasury function are excluded. Eligible employees are also entitled to receive grants under the HPLTI Plan, which places emphasis on rewarding individual employees based on their performance (as explained in greater detail below). The Company had a share option scheme, the Haw Par Corporation Group 2002 Share Option Scheme, which expired in 2017 with the remaining previously granted options valid until the respective expiry dates. Details are found in the Directors' Statement.

In the annual review of the remuneration of the Executive Directors and key management personnel, the RC takes into consideration performance of the individuals as an important factor in its review and comparative remuneration of similarly placed persons in the market. The performance criteria for the Executive Directors include achievement of financial objectives using financial indicators such as overall profitability and return on assets over a period of time, which criteria were chosen in order to incentivise the Executive Directors and align their interests with that of the Group. These criteria were satisfactorily met during FY 2018. Their remuneration is reviewed annually by the RC and includes a variable bonus component which is performance-based as described above. The level and structure of remuneration for Executive Directors are aligned with the long term interests of the Group.

The HPLTI Plan was put in place and was approved by the Board in FY 2017 to take effect from 1 January 2018. The objective of the HPLTI Plan is to incentivise key management personnel to drive long term business priorities and shareholder value creation. Under the HPLTI Plan, targets are set in advance over a two year performance period. Based on the achievement levels of the targets at the end of the performance period and with the RC's approval, participants will receive the cash awards. Besides total shareholder returns, equal weightage is given to revenue and operating profit growth, with defined superior, target and threshold performance metrics based on two year rolling budgets approved by the Board. The RC reviews the definition of superior, target and threshold performance metrics before annual grants are awarded and will continue to review the relevance of the above key performance metrics.

# Corporate Governance Report

## Disclosure of Remuneration

The details of the remuneration of each Director for FY 2018 are as follows:

**Table 2:**

| Name               | Directors' Fees <sup>1</sup><br>\$'000 | Base or fixed salary<br>\$'000 | Variable bonus<br>\$'000 | Benefits-in-kind and others<br>\$'000 | Total<br>\$'000 |
|--------------------|--|--------------------------------|--------------------------|---------------------------------------|-----------------|
| Wee Ee Lim         | –                                      | 999                            | 994                      | 87                                    | 2,080           |
| Han Ah Kuan        | –                                      | 401                            | 398                      | 78                                    | 877             |
| Wee Cho Yaw        | 100                                    | –                              | –                        | –                                     | 100             |
| Wee Ee-chao        | 59                                     | –                              | –                        | –                                     | 59              |
| Sat Pal Khattar    | 65                                     | –                              | –                        | –                                     | 65              |
| Hwang Soo Jin      | 50                                     | –                              | –                        | –                                     | 50              |
| Lee Suan Yew       | 50                                     | –                              | –                        | –                                     | 50              |
| Chew Kia Ngee      | 65                                     | –                              | –                        | –                                     | 65              |
| Peter Sim Swee Yam | 60                                     | –                              | –                        | –                                     | 60              |
| Gn Hiang Meng      | 55                                     | –                              | –                        | –                                     | 55              |

1 Directors' fees are subject to shareholders' approval at the forthcoming annual general meeting on 18 April 2019.

The remuneration of each of the top five 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 | Benefits-in-kind and others | Total |
|--------------------------------------|----------------------|----------------|-----------------------------|-------|
| \$250,000 - \$500,000                | %                    | %              | %                           | %     |
| Goh Bee Leong, GM – Manufacturing    | 53                   | 40             | 7                           | 100   |
| Jasmin Hong, GM – Marketing          | 55                   | 39             | 6                           | 100   |
| Keeth Chua, GM – Marketing           | 56                   | 37             | 7                           | 100   |
| Tarn Sien Hao, Group General Manager | 58                   | 33             | 9                           | 100   |
| Zann Lim, Chief Financial Officer    | 55                   | 40             | 5                           | 100   |

The total remuneration paid/accrued to the top five senior executives is \$2,132,325.

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 about \$629,000.

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 in FY 2018. A relative of the CEO, Mr Kelvin Whang, who is the General Manager of Underwater World Pattaya, received annual remuneration (including benefits-in-kind) of between \$200,000 and \$250,000.

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# Corporate Governance Report

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## ACCOUNTABILITY AND AUDIT

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

### Audit and Risk Committee ("ARC")

The ARC 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 ARC, Dr Chew Kia Ngee, is a senior accountant with over 40 years' experience in the profession. Mr Gn Hiang Meng was 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' experience in legal practice and is experienced in a wide-range of industry practices. None of the ARC members was a partner or director or has any financial interest in the Company's existing auditors in the last 24 months.

The principal responsibilities of the ARC include:

- reviewing the audit plans with the internal and external auditors;
- reviewing the audit report of the external auditor 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 auditor;
- reviewing annually the adequacy, independence, scope and objectivity of the external auditor, 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, effectiveness, independence, scope and results 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 ("IT") risks and risk management processes;
- reviewing the assurance from CEO and CFO as to the proper maintenance of financial records and that the financial statements give a true and fair view of the Group's operations;
- reviewing IPTs and material related party transactions; and
- reviewing whistle-blowing reports.

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# Corporate Governance Report

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The ARC 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 FY 2018, the ARC held four meetings during which it performed its responsibilities as set out above. The Group's internal and external auditors were also present at the regular quarterly meetings. The ARC met the external and internal auditors separately without the presence of management to discuss the competency and adequacy of the Company's finance function, and co-operation provided by management and inquired into material weaknesses or control deficiencies noted during the course of their work. There was no adverse feedback from these meetings. The ARC also reviewed the circumstances over the resignation of the CFO and found no reasons for concern to be highlighted. The ARC was also satisfied that the newly appointed Group Financial Controller had the required understanding and skill set to perform the role.

The ARC has reviewed the impact of the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") which is effective from 1 January 2018. In its review of the financial statements, the ARC discussed with management the significant accounting policies applied and areas where critical judgement and estimates were involved as disclosed in note 2(f) to the financial statements. After extensive discussions and with the assistance of professional advisors, the ARC was satisfied with the measurement and disclosure of the related financial instruments in the Group's financial statements in all material aspects. The ARC also discussed with the external auditor all significant matters noted during their audit which were contained in their report to the ARC. The ownership and valuation of strategic investments was a key audit matter highlighted by the auditor in its audit report and the ARC was satisfied with the extent of work performed by the auditors. The ARC, together with the Finance team and external auditor, looked into the decluttering of the financial statements in order to improve readability and understanding of the Group's financials. Notes to the financial statements were accordingly streamlined and re-organised. Following the review and discussions, the ARC recommended to the Board to approve the full year financial statements.

In reviewing non-audit services, the ARC was satisfied that the amount of non-audit services provided by the external auditor was not material and would not impair the independence of the external auditor. The ARC has confirmed that the Company has complied with Rule 712 and Rule 715/716 of the Listing Manual of SGX-ST which set out the requirements on the appointment of the auditor. The ARC 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 2018 is approximately \$346,000. The breakdown of fees paid/payable for audit and non-audit services is approximately \$342,000 and \$4,000 respectively. The ARC has reviewed and is satisfied with the independence and objectivity of the external auditor.

The ARC members are regularly 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.

## **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. 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 ARC, is responsible for determining the Company's level of risk tolerance and oversees the management in implementing the risk management and internal controls system.

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# Corporate Governance Report

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The Risk Management Committee is chaired by the CEO and comprises an Executive Director, the CFO, the Group Internal Audit Manager and the Group GM. 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 ARC 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 ARC monitors the Risk Management Committee's activities on behalf of the Board to ensure that identified risks are effectively managed.

## **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 brand protection, competition and epidemic outbreak risks. All such risks are reported to the ARC 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 security threats, product quality, employee attrition, capacity management, supply disruption and concentration risk of key suppliers. The general manager of each operating unit implements policies and procedures to monitor such risks. Yearly review and updates are provided to the ARC.

### 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 does not engage in speculative instruments that would expose the Group to unnecessary financial risks.

### Information Technology risks

In pursuit of an IT environment that is robust, resilient and secure, improving the Group's IT infrastructure continues to be the focus of IT operations. Adequate measures including proper authorisation access, back-ups systems and equipment are in place to safeguard against prolonged disruptions to businesses due to IT failures and loss of confidential data. During the year, the Group adopted a new enterprise resource planning system to support its business needs and digitised its workflows. It is in the process of reviewing its IT policies in view of the new system while dealing with the evolving cyber risks that are presenting themselves in various forms to enhance the Group's cyber resilience. While management is cognisant of these risks, the way forward is to deal with these risks while harnessing the benefits of IT.

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# Corporate Governance Report

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The Board (assisted by the ARC) reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and IT controls twice a year.

For FY 2018, 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 2018.

Based on work performed by the internal and external auditors and reviews undertaken by the Risk Management Committee and the ARC, the Board, with the concurrence of the ARC, is of the opinion that the internal controls addressing financial, operational, compliance and IT risks, and risk management systems and processes, were adequate and effective for the Group as at 31 December 2018.

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.

## **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. The Code of Conduct is effectively communicated and integrated into the Company's strategy and operations, including risk management systems and remuneration structures.

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 ARC any improprieties or suspected wrong-doing by management or other staff without fear of reprisal. Whistle-blowing reports marked "Private and Confidential" may be sent to the Group Internal Audit Manager at Haw Par Corporation Limited, 401 Commonwealth Drive, #03-03, Haw Par Technocentre, Singapore 149598. All reports received are accorded confidentiality and independently investigated by the whistle-blowing unit, comprising the Human Resource Director 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 of 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 three decades of internal audit experience within the Group, reports directly to the Chairman of the ARC. The majority of the IA department staff are members of the Institute of Internal Auditors. The appointment, removal, evaluation of performance and compensation of the Group Internal Audit Manager rests with the ARC.

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

The role of the IA function is to render support to the ARC 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 ARC.

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# Corporate Governance Report

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The IA department submits its internal audit plan to the ARC for approval at the beginning of each year. Audit reviews are carried out on all significant business units in the Group and a summary of findings and recommendations is discussed during each ARC meeting. The IA function has unfettered access to the ARC and to all documents, records, properties and personnel for the purposes of its audit. The ARC is of the view that the IA function is adequately resourced, independent, effective 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](http://www.hawpar.com). In line with its sustainability efforts and the increasing prevalence of the use of the internet, the Company's Annual Report is made available through the Group's website and SGXNET. The manner in which the Annual Report may be accessed, that is, by entering the URL or scanning the QR Code is provided in the Company's letter to shareholders. The URL at which the Annual Report may be accessed is also set out in the Notice of AGM. Physical copies of the Request Form and the Notice of AGM are circulated to all shareholders. By filling in the Request Form, shareholders may also request for a physical copy of the Annual Report. At the AGM, physical copies of the Annual Report are made available to shareholders for their reference.

A dedicated communications channel with the Investor Relations Department is available to shareholders and can be reached via email at [investorrelations@hawpar.com](mailto: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 / circulars are communicated in a timely manner to all shareholders. Shareholders are 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 tabled during AGMs and other general meetings of shareholders are validated by independent scrutineers and are broadcast at the said meetings. The results are also announced on SGXNET after the meetings. The meetings' minutes with substantial and relevant comments are prepared, and made available to shareholders at the registered office upon request within a reasonable time after each general meeting.

The Company holds regular meetings (outside of black-out periods) with research analysts, fund managers and institutional investors to understand the views of shareholders, review the Company's performance and provide investors with a better understanding of the Group's businesses, as needed.

## Conduct of Shareholder Meetings

The Company ensures that shareholders are given the opportunity to participate effectively in and vote at general meetings. 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 relating to the meeting agenda that needs clarification. The notices of general meetings setting out the agenda, and if necessary, letters to shareholders on the items of special business, are communicated to shareholders at least 14 clear days before general meetings called to pass ordinary resolutions or 21 clear days before general meetings called to pass special resolutions. Each item of special business included in the notice of the meeting will be accompanied by a full explanation regarding the effect of the proposed resolution in respect of such business. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairman and all Directors (in particular, the chairmen of the ARC, 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.



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# Corporate Governance Report

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A registered shareholder who is unable to attend a general meeting can appoint up to two proxies to attend, participate and vote at the general meeting on his/her behalf. In addition, a member which is a relevant intermediary, which generally includes Singapore banks and nominee or custodial service providers, as well as the Central Provident Fund Board, may appoint more than two proxies so that shareholders who hold shares through such members can attend, participate and vote at general meetings as proxies, in accordance with the provisions of the Constitution. Investors whose shares are held through relevant intermediaries can submit their requests to attend, participate and vote at each general meeting within the stipulated time period as required by such relevant intermediaries, who will then communicate such requests to the Company not less than 72 hours before the general meeting is held.

The Company's dividend policy seeks to provide shareholders with a stable and efficient form of capital distribution relative to earnings. For more than 30 years the Company has maintained sustainable dividend payments with an upward trend. In certain years, such as in 2013 and 2016, the Company issued bonus shares and paid special dividends respectively.

## 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, potential acquisitions and disposals, funding requirements, key financial risks and strategic issues of each operating unit. The IC is vested with various levels of authority by the Board to carry out its duties.

### Interested Person Transactions

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 IPTs. 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. There are also internal policies/guidelines on confidentiality and safeguards for the handling of confidential information.

## Directors' Statement & Financial Statements

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# Directors' Statement

For the financial year ended 31 December 2018

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the Directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

|                    |  |
|--------------------|--|
| Wee Cho Yaw        | <i>(Chairman)</i>                                |
| Wee Ee-chao        | <i>(Deputy Chairman)</i>                         |
| Wee Ee Lim         | <i>(President &amp; Chief Executive Officer)</i> |
| Sat Pal Khattar    |  |
| Hwang Soo Jin      |  |
| Lee Suan Yew       |  |
| Chew Kia Ngee      |  |
| Peter Sim Swee Yam |  |
| Gn Hiang Meng      |  |
| Han Ah Kuan        | <i>(Executive Director)</i>                      |

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose object was, or one of whose objects was, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares, warrants, share options in, or debentures of, the Company or any other body corporate, other than pursuant to the Haw Par Corporation Group 2002 Share Option Scheme ("2002 Scheme"). The 2002 Scheme ceased in 2017 with the remaining previously granted options valid until the respective expiry dates.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- (a) According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the shares, warrants, share options in, or debentures of the Company or its related corporations except as follows:

|  | Holdings registered in name of<br>Director or nominee |           | Holdings in which Director is<br>deemed to have an interest |            |
|--|---|-----------|---|------------|
|  | 31.12.2018  | 1.1.2018  | 31.12.2018  | 1.1.2018   |
| <u>Interest in the Company's ordinary shares</u> |   |           |   |            |
| Wee Cho Yaw                                      | 1,092,373   | 1,092,373 | 77,728,935  | 77,728,935 |
| Wee Ee Lim                                       | 437,192   | 437,192   | 73,001,783  | 73,001,783 |
| Wee Ee-chao                                      | 13,826  | 13,826    | 73,135,381  | 73,135,381 |
| Sat Pal Khattar                                  | –   | –         | 96,219  | 96,219     |
| Hwang Soo Jin                                    | –   | 75,000    | –   | –          |
| Han Ah Kuan                                      | 235,100   | 150,200   | –   | –          |

# Directors' Statement

For the financial year ended 31 December 2018

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

- (b) According to the register of Directors' shareholdings, an executive director holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the 2002 Scheme as set out below:

|             | No. of unissued ordinary shares under option |          |
|-------------|--|----------|
|             | 31.12.2018                                   | 1.1.2018 |
| Han Ah Kuan | –  | 132,000  |

- (c) By virtue of Section 7 of the Companies Act (Cap. 50), Wee Cho Yaw, Wee Ee Lim and Wee Ee-chao, who by virtue of their interest of not less than 20% in the issued capital of the Company, are also deemed to have an interest in the shares of the various subsidiary companies held by the Company.

