



虎豹 Hawpar



HAWPAR

CORPORATION LIMITED

ANNUAL REPORT | 2019



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CORPORATE PROFILE

Haw 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



Overall, we believe our prudence and disciplined cost management will put us in good stead to weather the tough times ahead.

PROFIT AFTER TAX

\$182
MILLION

TURNOVER

\$244
MILLION

Despite a challenging second half-year, the Group's earnings for the full-year 2019 remained stable. Profit after tax increased 2% to \$182 million due to higher dividend income from our strategic investments, which were partially offset by lower operating profit. Healthcare's profit dropped 3% from \$77 million to \$75 million mainly due to higher production costs.

Group revenue increased a modest 3% from \$238 million to \$244 million largely on the back of higher sales of Healthcare products in the first half of the year. Demand slowed significantly in the second half of the year as trade tensions heightened and domestic issues in certain regional markets worsened.

HIGHLIGHTS OF OPERATIONS

Sales growth at Healthcare was hampered by geopolitical issues and social unrests during the year. Our profit margin also came under pressure from higher cost of raw materials. These were, however,

cushioned by sustained efforts over the years to diversify and expand our Tiger Balm range and to increase our product offerings in our markets. Strategic product introductions into selected markets and extending distribution channels, including e-commerce, underscore our continued focus on this front. Healthcare will have to quicken its pace to meet the growth potential of its key markets, building off the progress made towards broadening our range and consumer appeal.

Visitorship at Leisure's Underwater World Pattaya improved with higher numbers of domestic and international tourists. The business, though smaller in scale compared to other operating businesses in the Group, has been increasing its contribution to the Group's revenue and operating profit. The aquarium continuously strives to renew itself to compete in the increasingly crowded attraction landscape in Pattaya.

Property's revenue and average occupancy dropped in 2019 as a result of tenant turnover. Nonetheless, regular improvements

to our investment properties should help to build a sustainable income base.

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 2019 is 30 cents per share (2018: 30 cents per share excluding one-off special dividend payout).

BUSINESS OUTLOOK AND STRATEGY

The year ahead may be challenging, as the global economy will slow down further if the COVID-19 outbreak is not effectively contained. Demand for Tiger Balm products in key Asian markets may also be significantly affected if consumer sentiments deteriorate. Healthcare will focus its marketing efforts to achieve greater penetration in other markets and widen our consumer base. However, stricter regulatory requirements may lengthen the time needed for entry of new products to certain markets.

Underwater World Pattaya will come under strain if the tourism sector in the region weakens. Efforts will be made to further attract local visitors and tourists from emerging markets. The attraction has operated under similar business conditions before and is prepared for the challenges and headwinds that may come.

Overall, we believe our prudence and disciplined cost management will put us in good stead to weather the tough times ahead. We will also continue to pursue new business opportunities and prospective acquisitions that may emerge. The Group's strong balance sheet and cash position will enable us to seize viable growth opportunities and provide sustainable earnings for the future.

ACKNOWLEDGEMENT

2019 marked a momentous milestone for Haw Par Corporation – our 50th anniversary as a public listed company. Haw Par's growth has not been a simple upward trajectory. What Haw Par has been able to achieve over the past 50 years is testament to the determination,

passion, trust and commitment of the people who have contributed to the Group – our customers, partners, shareholders, staff and management. On behalf of the Board, I would like to thank our business partners and shareholders for your loyal support, and to our staff and management for your commitment and dedication.

Executive Director Mr Han Ah Kuan has decided to retire this year. The Board would like to thank him for his dedicated service and invaluable contributions to the Healthcare division and to the Group for the past 29 years.

I would also like to express my sincere gratitude to my trusted Board members for their wise counsel in the past year. May we continue to pave the way forward as one united Haw Par, working towards common goals and greater milestones by giving our best in all that we do.