- (d) The Directors' interests in the ordinary shares and share options of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

## SHARE OPTIONS

### *Haw Par Corporation Group 2002 Share Option Scheme*

The 2002 Scheme was approved by members of the Company at an Extraordinary General Meeting held on 22 May 2002. The 2002 Scheme ceased in 2017 with the remaining previously granted options valid until the respective expiry dates. Options in respect of 6,527,000 unissued ordinary shares of the Company have been granted and accepted since the adoption of the 2002 Scheme on 22 May 2002. No options have been granted at a discount to the market price of shares of the Company. Details of the 2002 Scheme can be found in Note 5(b)(ii) to the financial statements.

The number of unissued ordinary shares of the Company covered by the options in relation to the 2002 Scheme outstanding at the end of the financial year was as follows:

| Date of grant | Number of unissued shares covered by the options |                |                      |
|---------------|--|----------------|----------------------|
|               | Balance at 31.12.2018                            | Exercise price | Exercise period      |
| 3.3.2014      | 30,000   | \$8.55         | 3.3.2015 – 1.3.2019  |
| 3.3.2015      | 138,000  | \$8.58         | 3.3.2016 – 2.3.2020  |
| 4.3.2016      | 142,000  | \$8.00         | 4.3.2017 – 3.3.2021  |
| 1.3.2017      | 217,000  | \$9.96         | 1.3.2018 – 28.2.2022 |
|               | <u>527,000</u>                                   |                |                      |

During the financial year, 700,000 ordinary shares of the Company were issued by virtue of the exercise of options and 16,000 unexercised share options were cancelled. The market price on the dates of exercise ranged from \$11.40 to \$13.66 per share. Further information can be found in Note 5(b)(ii) to the financial statements.

# Directors' Statement

For the financial year ended 31 December 2018

## SHARE OPTIONS (CONTINUED)

*Other information required by the Singapore Exchange Securities Trading Limited  
(Pursuant to Listing Rule 852 of the Listing Manual)*

- (1) The Share Option Scheme of the Company is administered by the Remuneration Committee, comprising the following Directors:

Sat Pal Khattar (Chairman)  
Wee Cho Yaw  
Hwang Soo Jin

- (2) The details of options granted to the Directors of the Company under the 2002 Scheme are as follows:

| Name of Director | Number of shares comprised in options granted during the financial year | Aggregate number of shares comprised in options granted since commencement of scheme to 31.12.2018 | Aggregate number of shares comprised in options exercised since commencement of scheme to 31.12.2018 | Aggregate number of shares comprised in options that have expired since commencement of scheme to 31.12.2018 | Aggregate number of shares comprised in options outstanding as at 31.12.2018 |
|------------------|---|--|--|--|--|
| Wee Ee Lim       | –   | 48,000   | 48,000   | –  | –  |
| Han Ah Kuan      | –   | 767,000  | 719,000  | 48,000   | –  |

- (3) No options are granted to controlling members of the Company and/or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited).
- (4) No participant has received 5% or more of the total number of options available under the 2002 Scheme.
- (5) No options have been granted at a discount to the market price of shares of the Company for the financial year ended 31 December 2018.
- (6) Options granted by the Company do not entitle the holders of the options, by virtue of such options, any right to participate in any share issue of any other company in the Group.

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# Directors' Statement

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For the financial year ended 31 December 2018

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the "Committee") comprises three members, all of whom are independent non-executive Directors. The members of the Committee are as follows:

Chew Kia Ngee (Chairman)  
Gn Hiang Meng  
Peter Sim Swee Yam

In accordance with Section 201B(5) of the Companies Act, the Committee has reviewed with the Company's internal auditors their audit plan and the scope and results of their internal audit procedures. The Committee has also reviewed with the Company's independent auditor, PricewaterhouseCoopers LLP, their audit plan, their evaluation of the system of internal accounting controls, their audit report on the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 and the assistance given by the management of the Group to them. The statement of financial position of the Company and the consolidated financial statements of the Group, as well as the independent auditor's report on the same, have been reviewed by the Committee prior to their submission to the Board of Directors.

The Committee has recommended to the Board of Directors the re-appointment of PricewaterhouseCoopers LLP as independent auditor of the Company, at the forthcoming Annual General Meeting of the Company.

## INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent auditor of the Company and a resolution proposing its re-appointment will be submitted at the forthcoming Annual General Meeting.

On behalf of the Directors

**Wee Cho Yaw**  
Chairman

**Wee Ee Lim**  
President & Chief Executive Officer

Singapore, 27 February 2019

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# Independent Auditor's Report to the Members of Haw Par Corporation Limited

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For the financial year ended 31 December 2018

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the accompanying consolidated financial statements of Haw Par Corporation Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### *What we have audited*

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2018;
- the statements of financial position of the Group and of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

# Independent Auditor's Report to the Members of Haw Par Corporation Limited

For the financial year ended 31 December 2018

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter   | How our audit addressed the Key Audit Matter  |
|--|---|
| <p><b>Ownership and valuation of strategic investments</b><br/>(Note 9 of the financial statements)</p> <p>As at 31 December 2018, the Group's strategic investments, classified as financial assets carried at fair value through other comprehensive income ("FVOCI"), amounted to \$2,343 million, representing 77% and 80% of the Group's total assets and net assets respectively. These strategic investments comprise primarily quoted equity investments.</p> <p>A material misstatement in the strategic investments balance can arise either from the recognition of an investment which the Group does not own or an inaccurate determination of the fair value of an investment.</p> | <p>We obtained confirmations from custodians and The Central Depository Pte Ltd to verify the quantity of each investment held by the Group.</p> <p>For investments with readily available market price at year-end, we verified the unit price to the closing bid price listed on the respective stock exchanges or data published by Bloomberg.</p> <p>For investments with no readily available quoted price at year-end, we reviewed management's basis and assumptions in determining the fair value for reasonableness.</p> <p>Based on the procedures performed, we found the Group's recognition of the strategic investments and determination of fair values to be appropriate.</p> |



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# Independent Auditor's Report to the Members of Haw Par Corporation Limited

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For the financial year ended 31 December 2018

## Other Information

Management is responsible for the other information. The other information comprises the following sections in the annual report:

- Corporate Profile
- Chairman's Statement
- Board of Directors
- Corporate Information
- Key & Senior Executives
- Group Financial Highlights
- Financial Calendar
- Operations Review
- People & The Community
- Five-Year Financial Summary
- Share Price & Trading Volume
- Financial Review
- Corporate Governance Report
- Directors' Statement
- Group Offices
- Major Products & Services

which we obtained prior to the date of this auditor's report, and the Statistics of Shareholdings section which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Statistics of Shareholdings section in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

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# Independent Auditor's Report to the Members of Haw Par Corporation Limited

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For the financial year ended 31 December 2018

## **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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# Independent Auditor's Report to the Members of Haw Par Corporation Limited

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For the financial year ended 31 December 2018

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yeoh Oon Jin.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 27 February 2019

# Consolidated Income Statement

For the financial year ended 31 December 2018

|   | Note | The Group         |                              |
|---|------|-------------------|------------------------------|
|   |      | 2018<br>\$'000    | 2017<br>\$'000<br>(Restated) |
| <b>Revenue</b>  | 3    | <b>237,814</b>    | 222,763                      |
| Cost of sales   |      | <b>(92,083)</b>   | (83,027)                     |
| <b>Gross profit</b>   |      | <b>145,731</b>    | 139,736                      |
| Other income  | 3    | <b>107,967</b>    | 65,585                       |
| Distribution and marketing expenses                                     |      | <b>(49,520)</b>   | (52,304)                     |
| General and administrative expenses                                     |      | <b>(12,956)</b>   | (15,737)                     |
| Finance expenses  |      | <b>(233)</b>      | (375)                        |
| Share of profit of associated company                                   |      | <b>1,290</b>      | 937                          |
| <b>Profit before taxation</b>   |      | <b>192,279</b>    | 137,842                      |
| Taxation  | 6    | <b>(13,211)</b>   | (15,382)                     |
| <b>Profit for the financial year, net of tax</b>                        |      | <b>179,068</b>    | 122,460                      |
| <b>Earnings per share attributable to equity holders of the Company</b> | 8    |                   |                              |
| – Basic   |      | <b>81.2 cents</b> | 55.7 cents                   |
| – Diluted   |      | <b>81.1 cents</b> | 55.6 cents                   |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

|  | The Group        |                              |
|--|------------------|------------------------------|
|  | 2018<br>\$'000   | 2017<br>\$'000<br>(Restated) |
| <b>Profit for the financial year, net of tax</b>                               | <b>179,068</b>   | 122,460                      |
| <b>Other comprehensive (expense)/income</b>                                    |                  |                              |
| <i>Items that may be reclassified subsequently to profit or loss:</i>          |                  |                              |
| Currency translation differences on consolidation of foreign entities (net)    | <b>(369)</b>     | 94                           |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>     |                  |                              |
| Fair value changes on investments (net)  | <b>(280,009)</b> | 667,565                      |
| <b>Other comprehensive (expense)/income for the financial year, net of tax</b> | <b>(280,378)</b> | 667,659                      |
| <b>Total comprehensive (expense)/income for the financial year</b>             | <b>(101,310)</b> | 790,119                      |

The accompanying notes form an integral part of these financial statements.

# Statements of Financial Position

As at 31 December 2018

|   | Note | The Group        |            |            | The Company      |           |           |
|---|------|------------------|------------|------------|------------------|-----------|-----------|
|   |      | 31 December      |            | 1 January  | 31 December      |           | 1 January |
|   |      | 2018             | 2017       | 2017       | 2018             | 2017      | 2017      |
|   |      | \$'000           | \$'000     | \$'000     | \$'000           | \$'000    |           |
|   |      |                  | (Restated) | (Restated) |                  |           |           |
| <b>ASSETS</b>   |      |                  |            |            |                  |           |           |
| Cash and bank balances                                      | 13   | <b>519,627</b>   | 400,983    | 313,012    | <b>446,164</b>   | 361,800   | 283,955   |
| Trade and other receivables                                 | 13   | <b>40,881</b>    | 32,345     | 33,814     | <b>63,402</b>    | 135,572   | 131,836   |
| Inventories   | 13   | <b>24,479</b>    | 17,126     | 11,523     | –                | –         | –         |
| Deferred income tax assets                                  | 6    | <b>2,082</b>     | 740        | 539        | –                | –         | –         |
| Associate   | 16   | <b>5,740</b>     | 4,850      | 4,313      | <b>2,895</b>     | 2,895     | 2,895     |
| Subsidiaries  | 16   | –                | –          | –          | <b>555,834</b>   | 560,334   | 375,357   |
| Investment properties                                       | 12   | <b>56,569</b>    | 58,766     | 60,757     | –                | –         | –         |
| Property, plant and equipment                               | 11   | <b>26,983</b>    | 28,561     | 23,450     | –                | –         | –         |
| Intangible assets   | 10   | <b>11,116</b>    | 11,116     | 11,116     | –                | –         | –         |
| Strategic investments                                       | 9    | <b>2,342,975</b> | 2,710,474  | 2,027,025  | –                | –         | –         |
| <b>Total assets</b>   |      | <b>3,030,452</b> | 3,264,961  | 2,485,549  | <b>1,068,295</b> | 1,060,601 | 794,043   |
| <b>LIABILITIES</b>  |      |                  |            |            |                  |           |           |
| Trade and other payables                                    | 13   | <b>65,788</b>    | 58,633     | 52,992     | <b>46,530</b>    | 37,872    | 34,954    |
| Borrowings  | 13   | <b>23,251</b>    | 45,048     | 45,799     | <b>23,251</b>    | 45,048    | 45,799    |
| Current income tax liabilities                              |      | <b>12,655</b>    | 11,265     | 10,981     | <b>973</b>       | 781       | 621       |
| Deferred income tax liabilities                             | 6    | <b>725</b>       | 71,722     | 50,832     | –                | –         | –         |
| <b>Total liabilities</b>                                    |      | <b>102,419</b>   | 186,668    | 160,604    | <b>70,754</b>    | 83,701    | 81,374    |
| <b>NET ASSETS</b>   |      | <b>2,928,033</b> | 3,078,293  | 2,324,945  | <b>997,541</b>   | 976,900   | 712,669   |
| <b>EQUITY</b>   |      |                  |            |            |                  |           |           |
| <b>Equity attributable to equity holders of the Company</b> |      |                  |            |            |                  |           |           |
| Share capital   | 14   | <b>264,173</b>   | 257,943    | 251,359    | <b>264,173</b>   | 257,943   | 251,359   |
| Retained profits  |      | <b>1,175,230</b> | 1,006,719  | 906,916    | <b>733,330</b>   | 714,155   | 457,202   |
| Other reserves  |      | <b>1,488,630</b> | 1,813,631  | 1,166,670  | <b>38</b>        | 4,802     | 4,108     |
| <b>Total equity</b>   |      | <b>2,928,033</b> | 3,078,293  | 2,324,945  | <b>997,541</b>   | 976,900   | 712,669   |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

|  | ← Attributable to equity holders of the Company → |  |                           |                                |                              |  |                            |                        |
|--|---|--|---------------------------|--------------------------------|------------------------------|--|----------------------------|------------------------|
|  | Share capital<br>\$'000                           | Statutory reserve <sup>1</sup><br>\$'000 | Capital reserve<br>\$'000 | Share option reserve<br>\$'000 | Fair value reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Retained profits<br>\$'000 | Total equity<br>\$'000 |
| <b>2018</b>  |   |  |                           |                                |                              |  |                            |                        |
| Balance at 31 December 2017 (previously reported)                          | 257,943   | 2,182                                    | 16,815                    | 4,731                          | 1,789,809                    | (14,551)                                       | 1,175,518                  | 3,232,447              |
| Adoption of SFRS(I) (Note 2)   | –   | –  | –                         | –                              | –                            | 14,645   | (168,799)                  | (154,154)              |
| Balance at 1 January 2018 (restated)                                       | 257,943   | 2,182                                    | 16,815                    | 4,731                          | 1,789,809                    | 94   | 1,006,719                  | 3,078,293              |
| Issue of share capital   | 6,230   | –  | –                         | –                              | –                            | –  | –                          | 6,230                  |
| Transfer from share option reserve and capital reserve to retained profits | –   | –  | (16,777) <sup>2</sup>     | (4,731) <sup>3</sup>           | –                            | –  | 21,508                     | –                      |
| Transfer of cumulative gain on disposal investments to retained profits    | –   | –  | –                         | –                              | (23,322)                     | –  | 23,322                     | –                      |
| Transfer from retained earnings to statutory reserve                       | –   | 207                                      | –                         | –                              | –                            | –  | (207)                      | –                      |
| Dividends paid (Note 7)  | –   | –  | –                         | –                              | –                            | –  | (55,180)                   | (55,180)               |
| Total comprehensive (expense)/income for the financial year                | –   | –  | –                         | –                              | (280,009)                    | (369)  | 179,068                    | (101,310)              |
| <b>Balance at 31 December 2018</b>   | <b>264,173</b>                                    | <b>2,389</b>                             | <b>38</b>                 | <b>–</b>                       | <b>1,486,478</b>             | <b>(275)</b>                                   | <b>1,175,230</b>           | <b>2,928,033</b>       |

1 The statutory reserve is legally required to be set aside in the countries of incorporation of certain subsidiaries. Those laws restrict the distribution and use of the reserve.

2 The capital reserve was reclassified to retained profits due to the change in certain subsidiaries' Constitution.

3 The share option reserve was reclassified to retained profits upon cessation of the share option scheme of the Company.

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

|  | ← Attributable to equity holders of the Company → |  |                           |                                |                              |  |                            |                        |
|--|---|--|---------------------------|--------------------------------|------------------------------|--|----------------------------|------------------------|
|  | Share capital<br>\$'000                           | Statutory reserve <sup>1</sup><br>\$'000 | Capital reserve<br>\$'000 | Share option reserve<br>\$'000 | Fair value reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Retained profits<br>\$'000 | Total equity<br>\$'000 |
| <b>2017</b>  |   |  |                           |                                |                              |  |                            |                        |
| Balance at 1 January 2017  | 251,359   | 2,182                                    | 16,815                    | 4,093                          | 1,143,580                    | (15,151)                                       | 1,072,672                  | 2,475,550              |
| Adoption of SFRS(I) (Note 2)   | –   | –  | –                         | –                              | –                            | 15,151   | (165,756)                  | (150,605)              |
| Balance at 1 January 2017 (restated)                                       | 251,359   | 2,182                                    | 16,815                    | 4,093                          | 1,143,580                    | –  | 906,916                    | 2,324,945              |
| Issue of share capital   | 6,584   | –  | –                         | –                              | –                            | –  | –                          | 6,584                  |
| Expensing of share options (Note 5(b)(i))                                  | –   | –  | –                         | 638                            | –                            | –  | –                          | 638                    |
| Transfer of cumulative gain on disposal of investments to retained profits | –   | –  | –                         | –                              | (21,336)                     | –  | 21,336                     | –                      |
| Dividends paid (Note 7)  | –   | –  | –                         | –                              | –                            | –  | (43,993)                   | (43,993)               |
| Total comprehensive income for the financial year                          | –   | –  | –                         | –                              | 667,565                      | 94   | 122,460                    | 790,119                |
| <b>Balance at 31 December 2017</b>   | <b>257,943</b>                                    | <b>2,182</b>                             | <b>16,815</b>             | <b>4,731</b>                   | <b>1,789,809</b>             | <b>94</b>                                      | <b>1,006,719</b>           | <b>3,078,293</b>       |

The accompanying notes form an integral part of these financial statements.



# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

|   | Note | The Group       |                              |
|---|------|-----------------|------------------------------|
|   |      | 2018<br>\$'000  | 2017<br>\$'000<br>(Restated) |
| <b>Cash flows from operating activities:</b>                            |      |                 |                              |
| Profit before tax   |      | 192,279         | 137,842                      |
| Adjustments for:  |      |                 |                              |
| Dividend income   | 3    | (97,795)        | (59,775)                     |
| Interest income   | 3    | (7,343)         | (3,723)                      |
| Depreciation of property, plant and equipment and investment properties |      | 6,310           | 5,911                        |
| Share of profit of associated company                                   |      | (1,290)         | (937)                        |
| Write-back of unclaimed dividends                                       |      | (243)           | (239)                        |
| Finance expenses  |      | 233             | 375                          |
| Inventories written down  | 13   | 79              | 217                          |
| Loss on disposal and write-off of property, plant and equipment         |      | 5               | 18                           |
| Expensing of share options  |      | –               | 638                          |
| Unrealised currency translation (gains)/losses                          |      | (1,039)         | 2,351                        |
| <b>Operating profit before working capital changes</b>                  |      | <b>91,196</b>   | <b>82,678</b>                |
| Increase in inventories   |      | (7,432)         | (5,820)                      |
| (Increase)/decrease in trade and other receivables                      |      | (7,904)         | 1,578                        |
| Increase in trade and other payables                                    |      | 8,287           | 4,662                        |
| <b>Cash generated from operations</b>                                   |      | <b>84,147</b>   | <b>83,098</b>                |
| Net taxation paid   |      | (14,600)        | (14,408)                     |
| <b>Net cash from operating activities</b>                               |      | <b>69,547</b>   | <b>68,690</b>                |
| <b>Cash flows from investing activities</b>                             |      |                 |                              |
| Proceeds from disposal of investments                                   | 9    | 66,821          | 31,724                       |
| Dividend income received  |      | 50,186          | 34,591                       |
| Interest income received  |      | 6,676           | 3,550                        |
| Purchase of property, plant and equipment                               |      | (3,361)         | (8,027)                      |
| Dividends from associated company                                       |      | 400             | 400                          |
| Improvements to investment properties                                   | 12   | (316)           | (65)                         |
| Proceeds from sale of property, plant and equipment                     |      | 7               | –                            |
| Purchase of investments   |      | –               | (2,702)                      |
| <b>Net cash from investing activities</b>                               |      | <b>120,413</b>  | <b>59,471</b>                |
| <b>Cash flows from financing activities</b>                             |      |                 |                              |
| Payment of dividends to members of the Company                          | 7    | (55,180)        | (43,993)                     |
| Repayment of borrowings   | 13   | (23,110)        | –                            |
| Proceeds from issue of share capital for share options exercised        | 14   | 6,230           | 6,584                        |
| Interest expense paid   |      | (248)           | (376)                        |
| Bank deposits released from pledge                                      |      | 222             | –                            |
| <b>Net cash used in financing activities</b>                            |      | <b>(72,086)</b> | <b>(37,785)</b>              |
| <b>Net increase in cash and cash equivalents</b>                        | 13   | <b>117,874</b>  | <b>90,376</b>                |
| Cash and cash equivalents at beginning of the financial year            |      | 400,562         | 312,596                      |
| Effects of currency translation on cash and cash equivalents            |      | 991             | (2,410)                      |
| <b>Cash and cash equivalents at end of the financial year</b>           | 13   | <b>519,427</b>  | <b>400,562</b>               |

The accompanying notes form an integral part of these financial statements.

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# Notes to the Financial Statements

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For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL

Haw Par Corporation Limited (the "Company") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its registered office is as follows:

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598

The Company is the owner of the "Tiger" trademarks and is the holding company of the Group.

The principal activities of the Company are licensing of the "Tiger" trademarks and owning and holding strategic investments for the long term.

The principal activities of the Group are as follows:

- (a) manufacturing, marketing and trading healthcare products;
- (b) providing leisure-related goods and services; and
- (c) investing in properties and securities.

Principal activities of significant subsidiaries are listed in Note 16.

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") issued by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies in Note 17.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(f).

### (a) Adoption of SFRS(I)s

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

The Group's opening statement of financial position under SFRS(I) has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### (b) Application of SFRS(I) 1

In adopting SFRS(I)s, the Group applied all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group has retrospectively applied all SFRS(I)s effective at the end of the first SFRS(I) reporting period (financial year ended 31 December 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. There were no changes to accounting policies or material adjustments on the initial transition to SFRS(I)s other than the following election of optional exemption and change in measurement basis described below:

#### (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 \$153,648,000 respectively. Profit or loss and currency translation differences on consolidation of foreign entities for the financial year ended 31 December 2017 reduced by \$3,043,000 and \$506,000 respectively.

### (c) (i) Reconciliation of the Group's consolidated statement of comprehensive income in accordance with SFRS to SFRS(I)

|   | Note    | Reported under SFRS \$'000 | Effects of applying SFRS(I) \$'000 | Reported under SFRS(I) \$'000 |
|---|---------|----------------------------|------------------------------------|-------------------------------|
| <u>For the financial year ended 31 December 2017</u>                        |         |                            |                                    |                               |
| Cost of sales   | (b)(ii) | (80,618)                   | (2,409)                            | (83,027)                      |
| Gross profit  | (b)(ii) | 142,145                    | (2,409)                            | 139,736                       |
| Fair value changes on investment properties                                 | (b)(ii) | 634                        | (634)                              | –                             |
| Profit before taxation  | (b)(ii) | 140,885                    | (3,043)                            | 137,842                       |
| Currency translation differences on consolidation of foreign entities (net) | (b)(ii) | 600                        | (506)                              | 94                            |
| Other comprehensive income/(expense) for the financial year, net of tax     | (b)(ii) | 668,165                    | (506)                              | 667,659                       |
| Total comprehensive income for the year                                     | (b)     | 793,668                    | (3,549)                            | 790,119                       |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### (c) (ii) Reconciliation of the Group's consolidated statement of financial position in accordance with SFRS to SFRS(I)

|                               | Note       | Reported<br>under<br>SFRS<br>\$'000 | Effects of<br>applying<br>SFRS(I)<br>\$'000 | Reported<br>under<br>SFRS(I)<br>\$'000 |
|-------------------------------|------------|-------------------------------------|---|--|
| <u>As at 1 January 2017</u>   |            |                                     |   |  |
| Investment properties         | (b)(ii)    | 211,362                             | (150,605)                                   | 60,757                                 |
| Retained profits              | (b)(i)(ii) | 1,072,672                           | (165,756)                                   | 906,916                                |
| Other reserves                | (b)(i)     | 1,151,519                           | 15,151                                      | 1,166,670                              |
| <u>As at 31 December 2017</u> |            |                                     |   |  |
| Investment properties         | (b)(ii)    | 212,920                             | (154,154)                                   | 58,766                                 |
| Retained profits              | (b)(i)(ii) | 1,175,518                           | (168,799)                                   | 1,006,719                              |
| Other reserves                | (b)(i)(ii) | 1,798,986                           | 14,645                                      | 1,813,631                              |

### (iii) Reconciliation of the Group's consolidated statement of cashflows in accordance with SFRS to SFRS(I)

|  | Reported<br>under<br>SFRS<br>\$'000 | Effects of<br>applying<br>SFRS(I)<br>\$'000 | Reported<br>under<br>SFRS(I)<br>\$'000 |
|--|-------------------------------------|---|--|
| <u>For the financial year ended 31 December 2017</u> |                                     |   |  |
| Net cash from operating activities                   | 106,831                             | (38,141)                                    | 68,690                                 |
| Net cash from investing activities                   | 21,330                              | 38,141                                      | 59,471                                 |

Dividend income received of \$34,591,000 and interest income received of \$3,550,000 have been reclassified from cash flows from operating activities to cash flows from investing activities to better reflect the nature of these income.

On adoption of SFRS(I), the Group has also 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. Accordingly, management believes that the presentation of the statement of financial position based on liquidity provides more useful and relevant information to shareholders.

The adoption of SFRS(I)s did not have any impact on the financial statements of the Company except for presentation of the statement of financial position based on liquidity.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### (d) Interpretations and amendments to published standards effective in 2018

On 1 January 2018, the Group also adopted the new or amended SFRS(I) and Interpretations to SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I) including the following:

- SFRS(I) 15 *Revenue from contracts with customers*

The adoption of the new standard or amended SFRS(I) and INT SFRS(I) 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.

### (e) New accounting standards and SFRS(I) Interpretations and amendments effective in 2019 or after

*Effective for financial periods beginning on or after 1 January 2019*

- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to SFRS(I)s 2015 - 2017 Cycle
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The new standards are not expected to have any material impact on the financial statements.

### (f) Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The recognition of deferred tax liabilities involve such accounting judgements as set out in Note 6(b).

The carrying value of an investment (which had no readily available information for its valuation) involve such accounting estimate as set out in Note 9(d).

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# Notes to the Financial Statements

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For the financial year ended 31 December 2018

## 3. SEGMENTAL REPORTING

The Group is organised into the following main business segments:

- Manufacturing, marketing and trading of healthcare products;
- Investments in securities;
- Property rental; and
- Provision of leisure-related goods and services.

Healthcare division principally manufactures and distributes topical analgesic products under the "Tiger Balm" and "Kwan Loong" brand.

Investment division engages in long term investing activities, mainly in quoted securities in Asia. These investments are accounted for as financial assets at fair value through other comprehensive income (FVOCI).

Property division owns and leases out several investment properties in Asia.

Leisure division provides family and tourist oriented leisure activities mainly in the form of oceanariums.

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets consist primarily of strategic investments, investment properties, property, plant and equipment, intangible assets, inventories, receivables, and cash and bank balances. Segment liabilities comprise operating liabilities and exclude tax liabilities. Capital expenditure on non-current assets comprises additions to investment properties, property, plant and equipment, intangible assets and investment in associated companies.

The Group evaluates performance of its segments on the basis of profit or loss from operations before tax expenses and management fees charged internally and excludes non-recurring gains and losses.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments comprise three segments, namely "Healthcare segment", "Investments segment" and an "Others segment" which aggregates the results of the property and leisure divisions. These operating segments are reported in a manner consistent with internal reporting provided to the management committee and Investment Committee whose members are responsible for allocating resources and assessing performance of the operating segments.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 3. SEGMENTAL REPORTING (CONTINUED)

### (a) Reportable segments

|   | Healthcare<br>products<br>\$'000 | Investments<br>\$'000 | Others <sup>1</sup><br>\$'000 | Consolidated<br>\$'000 |
|---|----------------------------------|-----------------------|-------------------------------|------------------------|
| <b>2018</b>   |                                  |                       |                               |                        |
| Total segment revenue                                 | 216,941                          | –                     | 21,701                        | 238,642                |
| Inter-segment revenue                                 | –                                | –                     | (828)                         | (828)                  |
| Revenue from external parties                         | 216,941                          | –                     | 20,873                        | 237,814                |
| Dividend income                                       | –                                | 97,795                | –                             | 97,795                 |
| Interest income                                       | –                                | 7,343                 | –                             | 7,343                  |
| Miscellaneous income                                  | 1,694                            | 296                   | 839                           | 2,829                  |
| Total other income                                    | 1,694                            | 105,434               | 839                           | 107,967                |
| Total revenue and other income                        | 218,635                          | 105,434               | 21,712                        | 345,781                |
| Depreciation  | 3,127                            | 112                   | 3,071                         | 6,310                  |
| Segment profit  | 77,252                           | 105,741               | 12,322                        | 195,315                |
| Finance expense                                       | –                                | (233)                 | –                             | (233)                  |
| Unallocated expenses                                  | –                                | –                     | –                             | (4,093)                |
| Share of profit of associated company                 | –                                | 1,290                 | –                             | 1,290                  |
| Profit before taxation                                | –                                | –                     | –                             | 192,279                |
| Taxation  | –                                | –                     | –                             | (13,211)               |
| Earnings for the financial year                       | –                                | –                     | –                             | 179,068                |
| Segment assets  | 155,773                          | 2,809,670             | 62,927                        | 3,028,370              |
| Deferred income tax assets                            | –                                | –                     | –                             | 2,082                  |
| Total assets per statement of financial position      | –                                | –                     | –                             | 3,030,452              |
| Expenditures for segment non-current assets           | –                                | –                     | –                             | –                      |
| – Additions to property, plant and equipment          | 2,418                            | 52                    | 121                           | 2,591                  |
| – Investment properties improvements                  | –                                | –                     | 316                           | 316                    |
|   | 2,418                            | 52                    | 437                           | 2,907                  |
| Segment liabilities                                   | 53,025                           | 29,545                | 6,469                         | 89,039                 |
| Current income tax liabilities                        | –                                | –                     | –                             | 12,655                 |
| Deferred income tax liabilities                       | –                                | –                     | –                             | 725                    |
| Total liabilities per statement of financial position | –                                | –                     | –                             | 102,419                |

1 Included in "Others" are property and leisure divisions which constitute less than 25% of the Group's revenue.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 3. SEGMENTAL REPORTING (CONTINUED)