WEE CHO YAW

Chairman
February 2020

主席致辞



总体而言，我们相信集团严谨审慎的方针和严格的成本管理，令我们处于有利位置，共克时艰。

除税后盈利

1 亿 8200 万元

营业额

2 亿 4400 万元

尽管下半年充满挑战，集团在2019年的全年业绩表现保持平稳。我们的税后盈利增长了2%，达1亿8200万元。这归因于策略性投资股息收入增加，尽管部分被较低的营运盈利所抵消。由于生产成本增加，保健业务盈利下降了3%，由7700万元下降至7500万元。

基于保健产品在上半年的销售额增加，集团营业额小幅度增长了3%，由2亿3800万元增至2亿4400万元。由于贸易紧张局势加剧和部分区域市场的当地问题恶化，市场需求在下半年显著放缓。

营运重点摘要

保健业务的销售增长受到了地缘政治问题和社会动荡的冲击。原材料价格上涨也导致利润率承压。但是，我们

多年来致力于扩大和增加虎标品牌的产品分类，足以缓冲这些不利因素。此外，我们将战略性产品引入选定市场，并扩展分销渠道，包括电子商务，凸显了我们在这方面的持续关注。保健业务有必要加快步伐，在我们扩大产品分类和吸引消费者的基础上，实现其主要市场的增长潜力。

海内外游客人数增加，提升了芭堤雅海底世界的访客流量。虽然海底世界业务规模比集团其他营运业务小，但其对集团收益和营运盈利的贡献持续增加。海底世界会不断更新，以在竞争日益激烈的芭堤雅旅游业稳占一席。

物业租户的流动导致集团2019年的物业收入和出租率皆有所下滑。尽管如此，定期翻新物业将能确保可持续的租金收入来源。

股息

董事局建议派发年终股息每股15分。连同九月派发的中期股息每股15分，截至2019年12月31日财年的每股总计股息为30分（2018年：每股股息30分，不包括一次性特别股息）。

业务展望及策略

如果不能有效防控2019冠状病毒疾病疫情，全球经济将持续放缓，2020年预计会出现更多挑战。若消费者信心下滑，主要亚洲市场对虎标产品的需求也可能受到重大影响。保健业务在产品行销上，将专注于增加其他市场的渗透率，扩大消费群。另一方面，日益严格的监管要求可能影响新产品在某些市场上市的进度。

如果区域旅游业受创，芭堤雅海底世界势必遭到波及。我们将致力于吸引

更多本地和新兴市场的游客。海底世界在过去曾经历类似的营业考验，也做好了应对挑战和逆境的准备。

总体而言，我们相信集团严谨审慎的方针和严格的成本管理，令我们处于有利位置，共克时艰。我们也会继续开拓新商机和收购项目。集团拥有强大的资产负债表和现金状况，让我们能够充分掌握发展良机，为将来提供可持续的收益。

致谢

2019年是虎豹企业有限公司上市50周年庆典，是我们的重要里程碑。虎豹企业有限公司的发展并非一帆风顺。公司在过去50年所取得的成就，有赖客户、合作伙伴、股东、员工和管理层的坚定、热忱、信任和担当。本人谨此代表董事局感谢商业伙伴和股东对集团

的长期支持，以及管理层和全体员工付出的不懈努力。

执行董事韩亚光先生决定今年退休。董事局藉此衷心感谢韩先生过去29年来竭诚为本集团所做出的贡献。

本人也对董事局同仁年内提供的真知灼见与支持致以谢意。让我们继续协同合作、共同成长、创造未来。

黄祖耀

主席

2020年2月

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: 18 April 2019

Dr Wee Cho Yaw, 91, was appointed Chairman of the Company since 1978.

A distinguished banker with more than 60 years' experience, Dr Wee is a veteran in the banking, insurance, real estate and hospitality industries. He was conferred numerous awards and accolades at the national and regional level 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 2019):

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

OTHER MAJOR APPOINTMENTS/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 2015 TO 31 DECEMBER 2019):

- Far Eastern Bank Limited (till May 2018)
- United Overseas Bank Limited (till April 2018)

PROFESSIONAL QUALIFICATIONS & ACHIEVEMENTS:

- Chinese high school education
- ASEAN Business Advisory Council Legacy Award for Singapore (2017)
- Honorary Doctor of Letters, Nanyang Technological University (2014)
- The Distinguished Service Order, Singapore National Day Award (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

Mr Wee Ee-chao, 65, 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 2019):

- 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 2015 TO 31 DECEMBER 2019):