### (a) Reportable segments (continued)

|   | Healthcare<br>products<br>\$'000 | Investments<br>\$'000 | Others <sup>1</sup><br>\$'000 | Consolidated<br>\$'000 |
|---|----------------------------------|-----------------------|-------------------------------|------------------------|
| <b>2017 (Restated)</b>                                |                                  |                       |                               |                        |
| Total segment revenue                                 | 201,662                          | –                     | 21,897                        | 223,559                |
| Inter-segment revenue                                 | –                                | –                     | (796)                         | (796)                  |
| Revenue from external parties                         | 201,662                          | –                     | 21,101                        | 222,763                |
| Dividend income                                       | –                                | 59,775                | –                             | 59,775                 |
| Interest income                                       | –                                | 3,723                 | –                             | 3,723                  |
| Miscellaneous income                                  | 241                              | 310                   | 1,536                         | 2,087                  |
| Total other income                                    | 241                              | 63,808                | 1,536                         | 65,585                 |
| Total revenue and other income                        | 201,903                          | 63,808                | 22,637                        | 288,348                |
| Depreciation  | 2,768                            | 79                    | 3,064                         | 5,911                  |
| Segment profit  | 68,579                           | 60,592                | 12,674                        | 141,845                |
| Finance expense                                       | –                                | (375)                 | –                             | (375)                  |
| Unallocated expenses                                  | –                                | –                     | –                             | (4,565)                |
| Share of profit of associated company                 | –                                | 937                   | –                             | 937                    |
| Profit before taxation                                | –                                | –                     | –                             | 137,842                |
| Taxation  | –                                | –                     | –                             | (15,382)               |
| Earnings for the financial year                       | –                                | –                     | –                             | 122,460                |
| Segment assets  | 107,745                          | 3,090,792             | 65,684                        | 3,264,221              |
| Deferred income tax assets                            | –                                | –                     | –                             | 740                    |
| Total assets per statement of financial position      | –                                | –                     | –                             | 3,264,961              |
| Expenditures for segment non-current assets           | –                                | –                     | –                             | –                      |
| – Additions to property, plant and equipment          | 8,196                            | 508                   | 93                            | 8,797                  |
| – Investment properties improvements                  | –                                | –                     | 65                            | 65                     |
|   | 8,196                            | 508                   | 158                           | 8,862                  |
| Segment liabilities                                   | 44,835                           | 51,558                | 7,288                         | 103,681                |
| Current income tax liabilities                        | –                                | –                     | –                             | 11,265                 |
| Deferred income tax liabilities                       | –                                | –                     | –                             | 71,722                 |
| Total liabilities per statement of financial position | –                                | –                     | –                             | 186,668                |

1 Included in "Others" are property and leisure divisions which constitute less than 25% of the Group's revenue.



# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 3. SEGMENTAL REPORTING (CONTINUED)

### (a) Reportable segments (continued)

Revenue consist of the following:

|                       | The Group      |                |
|-----------------------|----------------|----------------|
|                       | 2018<br>\$'000 | 2017<br>\$'000 |
| Sale of goods         | 217,567        | 202,218        |
| Rendering of services | 3,232          | 2,989          |
| Rental income         | 17,015         | 17,556         |
| Revenue               | 237,814        | 222,763        |

### (b) Geographical Information (excluding strategic investments)

|                        | Revenues <sup>(i)</sup><br>\$'000 | Non-current<br>assets <sup>(ii)</sup><br>\$'000 |
|------------------------|-----------------------------------|---|
| <b>2018</b>            |                                   |   |
| Singapore              | 31,815                            | 72,078  |
| Other ASEAN countries  | 89,855                            | 16,854  |
| Other Asian countries  | 73,009                            | 11,476  |
| Other countries        | 43,135                            | –   |
| Total                  | 237,814                           | 100,408   |
| <b>2017 (Restated)</b> |                                   |   |
| Singapore              | 32,439                            | 73,102  |
| Other ASEAN countries  | 70,640                            | 17,707  |
| Other Asian countries  | 80,468                            | 12,484  |
| Other countries        | 39,216                            | –   |
| Total                  | 222,763                           | 103,293   |

(i) Revenues are attributable to countries in which the income is derived.

(ii) Non-current assets, which include property, plant and equipment, investment properties, investment in associated company and intangible assets, are shown based on the geographical area where the assets are located.

Revenue or non-current asset contribution from one single country is disclosed separately when it exceeds 20% of the Group's revenue and other income or non-current assets respectively.

Except for rental income of \$17,015,000 (2017: \$17,556,000) which is mainly earned in Singapore, the remaining revenue by segment relates to revenue from contracts with customers under SFRS(I) 15.

### (c) Major customers

Revenues of approximately \$122,772,000 (2017: \$101,232,000) were contributed from two groups of external customers (2017: two groups). These revenues are attributable to the sale of Healthcare products in Asia to distributors belonging to the same group of companies.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 4. FINANCIAL RISK MANAGEMENT

### *Financial risk factors*

The Group's activities expose it to market risk (including price risk, currency risk and interest rate risk) and credit risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Investment Committee then establishes the detailed policies, such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Regular reports that contain the Group's exposure to each type of financial risks are submitted to the Investment Committee.

### (a) Foreign currency risk

The Group operates in Asia and through distributors in other parts of the world, with its principal operations in Singapore. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Under the guidance of the Investment Committee, foreign currency exposure is managed by a policy of matching, as far as possible, receipts and payments in each individual currency. As such, working capital of the Group is not exposed to significant currency risks.

The Group also has available forward contract facilities to hedge future foreign exchange exposure. The surplus of convertible currencies are either further matched with future foreign currency requirements or exchanged for Singapore Dollar.

The Investment Committee also monitors the foreign currency fluctuations on non-financial assets including net foreign currency exposure on investment in overseas subsidiaries.

The Group's currency exposure of financial assets/liabilities net of those denominated in the respective entities' functional currency based on the information provided to key management is as follows:

|  | USD<br>\$'000  | JPY<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|--|----------------|---------------|------------------|-----------------|
| <b>Group</b>   |                |               |                  |                 |
| <u>At 31 December 2018</u>                             |                |               |                  |                 |
| Cash and cash equivalents and financial assets (FVOCI) | 72,105         | 29,077        | 6,477            | 107,659         |
| Borrowings   | –              | (23,251)      | –                | (23,251)        |
| Currency exposure on financial assets and liabilities  | <b>72,105</b>  | <b>5,826</b>  | <b>6,477</b>     | <b>84,408</b>   |
| <u>At 31 December 2017</u>                             |                |               |                  |                 |
| Cash and cash equivalents and financial assets (FVOCI) | 117,110        | 71,866        | 4,246            | 193,222         |
| Borrowings   | –              | (45,048)      | –                | (45,048)        |
| Currency exposure on financial assets and liabilities  | <b>117,110</b> | <b>26,818</b> | <b>4,246</b>     | <b>148,174</b>  |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Foreign currency risk (continued)

The Company's currency exposure of financial assets/liabilities net of those denominated in its functional currency based on the information provided to key management is as follows:

|   | USD<br>\$'000 | JPY<br>\$'000   | Others<br>\$'000 | Total<br>\$'000 |
|---|---------------|-----------------|------------------|-----------------|
| <b>Company</b>  |               |                 |                  |                 |
| <u>At 31 December 2018</u>                            |               |                 |                  |                 |
| Cash and cash equivalents                             | 6,872         | –               | 282              | 7,154           |
| Borrowings  | –             | (23,251)        | –                | (23,251)        |
| Currency exposure on financial assets and liabilities | <b>6,872</b>  | <b>(23,251)</b> | <b>282</b>       | <b>(16,097)</b> |
| <u>At 31 December 2017</u>                            |               |                 |                  |                 |
| Cash and cash equivalents                             | 48,864        | –               | –                | 48,864          |
| Borrowings  | –             | (45,048)        | –                | (45,048)        |
| Currency exposure on financial assets and liabilities | 48,864        | (45,048)        | –                | 3,816           |

A 10% (2017: 10%) weakening of Singapore Dollar against the following currencies at reporting date would increase/ (decrease) profit or loss by the amounts shown below, with all other variables including tax rate being held constant:

|                            | USD<br>\$'000 | JPY<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|----------------------------|---------------|---------------|------------------|-----------------|
| <b>Group</b>               |               |               |                  |                 |
| <u>At 31 December 2018</u> |               |               |                  |                 |
| Profit or loss, after tax  | 3,897         | –             | 543              | 4,440           |
| Other comprehensive income | 2,665         | 583           | –                | 3,248           |
| <u>At 31 December 2017</u> |               |               |                  |                 |
| Profit or loss, after tax  | 5,446         | –             | 364              | 5,810           |
| Other comprehensive income | 6,152         | 2,682         | –                | 8,834           |
| <b>Company</b>             |               |               |                  |                 |
| <u>At 31 December 2018</u> |               |               |                  |                 |
| Profit or loss, after tax  | 687           | (2,325)       | 28               | (1,610)         |
| <u>At 31 December 2017</u> |               |               |                  |                 |
| Profit or loss, after tax  | 4,886         | (4,505)       | –                | 381             |

A 10% (2017: 10%) strengthening of Singapore Dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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# Notes to the Financial Statements

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For the financial year ended 31 December 2018

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

It is the Group's policy to transact with creditworthy counterparties. In addition, the granting of material credit limits to counterparties is reviewed and approved by senior management. The Group does not expect to incur material credit losses on its financial assets or other financial instruments.

The Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. It considers available reasonable and supportive forwarding-looking information including

- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations; and
- Significant delay in the payment status of counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 3 months past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 12 months of when they fall due.

### (c) Interest rate risk

The Group does not have financial assets and financial liabilities that are exposed to significant interest rate risks. The Company periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels.

The Group does not expect to incur material losses due to changes in interest rate of the bank borrowings.

Details of various risk exposure in terms of market price risk and credit risk, can be found in Notes 9(b) and 13(b) respectively.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Financial instruments by category

The financial instruments of the Group and of the Company include the following:

|   | Note | The Group        |           |           | The Company    |         |           |
|---|------|------------------|-----------|-----------|----------------|---------|-----------|
|   |      | 31 December      | 2017      | 1 January | 31 December    | 2017    | 1 January |
|   |      | 2018             | 2017      | 2017      | 2018           | 2017    | 2017      |
|   |      | \$'000           | \$'000    | \$'000    | \$'000         | \$'000  | \$'000    |
| <b>Financial Assets</b>   |      |                  |           |           |                |         |           |
| Strategic investments (FVOCI)   | 9    | 2,342,975        | 2,710,474 | 2,027,025 | –              | –       | –         |
| Cash and bank balances and trade and other receivables (Amortised cost) |      | 559,718          | 433,105   | 346,536   | 509,556        | 497,362 | 415,790   |
|   |      | <b>2,902,693</b> | 3,143,579 | 2,373,561 | <b>509,556</b> | 497,362 | 415,790   |
| <b>Financial Liabilities</b>  |      |                  |           |           |                |         |           |
| Trade and other payables and borrowings (Amortised cost)                |      | 89,039           | 103,681   | 98,791    | 69,781         | 82,920  | 80,753    |
|   |      | <b>89,039</b>    | 103,681   | 98,791    | <b>69,781</b>  | 82,920  | 80,753    |

## 5. EXPENSES

### (a) Breakdown by expenses

|   | The Group     |            |
|---|---------------|------------|
|   | 2018          | 2017       |
|   | \$'000        | \$'000     |
|   |               | (Restated) |
| Purchase of inventories   | 64,547        | 61,474     |
| Changes in inventories  | (7,432)       | (5,820)    |
|   | <b>57,115</b> | 55,654     |
| Sales and marketing expenses                                    | 41,378        | 43,183     |
| Employee costs (Note 5(b))                                      | 33,667        | 28,784     |
| Depreciation of property, plant and equipment (Note 11)         | 3,880         | 3,502      |
| Depreciation of investment properties (Note 12)                 | 2,430         | 2,409      |
| Repair and maintenance  | 2,719         | 2,268      |
| Utilities   | 2,363         | 2,427      |
| Property tax  | 1,978         | 1,875      |
| Professional and legal fees                                     | 1,175         | 640        |
| Auditors' remuneration:   |               |            |
| – Auditor of the Company:                                       |               |            |
| – audit fees  | 332           | 320        |
| – non-audit fees  | 4             | 25         |
| – underprovision of audit fees in respect of prior year         | 10            | –          |
| – Other auditors:   |               |            |
| – audit fees  | 33            | 24         |
| – non-audit fees  | 9             | 14         |
| Trademark expenses  | 339           | 248        |
| Inventories written down  | 79            | 217        |
| Loss on disposal and write-off of property, plant and equipment | 5             | 18         |
| Foreign exchange (gain)/loss, net                               | (981)         | 3,140      |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 5. EXPENSES (CONTINUED)

### (b) Employee benefits

(i) *Employee costs (including Executive Directors)*

|  | The Group      |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Salaries and other short-term employee benefits (including directors' fees)            | <b>31,595</b>  | 25,931         |
| – Key management   | <b>5,498</b>   | 5,277          |
| – Other employees  | <b>26,097</b>  | 20,654         |
| Employer's contribution to Central Provident fund and other defined contribution plans | <b>2,072</b>   | 2,215          |
| – Key management   | <b>95</b>      | 103            |
| – Other employees  | <b>1,977</b>   | 2,112          |
| Share options granted  | –              | 638            |
| – Key management   | –              | 320            |
| – Other employees  | –              | 318            |
|  | <b>33,667</b>  | 28,784         |

Total compensation to Directors of the Company included in the above amounted to \$3,461,000 (2017: \$3,136,000).

(ii) The Haw Par Corporation Group 2002 Share Option Scheme was approved by members of the Company on 22 May 2002 and further extended to 2017 on 20 April 2011. The 2002 Scheme granted non-transferable options to selected employees and includes the participation by the non-executive directors. The maximum life-span of exercising the options is 10 years (exercise period). The options are exercisable beginning on the first anniversary from the date when the options are granted or the second anniversary if the options are granted at a discount to the market price. The options may be exercised in full or in part in respect of 1,000 shares or any multiple thereof, on the payment of the exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The scheme ceased in 2017 and no options were granted since. The previously granted options remain valid until the respective expiry dates and no later than 28 February 2022.

|  | Number of shares |           |
|--|------------------|-----------|
|  | 2018             | 2017      |
| <b>Under 2002 Scheme:</b>                      |                  |           |
| Outstanding at beginning of the financial year | <b>1,243,000</b> | 1,652,000 |
| Granted  | –                | 498,000   |
| Cancelled/ Expired/ Not accepted               | <b>(16,000)</b>  | (96,000)  |
| Exercised                                      | <b>(700,000)</b> | (811,000) |
| Outstanding at end of the financial year       | <b>527,000</b>   | 1,243,000 |
| Exercisable at end of the financial year       | <b>527,000</b>   | 774,000   |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 5. EXPENSES (CONTINUED)

### (b) Employee benefits (continued)

(iii) Movement in the number of unissued ordinary shares under option and their exercise prices are as follows:

| Date of grant | Number of shares covered by the options |                               |                                |                  |                                  | Exercise price | Exercise period      |
|---------------|---|-------------------------------|--------------------------------|------------------|----------------------------------|----------------|----------------------|
|               | Balance at beginning of financial year  | Granted during financial year | Cancelled/Expired/Not Accepted | Exercised        | Balance at end of financial year |                |                      |
| <b>2018</b>   |   |                               |                                |                  |                                  |                |                      |
| 4.3.2013      | 48,000                                  | –                             | –                              | (48,000)         | –                                | \$7.27         | 4.3.2014 – 3.3.2018  |
| 3.3.2014      | 146,000                                 | –                             | (4,000)                        | (112,000)        | 30,000                           | \$8.55         | 3.3.2015 – 1.3.2019  |
| 3.3.2015      | 344,000                                 | –                             | (4,000)                        | (202,000)        | 138,000                          | \$8.58         | 3.3.2016 – 2.3.2020  |
| 4.3.2016      | 236,000                                 | –                             | (4,000)                        | (90,000)         | 142,000                          | \$8.00         | 4.3.2017 – 3.3.2021  |
| 1.3.2017      | 469,000                                 | –                             | (4,000)                        | (248,000)        | 217,000                          | \$9.96         | 1.3.2018 – 28.2.2022 |
|               | <b>1,243,000</b>                        | <b>–</b>                      | <b>(16,000)</b>                | <b>(700,000)</b> | <b>527,000</b>                   |                |                      |
| <b>2017</b>   |   |                               |                                |                  |                                  |                |                      |
| 1.3.2012      | 52,000                                  | –                             | (10,000)                       | (42,000)         | –                                | \$5.95         | 1.3.2013 – 28.2.2017 |
| 4.3.2013      | 128,000                                 | –                             | (10,000)                       | (70,000)         | 48,000                           | \$7.27         | 4.3.2014 – 3.3.2018  |
| 3.3.2014      | 430,000                                 | –                             | (16,000)                       | (268,000)        | 146,000                          | \$8.55         | 3.3.2015 – 1.3.2019  |
| 3.3.2015      | 508,000                                 | –                             | (15,000)                       | (149,000)        | 344,000                          | \$8.58         | 3.3.2016 – 2.3.2020  |
| 4.3.2016      | 534,000                                 | –                             | (16,000)                       | (282,000)        | 236,000                          | \$8.00         | 4.3.2017 – 3.3.2021  |
| 1.3.2017      | –                                       | 498,000                       | (29,000)                       | –                | 469,000                          | \$9.96         | 1.3.2018 – 28.2.2022 |
|               | <b>1,652,000</b>                        | <b>498,000</b>                | <b>(96,000)</b>                | <b>(811,000)</b> | <b>1,243,000</b>                 |                |                      |

Upon the cessation of the 2002 Scheme, a cash-based long term incentive plan was put in place from 2018 for selected executives.

### (c) Related parties transactions

There are no other material related party transactions apart from those disclosed elsewhere in the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 6. TAXATION

### (a) Tax expense

|  | The Group      |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Tax expense attributable to profit is made up of:    |                |                |
| <b>Current taxation</b>                              |                |                |
| Current year:  |                |                |
| – Singapore  | 11,043         | 10,250         |
| – Overseas   | 5,573          | 4,872          |
|  | <b>16,616</b>  | 15,122         |
| (Over)/under provision in respect of previous years: |                |                |
| – Singapore  | (1,029)        | (211)          |
| – Overseas   | 215            | (25)           |
|  | <b>(814)</b>   | (236)          |
| <b>Deferred taxation</b>                             |                |                |
| Origination and reversal of temporary differences:   |                |                |
| – Singapore  | (19)           | 668            |
| – Overseas   | (1,237)        | (157)          |
|  | <b>(1,256)</b> | 511            |
| Overprovision in respect of previous years:          |                |                |
| – Singapore  | (813)          | –              |
| – Overseas   | (522)          | (15)           |
|  | <b>(1,335)</b> | (15)           |
|  | <b>13,211</b>  | 15,382         |

The tax expense on accounting profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

|  | 2018<br>\$'000 | 2017<br>\$'000<br>(Restated) |
|--|----------------|------------------------------|
| Profit before taxation   | 192,279        | 137,842                      |
| Share of profit of associated company                            | (1,290)        | (937)                        |
| Profit before taxation and share of profit of associated company | <b>190,989</b> | 136,905                      |
| Taxation at applicable Singapore tax rate of 17% (2017: 17%)     | <b>32,468</b>  | 23,274                       |
| Adjustments:   |                |                              |
| – Tax rate difference in foreign subsidiaries                    | 519            | 723                          |
| – Withholding taxes  | 1,366          | 1,475                        |
| – Tax effect of expenses not deductible for tax purposes         | 917            | 1,701                        |
| – Tax effect of income not subject to tax                        | (17,578)       | (10,785)                     |
| – Tax rebates, exemptions and incentives                         | (2,317)        | (708)                        |
| – Utilisation of previously unrecognised deferred taxes          | (15)           | (47)                         |
| – Overprovision in respect of previous years                     | (2,149)        | (251)                        |
| Taxation expense   | <b>13,211</b>  | 15,382                       |



# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 6. TAXATION (CONTINUED)

### (b) Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts and movement, determined after appropriate offsetting, are shown on the statement of financial position as follows:

|   | Deferred income tax liabilities                                      |  |                  |                 | Deferred income tax assets |                  |                 | Net<br>\$'000  |
|---|--|--|------------------|-----------------|----------------------------|------------------|-----------------|----------------|
|   | Fair value<br>changes on<br>financial<br>assets<br>(FVOCI)<br>\$'000 | Accelerated<br>tax<br>depreciation<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 | Provisions<br>\$'000       | Others<br>\$'000 | Total<br>\$'000 |                |
| <b>The Group</b>                          |  |  |                  |                 |                            |                  |                 |                |
| <b>2018</b>                               |  |  |                  |                 |                            |                  |                 |                |
| Beginning of financial year               | 69,753   | 1,520  | 449              | 71,722          | (665)                      | (75)             | (740)           | 70,982         |
| Charged to other comprehensive income     |  |  |                  |                 |                            |                  |                 |                |
| – Others                                  | (69,753)   | –  | –                | (69,753)        | –                          | –                | –               | (69,753)       |
| Charged to profit or loss                 |  |  |                  |                 |                            |                  |                 |                |
| – Others                                  | –  | (826)  | (422)            | (1,248)         | (1,339)                    | (4)              | (1,343)         | (2,591)        |
| Currency translation differences          | –  | –  | 4                | 4               | (6)                        | 7                | 1               | 5              |
| End of financial year                     | –  | <b>694</b>                                   | <b>31</b>        | <b>725</b>      | <b>(2,010)</b>             | <b>(72)</b>      | <b>(2,082)</b>  | <b>(1,357)</b> |
| To be settled/(recovered) after 12 months |  |  |                  | <b>97</b>       |                            |                  | <b>(2,082)</b>  |                |
| To be settled/(recovered) after 12 months |  |  |                  | <b>628</b>      |                            |                  | –               |                |
| <b>2017</b>                               |  |  |                  |                 |                            |                  |                 |                |
| Beginning of financial year               | 49,560   | 852  | 420              | 50,832          | (481)                      | (58)             | (539)           | 50,293         |
| Charged to other comprehensive income     |  |  |                  |                 |                            |                  |                 |                |
| – Changes in fair value                   | 20,193   | –  | –                | 20,193          | –                          | –                | –               | 20,193         |
| Charged to profit or loss                 |  |  |                  |                 |                            |                  |                 |                |
| – Others                                  | –  | 668  | 18               | 686             | (166)                      | (24)             | (190)           | 496            |
| Currency translation differences          | –  | –  | 11               | 11              | (18)                       | 7                | (11)            | –              |
| End of financial year                     | 69,753   | 1,520  | 449              | 71,722          | (665)                      | (75)             | (740)           | 70,982         |
| To be settled/(recovered) after 12 months |  |  |                  | 197             |                            |                  | (740)           |                |
| To be settled/(recovered) after 12 months |  |  |                  | 71,525          |                            |                  | –               |                |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 6. TAXATION (CONTINUED)

### (b) Deferred tax (continued)

- (i) In conjunction with the transition and adoption of SFRS(I), management undertook a comprehensive review of the financial statements. Arising from the review and taking into consideration recent tax developments with the support of professional advisors, deferred tax liabilities of approximately \$69,753,000, previously recognised for the unrealised fair value gains on certain strategic investments, were reversed during the financial year as they were capital in nature and should not be subject to tax in the event of realisation.
- (ii) Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised deferred income tax assets arising from tax losses of \$23.3 million (2017: \$21.4 million) at the end of the reporting period. These tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation. These tax losses have no expiry date except for \$0.7 million which will expire between 2019 and 2023.

## 7. DIVIDENDS

|  | The Group       |                |
|--|-----------------|----------------|
|  | 2018<br>\$'000  | 2017<br>\$'000 |
| <i>Ordinary dividends paid:</i>  |                 |                |
| Final exempt 2017 dividend of 10 cents per share<br>(2017: Final exempt 2016 dividend of 10 cents per share)     | <b>22,056</b>   | 21,989         |
| Interim exempt 2018 dividend of 15 cents per share<br>(2017: Interim exempt 2017 dividend of 10 cents per share) | <b>33,124</b>   | 22,004         |
|  | <b>55,180</b>   | 43,993         |
| Dividend per share (net of tax)  | <b>25 cents</b> | 20 cents       |

Final dividends to the Company's members are recognised when the dividends are approved by the members. The Directors recommend a final tax exempt one-tier dividend of 15 cents per share and special tax exempt one-tier dividend of 85 cents per share, amounting to approximately \$220.8 million to be paid for the financial year ended 31 December 2018 (2017: 10 cents per share amounting to \$22.1 million). These financial statements do not reflect these dividends, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2019.

In accordance to the Constitution of the Company, unclaimed dividends outstanding for more than 6 years of about \$243,000 (2017: \$239,000) are written back.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 8. EARNINGS PER SHARE

|  | The Group         |                              |
|--|-------------------|------------------------------|
|  | 2018<br>\$'000    | 2017<br>\$'000<br>(Restated) |
| Earnings for the financial year  | <b>179,068</b>    | 122,460                      |
|  | '000              | '000                         |
| Weighted average number of ordinary shares for calculation of basic earnings per share   | <b>220,647</b>    | 219,896                      |
| Dilution adjustment for share options  | <b>218</b>        | 272                          |
| Adjusted weighted average number of shares for calculation of diluted earnings per share | <b>220,865</b>    | 220,168                      |
| <b><i>Earnings per share attributable to equity holders of the Company</i></b>           |                   | (Restated)                   |
| – Basic  | <b>81.2 cents</b> | 55.7 cents                   |
| – Diluted  | <b>81.1 cents</b> | 55.6 cents                   |

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options whose impact on earnings per share is not material.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 9. STRATEGIC INVESTMENTS

Strategic investments comprise of financial assets at fair value through other comprehensive income as follows:

|   | The Group        |           |           |
|---|------------------|-----------|-----------|
|   | 31 December      |           | 1 January |
|   | 2018             | 2017      | 2017      |
|   | \$'000           | \$'000    | \$'000    |
| Singapore listed equity securities      |                  |           |           |
| – United Overseas Bank Limited          | <b>1,839,078</b> | 1,933,678 | 1,467,127 |
| – UOL Group Limited                     | <b>443,075</b>   | 637,596   | 268,185   |
| – United Industrial Corporation Limited | –                | –         | 192,018   |
|   | <b>2,282,153</b> | 2,571,274 | 1,927,330 |
| Others                                  | <b>60,822</b>    | 139,200   | 99,695    |
|   | <b>2,342,975</b> | 2,710,474 | 2,027,025 |

- (a) During the financial year, the Group elected to receive \$47,609,000 (2017: \$25,184,000) of dividend income as scrip shares in lieu of cash dividends.
- (b) The market price risk associated with these investments is the potential gain or loss in fair value resulting from the change in market prices of these securities. If prices for equity securities listed in Singapore and overseas change by 10% (2017: 10%) with all other variables including tax rate being held constant, the Group's equity and other comprehensive income will be affected by:

|                            | 2018             | 2017      |
|----------------------------|------------------|-----------|
|                            | \$'000           | \$'000    |
| <u>Listed in Singapore</u> |                  |           |
| – increased by             | <b>228,724</b>   | 248,968   |
| – decreased by             | <b>(228,724)</b> | (248,968) |
| <u>Listed overseas</u>     |                  |           |
| – increased by             | <b>5,259</b>     | 13,338    |
| – decreased by             | <b>(5,259)</b>   | (13,338)  |

- (c) During the financial year, the Group disposed of certain of its investments for cash and realised the capital appreciation. These investments had a fair value of approximately \$66,821,000 at date of disposal. The cumulative gain on disposal of \$23,322,000 was reclassified from fair value reserve to retained profits.
- (d) The Group holds a 10% interest in a Hong Kong listed company, Hua Han Health Industry Holdings Limited. Trading in its shares has been suspended since September 2016, and the company is also subject to investigations by an appointed special auditor. Due to the prolonged suspension, lack of clarity on its financial status and based on the latest available public information, management has assessed the fair value of this investment to be nil.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 10. INTANGIBLE ASSETS

|                           | The Group   |        |           | The Company |        |           |
|---------------------------|-------------|--------|-----------|-------------|--------|-----------|
|                           | 31 December |        | 1 January | 31 December |        | 1 January |
|                           | 2018        | 2017   | 2017      | 2018        | 2017   | 2017      |
|                           | \$'000      | \$'000 | \$'000    | \$'000      | \$'000 | \$'000    |
| Goodwill on consolidation | 11,116      | 11,116 | 11,116    | –           | –      | –         |
| Trademarks                | –           | –      | –         | –           | –      | –         |
|                           | 11,116      | 11,116 | 11,116    | –           | –      | –         |

### (a) Goodwill on consolidation

|  | The Group   |        |           |
|--|-------------|--------|-----------|
|  | 31 December |        | 1 January |
|  | 2018        | 2017   | 2017      |
|  | \$'000      | \$'000 | \$'000    |
| <b>Cost</b>                                    |             |        |           |
| Balance at beginning and end of financial year | 11,116      | 11,116 | 11,116    |

#### *Impairment test for goodwill*

Goodwill arose from the privatisation of Haw Par Healthcare Limited in 2003. The goodwill is allocated to the healthcare division of the Group, which is regarded as a cash-generating unit ("CGU").

During the financial year, the Group has determined that there was no impairment of its CGU containing the goodwill given the profitability of the healthcare division (See Note 3). The recoverable amount (i.e. higher of value-in-use and fair value less costs to sell) of the CGU is determined on the basis of value-in-use calculations. These calculations incorporate cash flow projections by management covering a five-year period.

#### *Key assumptions used for value-in-use calculations:*

|               |                   |
|---------------|-------------------|
| Discount rate | 6.8% (2017: 6.1%) |
| Growth rate   | 0.0% (2017: 0.0%) |

The pre-tax discount rate used reflects specific risks relating to the healthcare division. Based on the sensitivity analysis performed, any reasonable change in the key assumptions would not result in any impairment adjustments.

### (b) Trademarks

The Company and its wholly-owned subsidiary, Haw Par Brothers International (HK) Ltd ("HPBIHK") own the "Tiger" (Cost: \$2.0 million) and "Kwan Loong" ("Double Lion") (Cost: HK\$5.58 million) trademarks respectively. The Company and HPBIHK (together "the Licensors"), licensed to Haw Par Healthcare Limited ("HPH"), another wholly-owned subsidiary, the exclusive right to manufacture, distribute, market and sell "Tiger" and "Kwan Loong" products worldwide until 31 December 2037 and can be renewed for a further period of 25 years on terms to be mutually agreed between the Licensors and HPH. The costs of these trademarks have been fully amortised.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 11. PROPERTY, PLANT AND EQUIPMENT

|                                  | Leasehold<br>land and<br>buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Total<br>\$'000 |
|----------------------------------|--|----------------------------------|-----------------|
| <b>The Group</b>                 |  |                                  |                 |
| <i>Cost</i>                      |  |                                  |                 |
| At 1 January 2018                | 29,128                                       | 36,283                           | 65,411          |
| Additions                        | 28   | 2,563                            | 2,591           |
| Disposals/write-offs             | –  | (451)                            | (451)           |
| Currency translation differences | (149)  | (195)                            | (344)           |
| At 31 December 2018              | 29,007                                       | 38,200                           | 67,207          |
| <i>Accumulated depreciation</i>  |  |                                  |                 |
| At 1 January 2018                | 16,006                                       | 20,844                           | 36,850          |
| Depreciation charge for the year | 1,206  | 2,674                            | 3,880           |
| Disposals/write-offs             | –  | (439)                            | (439)           |
| Currency translation differences | 40   | (107)                            | (67)            |
| At 31 December 2018              | 17,252                                       | 22,972                           | 40,224          |
| <b>Net book value</b>            |  |                                  |                 |
| <b>At 31 December 2018</b>       | <b>11,755</b>                                | <b>15,228</b>                    | <b>26,983</b>   |
| <i>Cost</i>                      |  |                                  |                 |
| At 1 January 2017                | 27,687                                       | 29,050                           | 56,737          |
| Additions                        | 1,408  | 7,389                            | 8,797           |
| Disposals/write-offs             | –  | (123)                            | (123)           |
| Currency translation differences | 33   | (33)                             | –               |
| At 31 December 2017              | 29,128                                       | 36,283                           | 65,411          |
| <i>Accumulated depreciation</i>  |  |                                  |                 |
| At 1 January 2017                | 14,732                                       | 18,555                           | 33,287          |
| Depreciation charge for the year | 1,124  | 2,378                            | 3,502           |
| Disposals/write-offs             | –  | (105)                            | (105)           |
| Currency translation differences | 150  | 16                               | 166             |
| At 31 December 2017              | 16,006                                       | 20,844                           | 36,850          |
| <b>Net book value</b>            |  |                                  |                 |
| <b>At 31 December 2017</b>       | <b>13,122</b>                                | <b>15,439</b>                    | <b>28,561</b>   |

Included in the net book value of leasehold land and buildings is land use rights amounting to \$940,000 (2017: \$987,000).

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 12. INVESTMENT PROPERTIES

The Group's investment properties consist of both commercial and industrial properties, held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Group. They are mainly leased to third parties under operating leases.

|  | The Group      |                              |
|--|----------------|------------------------------|
|  | 2018<br>\$'000 | 2017<br>\$'000<br>(Restated) |
| <i>Cost</i>  |                |                              |
| Beginning of the financial year (as previously reported) | 212,920        | 211,362                      |
| Effects of the change in accounting policy               | (90,910)       | (90,054)                     |
| Beginning of the financial year (restated)               | 122,010        | 121,308                      |
| Improvements   | 316            | 65                           |
| Currency translation differences                         | (165)          | 637                          |
| End of the financial year                                | 122,161        | 122,010                      |
| <i>Accumulated depreciation and impairment losses</i>    |                |                              |
| Beginning of the financial year                          | –              | –                            |
| Effects of the change in accounting policy               | 63,244         | 60,551                       |
| Beginning of the financial year (restated)               | 63,244         | 60,551                       |
| Depreciation charge for the year                         | 2,430          | 2,409                        |
| Currency translation differences                         | (82)           | 284                          |
| End of the financial year                                | 65,592         | 63,244                       |
| <i>Net book value</i>                                    |                |                              |
| As at 31 December  | 56,569         | 58,766                       |
| At valuation:  |                |                              |
| Freehold properties                                      | 35,260         | 35,320                       |
| Leasehold properties                                     | 178,800        | 177,600                      |

### (a) Valuation

The Group engages an external, independent and qualified valuer to determine the fair value of the Group's property at the end of every financial year based on the property's highest and best use. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between the property manager, certain directors and the independent valuer annually.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and categorised under Level 3 of the fair value measurement hierarchy. Level 3 fair value has been derived using the income capitalisation approach where the net rental income after property tax is capitalised at a rate which reflects the present and potential income growth over the unexpired lease term. The most significant input into the income capitalisation valuation approach is the capitalisation rate of 5.25% to 7% (2017: 5.25% to 7%) per annum.

An increase in capitalisation rate will result in a decrease to the fair value of the investment property.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 12. INVESTMENT PROPERTIES (CONTINUED)

(b) The following amounts are recognised in profit or loss:

|   | The Group      |                              |
|---|----------------|------------------------------|
|   | 2018<br>\$'000 | 2017<br>\$'000<br>(Restated) |
| Rental income (Note 3)  | 17,015         | 17,556                       |
| Direct operating expenses arising from investment properties that generated rental income | (7,334)        | (7,084)                      |

(c) Certain investment properties with a carrying value of \$42,353,000 (2017: \$44,130,000) and fair value of \$178,800,000 (2017: \$177,600,000) are pledged to the banks as security for bank credit facilities (Note 13(e)).

(d) The details of the Group's investment properties as at 31 December 2018 are as follows:

| Investment properties  | Description  | Tenure of land                      | Independent valuer                            |
|--|--|-------------------------------------|---|
| Haw Par Glass Tower<br>178 Clemenceau Avenue<br>Singapore 239926                     | 9-storey office building on a land area of 899 square metres. The lettable area is 3,316 square metres.  | 99-year lease from 2 June 1970      | Edmund Tie & Company (SEA) Pte Ltd            |
| Haw Par Centre<br>180 Clemenceau Avenue<br>Singapore 239922                          | 6-storey office building on a land area of 2,464 square metres. The lettable area is 10,251 square metres.   | 99-year lease from 1 September 1952 | Edmund Tie & Company (SEA) Pte Ltd            |
| Haw Par Technocentre<br>401 Commonwealth Drive<br>Singapore 149598                   | 7-storey industrial building on a land area of 8,131 square metres. The lettable area is 15,700 square metres.   | 99-year lease from 1 March 1963     | Edmund Tie & Company (SEA) Pte Ltd            |
| Menara Haw Par<br>Lot 242, Jalan Sultan<br>Ismail, 50250<br>Kuala Lumpur<br>Malaysia | 32-storey office building on a land area of 2,636 square metres and a parcel of commercial land of 1,294 square metres. The lettable area of the building is 16,131 square metres. | Freehold                            | Nawawi Tie Leung Property Consultants Sdn Bhd |

(e) Investment properties are tenanted under non-cancellable lease arrangements where future minimum rentals receivable under non-cancellable operating leases contracted for as of 31 December but not recognised as receivables are as follows:

|                                 | The Group      |                |
|---------------------------------|----------------|----------------|
|                                 | 2018<br>\$'000 | 2017<br>\$'000 |
| Within one year                 | 13,828         | 16,427         |
| Between one year and five years | 12,174         | 15,294         |
|                                 | <b>26,002</b>  | <b>31,721</b>  |



# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 13. WORKING CAPITAL BALANCES

### (a) Cash and bank balances

|                          | The Group      |         |           | The Company    |         |           |
|--------------------------|----------------|---------|-----------|----------------|---------|-----------|
|                          | 31 December    |         | 1 January | 31 December    |         | 1 January |
|                          | 2018           | 2017    | 2017      | 2018           | 2017    | 2017      |
|                          | \$'000         | \$'000  | \$'000    | \$'000         | \$'000  | \$'000    |
| Short term bank deposits | <b>494,170</b> | 369,869 | 287,761   | <b>444,639</b> | 360,229 | 281,265   |
| Cash at bank and on-hand | <b>25,457</b>  | 31,114  | 25,251    | <b>1,525</b>   | 1,571   | 2,690     |
|                          | <b>519,627</b> | 400,983 | 313,012   | <b>446,164</b> | 361,800 | 283,955   |

The cash and deposits, together with the available unutilised credit facilities are expected to be sufficient to meet the funding requirements of the Group's operations.

The Group does not have any material financial liabilities maturing more than 12 months from 31 December 2018.

Included in the cash and bank balances are bank deposits and cash on hand amounting to \$10,354,000 (2017: \$10,663,000) which are not freely remittable for use by the Group because of currency exchange restrictions. Bank deposits are considered to have low credit risk as they are placed with banks with high credit-ratings assigned by international credit rating agencies.

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

|  | The Group      |         |           |
|--|----------------|---------|-----------|
|  | 31 December    |         | 1 January |
|  | 2018           | 2017    | 2017      |
|  | \$'000         | \$'000  | \$'000    |
| Cash and bank balances (as above)                                  | <b>519,627</b> | 400,983 | 313,012   |
| Less: Bank deposits pledged for banking facilities                 | <b>(200)</b>   | (421)   | (416)     |
| Cash and cash equivalents per consolidated statement of cash flows | <b>519,427</b> | 400,562 | 312,596   |

### (b) Trade and other receivables

|                          | The Group     |        |           | The Company   |         |           |
|--------------------------|---------------|--------|-----------|---------------|---------|-----------|
|                          | 31 December   |        | 1 January | 31 December   |         | 1 January |
|                          | 2018          | 2017   | 2017      | 2018          | 2017    | 2017      |
|                          | \$'000        | \$'000 | \$'000    | \$'000        | \$'000  | \$'000    |
| Trade receivables        | <b>35,093</b> | 28,300 | 27,576    | <b>4,245</b>  | 4,015   | 3,510     |
| Advances to subsidiaries | –             | –      | –         | <b>57,428</b> | 130,388 | 127,262   |
| Other receivables        | <b>5,788</b>  | 4,045  | 6,238     | <b>1,729</b>  | 1,169   | 1,064     |
|                          | <b>40,881</b> | 32,345 | 33,814    | <b>63,402</b> | 135,572 | 131,836   |

Other receivables mainly comprise other debtors and deposits of approximately \$3,368,000 (2017: approximately \$2,617,000).

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 13. WORKING CAPITAL BALANCES (CONTINUED)

### (b) Trade and other receivables (continued)

Advances to subsidiaries by the Company are non-trade, unsecured, interest-free and are repayable on demand.

The carrying amounts of advances, trade and other receivables approximate their fair values as they are expected to be recovered within 12 months from the reporting date.

#### (i) Credit risk

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss on trade receivables at the reporting date is insignificant as majority of the balances are current. The loss allowance provision as at 31 December 2018 is determined as follows:

|                          | Current<br>\$'000 | Past due<br>within<br>1 month<br>\$'000 | Past due 1<br>to<br>3 months<br>\$'000 | Total<br>\$'000 |
|--------------------------|-------------------|---|--|-----------------|
| <b>The Group</b>         |                   |   |  |                 |
| Expected loss rate       | –%                | –%                                      | 1%                                     |                 |
| <b>2018</b>              |                   |   |  |                 |
| Gross carrying amount    | 34,599            | 494                                     | –                                      | 35,093          |
| Loss allowance provision | –                 | –                                       | –                                      | –               |
| Expected loss rate       | –%                | –%                                      | 1%                                     |                 |
| <b>2017</b>              |                   |   |  |                 |
| Gross carrying amount    | 27,943            | 357                                     | –                                      | 28,300          |
| Loss allowance provision | –                 | –                                       | –                                      | –               |

The maximum exposure of the Group and the Company to credit risk in the event that the counterparties fail to perform their obligations as of 31 December 2018 and 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statements of financial position.

### (c) Inventories

|                      | The Group                     |                |                             |
|----------------------|-------------------------------|----------------|-----------------------------|
|                      | 31 December<br>2018<br>\$'000 | 2017<br>\$'000 | 1 January<br>2017<br>\$'000 |
| Manufacturing stocks | 12,087                        | 8,741          | 5,967                       |
| Work in progress     | 3,450                         | 1,453          | 1,149                       |
| Finished stocks      | 8,942                         | 6,932          | 4,407                       |
|                      | 24,479                        | 17,126         | 11,523                      |

The cost of inventories recognised as expense and included in "Cost of sales" amounted to \$57,115,000 (2017: \$55,654,000).

During the financial year, the Group recognised inventories write down of \$79,000 (2017: \$217,000). The inventories written down have been included in "Cost of sales" in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 13. WORKING CAPITAL BALANCES (CONTINUED)

### (d) Trade and other payables

|                             | The Group     |        |           | The Company   |        |           |
|-----------------------------|---------------|--------|-----------|---------------|--------|-----------|
|                             | 31 December   |        | 1 January | 31 December   |        | 1 January |
|                             | 2018          | 2017   | 2017      | 2018          | 2017   | 2017      |
|                             | \$'000        | \$'000 | \$'000    | \$'000        | \$'000 | \$'000    |
| Trade payables              | 5,740         | 4,987  | 4,322     | –             | –      | –         |
| Other payables and accruals | 60,048        | 53,646 | 48,670    | 3,180         | 3,228  | 3,124     |
| Advances from subsidiaries  | –             | –      | –         | 43,350        | 34,644 | 31,830    |
|                             | <b>65,788</b> | 58,633 | 52,992    | <b>46,530</b> | 37,872 | 34,954    |

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Other payables and accruals mainly comprise of accrued sales and marketing expenses, and accrued employee compensation.

Trade and other payables are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method. The carrying values of trade and other payables approximate their fair values.

Advances from subsidiaries are non-trade, unsecured, interest free and are repayable on demand.

### (e) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

The bank borrowings of the Group and the Company are exposed to interest rate changes and contractual repricing in less than 6 months from the reporting date for both financial years.

Bank borrowings and credit facilities of the Group are secured over certain investment properties (Note 12) and pledged deposits (Note 13(a)).

The carrying value of bank borrowings approximates its fair value as they are expected to be settled within 12 months from the reporting date.

#### (i) Reconciliation of liabilities arising from financing activities

Details of changes in the Group's liabilities from financing activities are set out in the table below:

|  | 2018          | 2017   |
|--|---------------|--------|
|  | \$'000        | \$'000 |
| <b>Borrowings</b>                            |               |        |
| At beginning of financial year               | 45,048        | 45,799 |
| Repayment of borrowings                      | (23,110)      | –      |
| Effects of changes in foreign exchange rates | 1,313         | (751)  |
| At end of financial year                     | <b>23,251</b> | 45,048 |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 14. SHARE CAPITAL

|   | The Group and the Company   |                  |                             |                  |
|---|-----------------------------|------------------|-----------------------------|------------------|
|   | 2018                        |                  | 2017                        |                  |
|   | Number<br>of shares<br>'000 | Amount<br>\$'000 | Number<br>of shares<br>'000 | Amount<br>\$'000 |
| Beginning of financial year   | 220,141                     | 257,943          | 219,330                     | 251,359          |
| Issue of ordinary shares by virtue of exercise of share options (Note 5(b)(ii)) | 700                         | 6,230            | 811                         | 6,584            |
| End of financial year   | 220,841                     | 264,173          | 220,141                     | 257,943          |

Ordinary shares are classified as equity. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Please refer to Note 5(b)(ii) for details of share options.

### (a) Capital risk

In managing capital, the Group's objectives are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to members, buy back issued shares or obtain new borrowings.

Management monitors capital based on ability of the Group to generate sustainable profits and availability of retained profits for dividend payments to members. The Group's overall strategy remains unchanged from 2017.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 15. CONTINGENCIES AND COMMITMENTS

### (a) Contingent liabilities

The Group has no material contingent liabilities as at year end.

### (b) Commitments

#### (i) Capital commitments

|                               | The Group      |                | The Company    |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Property, plant and equipment | 923            | 242            | –              | –              |

#### (ii) Operating lease commitments – as a lessee

Future minimum rentals payable under non-cancellable operating leases contracted for as of 31 December but not recognised as liabilities are as follows:

|                                 | The Group      |                |
|---------------------------------|----------------|----------------|
|                                 | 2018<br>\$'000 | 2017<br>\$'000 |
| Within one year                 | 389            | 342            |
| Between one year and five years | 770            | 894            |
| After five years                | 550            | 859            |
|                                 | <b>1,709</b>   | <b>2,095</b>   |

## 16. SUBSIDIARIES AND ASSOCIATE

Investment in subsidiaries and an associated company are stated at cost less accumulated impairment losses. On disposal of these investments, the difference between net disposal proceeds and the carrying amount of the net investments is recognised in profit or loss.

### (a) Investment in subsidiaries

|                                   | The Company    |                |                |
|-----------------------------------|----------------|----------------|----------------|
|                                   | 31 December    |                | 1 January      |
|                                   | 2018<br>\$'000 | 2017<br>\$'000 | 2017<br>\$'000 |
| Equity investments at cost:       |                |                |                |
| Unquoted, at written down cost    | 601,072        | 605,572        | 420,595        |
| Allowance for impairment in value | (45,238)       | (45,238)       | (45,238)       |
|                                   | <b>555,834</b> | <b>560,334</b> | <b>375,357</b> |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 16. SUBSIDIARIES AND ASSOCIATE (CONTINUED)

### (a) Investment in subsidiaries (continued)

Significant subsidiaries in the Group

| Name of Company                                | Country of incorporation       | Principal activities  | Effective equity interest held by Group |        |
|--|--------------------------------|---|---|--------|
|  |                                |   | 2018 %                                  | 2017 % |
| <b>SUBSIDIARIES</b>                            |                                |   |   |        |
| <b>Healthcare products</b>                     |                                |   |   |        |
| Haw Par Healthcare Limited                     | Singapore                      | Manufacturing, marketing and distributing healthcare products     | 100.0                                   | 100.0  |
| * Tiger Balm (Malaysia) Sdn. Bhd.+             | Malaysia                       | Manufacturing, marketing and distributing pharmaceutical products | 100.0                                   | 100.0  |
| * Xiamen Tiger Medicals Co., Ltd.**            | The People's Republic of China | Manufacturing, marketing and distributing pharmaceutical products | 100.0                                   | 100.0  |
| <b>Leisure products and services</b>           |                                |   |   |        |
| Haw Par Leisure Pte Ltd                        | Singapore                      | Investment holding  | 100.0                                   | 100.0  |
| * Underwater World Pattaya Ltd+                | Thailand                       | Owning and operating oceanarium                                   | 100.0                                   | 100.0  |
| <b>Property</b>                                |                                |   |   |        |
| Haw Par Properties (Singapore) Private Limited | Singapore                      | Property development and owning and letting properties            | 100.0                                   | 100.0  |
| Haw Par Centre Private Ltd                     | Singapore                      | Property development and owning and letting properties            | 100.0                                   | 100.0  |
| Setron Limited                                 | Singapore                      | Property development and owning and letting properties            | 100.0                                   | 100.0  |
| Haw Par Land (Malaysia) Sdn. Bhd.+             | Malaysia                       | Investment in properties and letting out of office space          | 100.0                                   | 100.0  |

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 16. SUBSIDIARIES AND ASSOCIATE (CONTINUED)

### (a) Investment in subsidiaries (continued)

Significant subsidiaries in the Group (continued)

| Name of Company   | Country of incorporation | Principal activities                                       | Effective equity interest held by Group |        |
|---|--------------------------|--|---|--------|
|   |                          |  | 2018 %                                  | 2017 % |
| <b>Investments</b>  |                          |  |   |        |
| Haw Par Capital Pte Ltd                                       | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Haw Par Equities Pte Ltd                                      | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Haw Par Investment Holdings Private Limited                   | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Haw Par Pharmaceutical Holdings Pte. Ltd.                     | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Haw Par Securities (Private) Limited                          | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Haw Par Trading Pte Ltd                                       | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| M & G Maritime Services Pte. Ltd.                             | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Pickwick Securities Private Limited                           | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| Straits Maritime Leasing Private Limited                      | Singapore                | Investment holding   | 100.0                                   | 100.0  |
| * Haw Par Brothers International (H.K.) Limited <sup>++</sup> | Hong Kong                | Investment holding and licensing of "Kwan Loong" trademark | 100.0                                   | 100.0  |
| Haw Par Management Services Pte. Ltd.                         | Singapore                | Provision of management support services                   | 100.0                                   | 100.0  |

#### Notes

- (i) Companies indicated with a (\*) are indirectly held by Haw Par Corporation Limited.
- (ii) Companies indicated with a (+) are audited by PricewaterhouseCoopers member firms outside Singapore.
- (iii) Companies indicated with a (++) are audited by other firms. These foreign-incorporated companies are not considered as significant foreign-incorporated subsidiaries under the Singapore Exchange Securities Trading Limited - Listing Rules. Accordingly, Rule 716 of the Listing Manual has been complied with.
- (iv) All the above subsidiaries and associated company operate in their respective countries of incorporation.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 16. SUBSIDIARIES AND ASSOCIATE (CONTINUED)

### (b) Investment in an associate

|                                     | The Group   |        |           | The Company |        |           |
|-------------------------------------|-------------|--------|-----------|-------------|--------|-----------|
|                                     | 31 December |        | 1 January | 31 December |        | 1 January |
|                                     | 2018        | 2017   | 2017      | 2018        | 2017   | 2017      |
|                                     | \$'000      | \$'000 | \$'000    | \$'000      | \$'000 | \$'000    |
| Investment in an associated company | 5,740       | 4,850  | 4,313     | 2,895       | 2,895  | 2,895     |

| Name of associated company | Country of incorporation | Principal activities | Effective equity interest held by Group |      |
|----------------------------|--------------------------|----------------------|---|------|
|                            |                          |                      | 2018                                    | 2017 |
|                            |                          |                      | %                                       | %    |
| UIC Technologies Pte Ltd   | Singapore                | Investment holding   | 40.0                                    | 40.0 |

The Group's investment in associated company is not material to the Group. There are no contingent liabilities relating to the Group's interest in the associated company.

## 17. SIGNIFICANT ACCOUNTING POLICIES

### (a) Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, in the ordinary course of the Group's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

Revenue from contracts with customers comprises of:

(i) *Sale of goods*

Revenue from sale of goods is recognised generally on shipment and collection of related receivables is generally within 60 days.

(ii) *Rendering of services*

Revenue from services is recognised upon rendering of services and payment is due immediately.

Revenue from leasing of investment properties:

(iii) *Rental income*

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term when collectability of the related receivable is reasonably assured.



# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Revenue and other income recognition (continued)

Other income is recognised as follows:

#### (iv) Dividend income

Dividend income from investments, subsidiaries and associated company is recognised when the right to receive payment is established.

#### (v) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### (vi) Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants relating to expenses are shown separately as other income

### (b) Employee benefits

#### (i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### (ii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in profit or loss with a corresponding increase in share option reserve within equity over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on vesting date.

### (c) Income taxes

Current and deferred income taxes for current and prior periods are recognised at the amounts expected to be paid to or recovered from the tax authorities, using the applicable tax rates.

Current and deferred income taxes are recognised as income or expenses in profit or loss for the period except for those relating to fair value changes of financial assets at fair value through other comprehensive income which are recognised in other comprehensive income.

Deferred income tax are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Income taxes (continued)

Deferred income tax liability is recognised on temporary differences arising on distributable reserves from investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### (d) Investments and other financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Group has elected at the time of initial recognition to classify its equity investments as financial assets at fair value through other comprehensive income because these are strategic investments. The Group subsequently measures all equity investments at fair value with gains and losses recognised in other comprehensive income. The fair value of the investments is based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price and are classified as Level 1 under fair value hierarchy set out in the relevant accounting standards.

A portion of the investment portfolio is hedged where the fair value changes on the hedged item resulting from currency risk are recognised in profit and loss instead. The fair value changes on the portion of the hedging instrument designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item.

Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through comprehensive income are not reported separately from other changes in fair value. Upon disposal, any balance within the fair value reserve is reclassified directly to retained profits and not reclassified to profit or loss.

"Trade and other receivables" (Note 13) and "cash and bank balances" (Note 13) on the statement of financial position are assets initially recognised at fair value and subsequently measured at amortised cost. For impairment, the Group applies the simplified expected credit loss model as disclosed in Note 13(b)(i).

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Intangible assets

#### (i) Goodwill

Goodwill are carried at cost less accumulated impairment losses. Goodwill on acquisition of subsidiaries and business, represents the excess of (i) the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

#### (ii) Trademarks

Trademarks are carried at cost less accumulated amortisation and/or accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks over a period not exceeding 20 years. These have been fully amortised as at the end of the reporting period.

### (f) Property, plant and equipment Investment properties

#### (i) Measurement

Property, plant and equipment and investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment and investment property includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. All other repair and maintenance expense is recognised in profit or loss when incurred.

On disposal, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Property, plant and equipment (continued) Investment properties

#### (ii) Depreciation

Depreciation is calculated using a straight-line method to allocate the depreciable amounts of asset over their estimated useful lives as follows:

|                     |  |
|---------------------|--|
| Freehold land       | No depreciation  |
| Leasehold land      | Over the term of the lease                                   |
| Buildings           | 50 years or over the term of the lease, whichever is shorter |
| Plant and equipment | 4 to 10 years  |

Construction-in-progress assets are not depreciated until they are brought to use. Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, estimated useful lives and depreciation method of the assets are reviewed, and adjusted as appropriate, at each financial year-end to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment and investment properties. The effects of any revision are recognised in profit or loss for the financial year in which the changes arise.

### (g) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

### (h) Group accounting

#### (i) Subsidiaries

##### (1) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity including those entities which the Group has less than 50% equity interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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# Notes to the Financial Statements

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For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Group accounting (continued)

#### (i) *Subsidiaries (continued)*

##### (2) *Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred, equity interests issued by the Group, the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill (Note 17(e)(i)).

##### (3) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Group accounting (continued)

#### (ii) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies in the consolidated statement of financial position include goodwill (net of accumulated impairment loss) identified on acquisition, where applicable.

#### (1) *Equity method of accounting*

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. The Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments.

#### (2) *Disposals*

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

Investments in associated companies are derecognised when the Group ceases to have significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence ceases and its fair value is recognised in profit or loss.

### (i) **Impairment of non-financial assets**

*Goodwill, Intangible assets, Property, plant and equipment, Investment Properties and Investments in subsidiaries and associated company*

Goodwill, recognised separately as an intangible asset, is tested annually for impairment and whenever there is any indication that the goodwill may be impaired. The rest of the non-financial assets are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash generating units ("CGU") expected to benefit from synergies of the business combination.

For the purpose of impairment testing of the other non-financial assets (apart from goodwill), recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised when the carrying amount of the asset (or CGU), including the goodwill, exceeds the recoverable amount of the asset (or CGU). Recoverable amount of the asset (or CGU) is the higher of the asset (or CGU)'s fair value less cost to sell and value-in-use.

An impairment loss (and any subsequent reversal) on non-financial assets is recognised in profit or loss except for goodwill, whose reversal of impairment in a subsequent period is effected through retained earnings.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Operating leases

(i) *When a group company is the lessee:*

Leases of property, plant and equipment where a substantial portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

(ii) *When a group company is the lessor:*

Leases of investment properties to third parties where the Group retains substantially all risks and rewards incidental to ownership of the leased assets are classified as operating leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to/made by the lessor/lessee by way of penalty is recognised as an expense/income in the period in which termination takes place.

### (k) Fair value estimation

The fair values of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their carrying amounts.

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices obtained from stock exchange at the end of the reporting period. The fair value of financial instruments that do not have readily available quoted price are determined by using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flow analysis.

### (l) Currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements of the Group are presented in Singapore Dollar, which is the Company's functional currency.

# Notes to the Financial Statements

For the financial year ended 31 December 2018

## 17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Currency translation (continued)

#### (ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the end of the reporting period are recognised in profit or loss, except for currency translation differences on the net investment in foreign operations, borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges for foreign operations, which are included in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items whereby gains or losses are recognised in other comprehensive income, such as equity investments classified as fair value through other comprehensive income financial assets are included in the fair value reserve.

#### (iii) Translation of Group entities' financial statements

The results and financial position of Group entities that are in functional currencies different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (2) Income and expenses are translated at the dates of the transactions; and
- (3) All resulting currency exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

## 18. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements are authorised for issue in accordance with a resolution of the Board of Directors of Haw Par Corporation Limited on 27 February 2019.



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# Group Offices

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## CORPORATE OFFICE

### Haw Par Corporation Limited

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598  
Tel : 6337 9102  
Fax : 6336 9232  
Website : [www.hawpar.com](http://www.hawpar.com)

## HEALTHCARE

### Haw Par Healthcare Limited

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598  
Tel : 6337 9102  
Fax : 6262 3436  
Website : [www.tigerbalm.com](http://www.tigerbalm.com)

### Tiger Balm (Malaysia) Sdn. Bhd.

PLO 95 No.6  
Jalan Firma 1/1  
Tebrau Industrial Estate  
81100 Johor Bahru  
Malaysia

### Xiamen Tiger Medicals Co., Ltd

289 Yang Guang West Road  
Hai Cang District  
Xiamen City 361027  
The People's Republic of China

## LEISURE

### Haw Par Leisure Pte Ltd

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598

### Underwater World Pattaya Ltd

22/22 Moo 11,  
Sukhumvit Road,  
Nongprue, Banglamung,  
Chonburi 20260  
Thailand  
Tel : 66 3875 6879  
Fax : 66 3875 6977  
Website : [www.underwaterworldpattaya.com](http://www.underwaterworldpattaya.com)

## PROPERTY & INVESTMENT

### Haw Par Properties (Singapore) Private Limited

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598  
Tel : 6337 9102  
Fax : 6336 9232

### Haw Par Land (Malaysia) Sdn. Bhd.

9th Floor, Menara Haw Par  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Tel : 03 2070 1855  
Fax : 03 2070 6078

### Haw Par Securities (Private) Limited

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598

# Major Products & Services

As at 31 December 2018

## HEALTHCARE PRODUCTS

### Tiger Balm Brand Products

Tiger Balm White Ointment  
Tiger Balm Red Ointment  
Tiger Balm Ultra  
Tiger Balm Soft  
Tiger Balm Plaster (Warm)  
Tiger Balm Plaster (Cool)  
Tiger Balm Back Pain Patch  
Tiger Balm Ultra Thin Patch  
Tiger Balm Muscle Rub  
Tiger Balm Joint Rub  
Tiger Balm Neck & Shoulder Rub  
Tiger Balm Neck & Shoulder Rub Boost  
Tiger Balm Mosquito Repellent Spray  
Tiger Balm Mosquito Repellent Aerosol  
Tiger Balm Mosquito Repellent Patch  
Tiger Balm Fever Patch  
Tiger Balm Liniment/Oil  
Tiger Balm Lotion  
Tiger Balm® ACTIVE Muscle Gel  
Tiger Balm® ACTIVE Muscle Rub  
Tiger Balm® ACTIVE Muscle Spray  
Tiger Balm Inhaler

### Kwan Loong Brand Products

Kwan Loong Medicated Oil  
Kwan Loong Refresher

## LEISURE FACILITY

### Underwater World Pattaya\*

22/22 Moo 11  
Sukhumvit Road  
Nongprue, Banglamung  
Chonburi 20260  
Thailand

- Aquarium building
- Leasehold

Remaining Lease: 3 years  
with an option to renew: 10 years

## PROPERTIES

### Haw Par Centre

180 Clemenceau Avenue  
Singapore 239922

- Six-storey commercial building
- Leasehold

Remaining Lease: 33 years

### Haw Par Glass Tower

178 Clemenceau Avenue  
Singapore 239926

- Eight-storey commercial building with basement
- Leasehold

Remaining Lease: 51 years

### Haw Par Technocentre

401 Commonwealth Drive  
Singapore 149598

- Seven-storey industrial building
- Leasehold

Remaining Lease: 44 years

### Menara Haw Par

Lot 242, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

- Thirty-two storey commercial building
- Freehold

### Haw Par Tiger Balm Building\*

2 Chia Ping Road  
Singapore 619968

- Nine-storey industrial building
- Leasehold

Remaining Lease: 11 years

### Xiamen Tiger Medicals Co. Ltd\*

No. 289 Yang Guang West Road  
Hai Cang District  
Xiamen City 361027  
The People's Republic of China

- Three-storey industrial building
- Leasehold

Remaining Lease: 40 years

\* Properties used by operations are included in Property, Plant and Equipment.

# Statistics of Shareholdings

As at 1 March 2019

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares      | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 – 99                | 9,617               | 51.52         | 292,416            | 0.13          |
| 100 – 1,000           | 4,808               | 25.76         | 1,691,381          | 0.77          |
| 1,001 – 10,000        | 3,647               | 19.54         | 10,917,210         | 4.94          |
| 10,001 – 1,000,000    | 580                 | 3.11          | 22,276,769         | 10.09         |
| 1,000,001 AND ABOVE   | 14                  | 0.07          | 185,663,397        | 84.07         |
| <b>TOTAL</b>          | <b>18,666</b>       | <b>100.00</b> | <b>220,841,173</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS

| No.          | Name   | No. of Shares      | %            |
|--------------|--|--------------------|--------------|
| 1            | WEE INVESTMENTS PTE LTD                              | 60,907,926         | 27.58        |
| 2            | DBSN SERVICES PTE. LTD.                              | 26,632,608         | 12.06        |
| 3            | DBS NOMINEES (PRIVATE) LIMITED                       | 21,963,961         | 9.95         |
| 4            | CITIBANK NOMINEES SINGAPORE PTE LTD                  | 20,775,178         | 9.41         |
| 5            | TYE HUA NOMINEES (PTE) LTD                           | 17,435,534         | 7.90         |
| 6            | UOB KAY HIAN PRIVATE LIMITED                         | 15,359,937         | 6.96         |
| 7            | HSBC (SINGAPORE) NOMINEES PTE LTD                    | 5,546,892          | 2.51         |
| 8            | UNITED OVERSEAS INSURANCE LIMITED - SHF              | 4,274,600          | 1.94         |
| 9            | WAH HIN & CO PTE LTD                                 | 3,652,655          | 1.65         |
| 10           | RAFFLES NOMINEES (PTE) LIMITED                       | 3,474,722          | 1.57         |
| 11           | C Y WEE & CO PTE LTD                                 | 1,643,148          | 0.74         |
| 12           | SG INVESTMENTS PTE LTD                               | 1,617,000          | 0.73         |
| 13           | DB NOMINEES (SINGAPORE) PTE LTD                      | 1,286,138          | 0.58         |
| 14           | WEE CHO YAW  | 1,092,373          | 0.49         |
| 15           | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED      | 775,356            | 0.35         |
| 16           | SINGAPORE REINSURANCE CORPORATION LTD - SHAREHOLDERS | 700,000            | 0.32         |
| 17           | HO HAN LEONG CALVIN                                  | 550,440            | 0.25         |
| 18           | CHUA WEE KENG  | 444,640            | 0.20         |
| 19           | WEE EE LIM   | 437,192            | 0.20         |
| 20           | HSK INVESTMENTS PTE LTD                              | 365,303            | 0.17         |
| <b>TOTAL</b> |  | <b>188,935,603</b> | <b>85.56</b> |

## FREE FLOAT

Based on the information available to the Company as at 1 March 2019, approximately 42.47% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the SGX-ST Listing Manual which requires at least 10% of equity securities (excluding preference shares and convertible equity securities) in a class that is listed at all times held by the public.

# Statistics of Shareholdings

As at 1 March 2019

## SUBSTANTIAL SHAREHOLDERS AS AT 1 MARCH 2019

|  | No. of Shares held |            |            | %                              |
|--|--------------------|------------|------------|--------------------------------|
|  | Direct             | Deemed     | Total      |                                |
| Wee Cho Yaw                            | 1,092,373          | 77,605,330 | 78,697,703 | 35.64 <sup>(1), (2), (3)</sup> |
| Wee Ee Cheong                          | 128,857            | 74,678,311 | 74,807,168 | 33.87 <sup>(1), (2), (4)</sup> |
| Wee Ee Lim                             | 437,192            | 73,001,217 | 73,438,409 | 33.25 <sup>(1)</sup>           |
| Wee Ee-chao                            | 13,826             | 73,134,135 | 73,147,961 | 33.12 <sup>(1), (5)</sup>      |
| Wee Investments Private Limited        | 60,907,926         | –          | 60,907,926 | 27.58                          |
| Supreme Island Corporation             | 12,085,601         | –          | 12,085,601 | 5.47                           |
| First Eagle Investment Management, LLC | –                  | 25,273,629 | 25,273,629 | 11.44 <sup>(7)</sup>           |
| United Overseas Bank Limited           | –                  | 21,708,537 | 21,708,537 | 9.83 <sup>(8)</sup>            |

(1) Messrs Wee Cho Yaw, Wee Ee Cheong, Wee Ee Lim and Wee Ee-chao are deemed to be interested in the shares held by Wee Investments Private Limited, Supreme Island Corporation and Kheng Leong Co Pte Ltd.

(2) Messrs Wee Cho Yaw and Wee Ee Cheong are deemed to have an interest in the shares held by C.Y. Wee & Co Pte Ltd.

(3) Dr Wee Cho Yaw is deemed to have an interest in the shares held by UOL Group Limited.

(4) Mr Wee Ee Cheong is deemed to have an interest in the shares held by E.C. Wee Pte Ltd.

(5) Mr Wee Ee-chao is deemed to have an interest in the shares held by Protheus Investment Holdings Pte Ltd.

(6) Kheng Leong Co Pte Ltd, C.Y. Wee & Co Pte Ltd, UOL Group Limited, E.C. Wee Pte Ltd and Protheus Investment Holdings Pte Ltd are not substantial shareholders of the Company.

(7) First Eagle Investment Management, LLC is an U.S. investment adviser, holding the shares on behalf of its clients. One of its mutual funds, First Eagle Overseas Fund holds 22,239,013 shares amounting to a shareholding of 10.07%.

(8) United Overseas Bank Limited is deemed to have an interest in 17,433,937 shares held by Tye Hua Nominees (Pte) Limited and 4,274,600 shares held by United Overseas Insurance Limited – SHF.

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# Notice of Annual General Meeting

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Notice is hereby given that the Fiftieth Annual General Meeting of Haw Par Corporation Limited (the "Company") will be held at Parkroyal on Beach Road, Grand Ballroom, Level 1, 7500 Beach Road, Singapore 199591 on Thursday, 18 April 2019 at 2.00 p.m. to transact the following business:

## AS ORDINARY BUSINESS

**Resolution 1** To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditor's Report thereon.

**Resolution 2** To declare a Second & Final Tax-Exempt Dividend of 15 cents per share and a Special Tax-Exempt Dividend of 85 cents per share for the financial year ended 31 December 2018.

To re-elect the following Directors, who are retiring by rotation pursuant to Article 94 of the Company's Constitution:

**Resolution 3** Dr Wee Cho Yaw

Dr Wee Cho Yaw will, upon re-election, continue as the Chairman of the Board and Investment Committee and a member of the Nominating Committee and Remuneration Committee of the Company.

**Resolution 4** Mr Sat Pal Khattar

Mr Sat Pal Khatter will, upon re-election, continue as the Chairman of the Nominating Committee and Remuneration Committee of the Company. Mr Khattar is considered as an independent Director.

**Resolution 5** Mr Hwang Soo Jin

Mr Hwang Soo Jin will, upon re-election, continue as a member of the Remuneration Committee of the Company. Mr Hwang is considered as an independent Director.

**Resolution 6** Dr Lee Suan Yew

Dr Lee Suan Yew will, upon re-election, continue as a member of the Nominating Committee of the Company. Dr Lee is considered as an independent Director.

To re-elect the following Director who is retiring pursuant to Article 100 of the Company's Constitution:

**Resolution 7** Mr Chew Choon Soo

Mr Chew Choon Soo will, upon re-election, continue as a member of the Remuneration Committee of the Company. Mr Chew is considered as an independent Director.

**Resolution 8** To approve Directors' fees of \$503,500 for the financial year ended 31 December 2018 (2017: \$457,000).

**Resolution 9** To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

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# Notice of Annual General Meeting

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## AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following as an ordinary resolution:

**Resolution 10** That authority be and is hereby given to the Directors to:

- (a) (i) issue shares of the Company ("shares") (whether by way of rights, bonus or otherwise); and/or (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed after adjusting for any new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of the Company or (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

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# Notice of Annual General Meeting

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## NOTES TO RESOLUTIONS

**Resolution 2** Together with the interim tax-exempt dividend of 15 cents per share paid on 7 September 2018 and subject to shareholders' approval of the second & final tax-exempt dividend of 15 cents per share and the special tax-exempt dividend of 85 cents per share, the total tax-exempt dividend for the financial year ended 31 December 2018 will be \$1.15 per share (2017: 20 cents tax-exempt).

Subject to shareholders' approval of the second & final tax-exempt dividend and the special tax-exempt dividend, the Share Transfer Books and Register of Members of the Company will be closed\* on **6 May 2019 at 5.00 p.m.**, and the second & final tax-exempt dividend and the special tax-exempt dividend will be payable on **15 May 2019**.

*\*Duly completed transfers received in respect of ordinary shares of the Company by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 6 May 2019 will be registered to determine shareholders' entitlement to the proposed second & final tax-exempt dividend and the special tax-exempt dividend, and shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 6 May 2019 will be entitled to such proposed dividend.*

**Resolution 3** Dr Wee is a banker with more than 60 years' experience and is a veteran in the banking, insurance, real estate and hospitality industries and is the father of Mr Wee Ee-chao, the Deputy Chairman of the Company and non-executive and non-independent Director, and Mr Wee Ee Lim, the President and CEO of the Company and an executive and non-independent Director.

**Resolution 4** Mr Sat Pal Khattar is a non-executive and independent Director with over 40 years' experience in the legal profession.

**Resolution 5** Mr Hwang Soo Jin is a non-executive and independent Director with more than 50 years of experience in the insurance industry.

**Resolution 6** Dr Lee Suan Yew is a non-executive and independent Director and a medical practitioner with over 50 years' experience.

**Resolution 7** Mr Chew Choon Soo is a non-executive and independent Director with more than 23 years of senior executive search experience and who has served in various senior management and committee roles.

Please refer to the 'Board of Directors' section of the Company's Annual Report 2018 for information on the current directorships in other listed companies and principal commitments of these Directors. The Company's Annual Report 2018 is available at [www.hawpar.com/AR2018](http://www.hawpar.com/AR2018) or through scanning the QR code at the end of this Notice of Annual General Meeting.

**Resolution 9** The Audit and Risk Committee undertook a review of the fees and expenses of the audit and non-audit services provided by the external auditor, PricewaterhouseCoopers LLP. It assessed whether the nature and extent of the non-audit services might prejudice the independence and objectivity of the external auditor before confirming its re-nomination. It was satisfied that such services did not affect the independence of the external auditor.

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# Notice of Annual General Meeting

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**Resolution 10** is to authorise the Directors to issue shares and to make or grant Instruments (such as warrants, debentures or other securities) convertible into shares, and to issue shares in pursuance of such Instruments from the date of this Annual General Meeting until the date the next Annual General Meeting of the Company is held or required by law to be held, whichever is the earlier, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting. The aggregate number of shares which the Directors may issue (including shares to be issued pursuant to convertibles) under Ordinary Resolution 10 must not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) with a sub-limit of fifteen per cent (15%) for issues other than on a pro-rata basis. For shareholders' information, this fifteen per cent (15%) limit is lower than the twenty per cent (20%) presently permitted under the listing rules of the SGX-ST. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated as described.

**Notes:**

- (1) A member of the Company who is not a relevant intermediary is entitled to appoint one or two proxy/proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (2) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
- (3) A proxy need not be a member of the Company. To be effective, the instrument appointing a proxy(ies) must be deposited at the Registered Office of the Company at 401 Commonwealth Drive, #03-03 Haw Par Technocentre, Singapore 149598, not less than 72 hours before the time set for holding the Annual General Meeting. The submission of the instrument appointing a proxy(ies) by a member does not preclude him from attending and voting in person at the Annual General Meeting if the member is able to do so. In such event, the relevant instrument appointing a proxy(ies) will be deemed to be revoked.
- (4) Personal Data Privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data (including, but not limited to, name, personal identification number, address, telephone number) by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to update its scrip holders' information (if applicable) and to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes") and acknowledges that photography and video and/or audio recordings may be taken for the purposes of the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting and/or any adjournment thereof, (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

By Order of the Board

**Lee Kay Swee**  
Company Secretary

**Singapore**  
28 March 2019





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## Additional Information on Directors Seeking Re-Election

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Each of Dr Wee Cho Yaw, Mr Sat Pal Khattar, Mr Hwang Soo Jin, Dr Lee Suan Yew and Mr Chew Choon Soo has confirmed that his answer to each of the questions set out under the section titled "Information required" in Appendix 7.4.1 of the SGX-ST Listing Manual is in the negative :

- (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
- (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
- (c) Whether there is any unsatisfied judgement against him?
- (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?
- (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?
- (f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
- (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
- (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
- (i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?

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## Additional Information on Directors Seeking Re-Election

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- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-
- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,
- in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

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# PROXY FORM



## HAW PAR CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

Company Registration Number: 196900437M

### IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Haw Par Corporation Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2019.

### FIFTIETH ANNUAL GENERAL MEETING

(BEFORE COMPLETING THIS FORM, PLEASE READ THE NOTES BEHIND)

| Shares in:              | Total No. of Shares Held |
|-------------------------|--------------------------|
| (a) Depository Register |                          |
| (b) Register of Members |                          |
| <b>Total</b>            |                          |

I/We, \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport/Company Registration No.)

of \_\_\_\_\_ (Address)

\_\_\_\_\_ (Telephone Number)

being a member/members of Haw Par Corporation Limited (the "Company"), hereby appoint:

| NAME | ADDRESS | NRIC /<br>PASSPORT NUMBER | PROPORTION OF<br>SHAREHOLDING |   |
|------|---------|---------------------------|-------------------------------|---|
|      |         |                           | No. of shares<br>(Ordinary)   | % |
| (a)  |         |                           |                               |   |

and/or (delete as appropriate)

|     |  |  |  |  |
|-----|--|--|--|--|
| (b) |  |  |  |  |
|-----|--|--|--|--|

or failing him/them, the Chairman of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 50th Annual General Meeting ("AGM") to be held at Parkroyal on Beach Road, Grand Ballroom, Level 1, 7500 Beach Road, Singapore 199591 on Thursday, 18 April 2019 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM (all the Resolutions Nos. 1 to 10 will be proposed as Ordinary Resolutions), as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

| NO.                      | RESOLUTION  | NO. OF VOTES<br>FOR* | NO. OF VOTES<br>AGAINST* |
|--------------------------|---|----------------------|--------------------------|
| <b>Ordinary Business</b> |   |                      |                          |
| 1                        | Adoption of Directors' Statement, Audited Financial Statements and Auditor's Report |                      |                          |
| 2                        | Declaration of Second & Final Dividend and Special Dividend                         |                      |                          |
| 3                        | Re-election of Dr Wee Cho Yaw as Director   |                      |                          |
| 4                        | Re-election of Mr Sat Pal Khattar as Director                                       |                      |                          |
| 5                        | Re-election of Mr Hwang Soo Jin as Director   |                      |                          |
| 6                        | Re-election of Dr Lee Suan Yew as Director  |                      |                          |
| 7                        | Re-election of Mr Chew Choon Soo as Director  |                      |                          |
| 8                        | Approval of Directors' fees   |                      |                          |
| 9                        | Re-appointment of PricewaterhouseCoopers LLP as Auditor                             |                      |                          |
| <b>Special Business</b>  |   |                      |                          |
| 10                       | Authority for Directors to issue shares (General Share Issue Mandate)               |                      |                          |

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

\_\_\_\_\_  
Signature(s) or Common Seal of Member(s)

**Notes:**

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.
2. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the form of proxy may be treated as invalid.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
4. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
5. A proxy need not be a member of the Company.
6. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the AGM.
7. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 401 Commonwealth Drive, #03-03 Haw Par Technocentre, Singapore 149598, **not less than 72 hours** before the time fixed for holding the AGM.
8. This instrument appointing a proxy or proxies must be signed by the appointor or by his duly authorised attorney or, if the appointer is a corporation, executed under its common seal or signed by its duly authorised attorney or officer. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.
9. A corporation which is a member may appoint, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50.
10. Any alteration made in this instrument appointing a proxy or proxies must be initialled by the person who signs it.
11. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered against his name in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

1st fold

2nd fold

# PROXY FORM

PLEASE  
AFFIX  
POSTAGE  
STAMP

THE COMPANY SECRETARY  
**HAW PAR CORPORATION LIMITED**  
401 COMMONWEALTH DRIVE  
#03-03 HAW PAR TECHNOCENTRE  
SINGAPORE 149598

3rd fold  
Fold and glue overleaf. Do not staple





**HAW PAR CORPORATION LIMITED**

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

401 Commonwealth Drive  
#03-03 Haw Par Technocentre  
Singapore 149598  
Tel: 6337 9102 Fax: 6336 9232  
[www.hawpar.com](http://www.hawpar.com)