- 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



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

Mr Wee Ee Lim, 58, 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 2019):

- 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 2015 TO 31 DECEMBER 2019):

- Hua Han Health Industry Holdings Limited (till July 2015)

PROFESSIONAL QUALIFICATIONS:

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



SAT PAL KHATTAR

Non-Executive and Independent Director

First appointed as a Director: 1 January 1977
Last re-appointed as a Director: 18 April 2019

Mr Sat Pal Khattar, 77, 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 2019):

Nil

OTHER MAJOR APPOINTMENTS/PRINCIPAL COMMITMENTS:

Nil

PAST DIRECTORSHIPS IN LISTED COMPANIES AND PRINCIPAL COMMITMENTS HELD OVER THE PRECEDING FIVE YEARS (1 JANUARY 2015 TO 31 DECEMBER 2019):

Nil

PROFESSIONAL QUALIFICATIONS:

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



HWANG SOO JIN

Non-Executive and Independent Director

First appointed as a Director: 28 October 1986
Last re-appointed as a Director: 18 April 2019

Mr Hwang Soo Jin, 84, 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 2019):

- United Industrial Corporation Limited (Director)
- United Overseas Insurance Limited (Director)

OTHER MAJOR APPOINTMENTS/PRINCIPAL COMMITMENTS:

- Singapore Reinsurance Corporation Ltd (Senior Adviser, Chairman Emeritus)

PAST DIRECTORSHIPS IN LISTED COMPANIES AND PRINCIPAL COMMITMENTS HELD OVER THE PRECEDING FIVE YEARS (1 JANUARY 2015 TO 31 DECEMBER 2019):

- Singapore Reinsurance Corporation Limited (till April 2019)

PROFESSIONAL QUALIFICATIONS:

- 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: 18 April 2019

Dr Lee Suan Yew, 86, 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 2019):

Nil

OTHER MAJOR APPOINTMENTS/PRINCIPAL COMMITMENTS:

Nil

PAST DIRECTORSHIPS IN LISTED COMPANIES AND PRINCIPAL COMMITMENTS HELD OVER THE PRECEDING FIVE YEARS (1 JANUARY 2015 TO 31 DECEMBER 2019):

- K1 Ventures Limited (till February 2018)

PROFESSIONAL QUALIFICATIONS:

- 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)



CHEW KIA NGE

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

Dr Chew Kia Ngee, 74, 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 2019):

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 2015 TO 31 DECEMBER 2019):

Nil

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



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

Mr Peter Sim Swee Yam, 64, 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 2019):

- Lum Chang Holdings Ltd (Independent Director)
- Mun Siong Engineering Ltd (Independent Director)
- Singapore Reinsurance Corporation Ltd (Independent Director)
- ST Group Food Industries Holdings Limited (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 2015 TO 31 DECEMBER 2019):

- Young Men's Christian Association (YMCA) of Singapore (till May 2016)
- Marco Polo Marine Ltd (till 28 January 2019)

PROFESSIONAL QUALIFICATIONS:

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



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

Mr Gn Hiang Meng, 71, 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 2019):

- 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 2015 TO 31 DECEMBER 2019):

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
Last re-elected as a Director: 18 April 2019

Mr Chew Choon Soo, 62, 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)

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES (AS AT 31 DECEMBER 2019):

- KS Energy Ltd

PAST DIRECTORSHIPS IN LISTED COMPANIES AND PRINCIPAL COMMITMENTS HELD OVER THE PRECEDING FIVE YEARS (1 JANUARY 2015 TO 31 DECEMBER 2019):

Nil

PROFESSIONAL QUALIFICATIONS:

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



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 Han Ah Kuan, 71, 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 2019):

Nil

PAST DIRECTORSHIPS IN LISTED COMPANIES AND PRINCIPAL COMMITMENTS HELD OVER THE PRECEDING FIVE YEARS (1 JANUARY 2015 TO 31 DECEMBER 2019):

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
Audit Partner-in-charge
Year of appointment: 2018

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 (2nd 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 WAH TONG

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

\$244.0
MILLION



PROFIT FROM OPERATIONS AND INVESTMENTS

\$197.0
MILLION



PROFIT AFTER TAX

\$182.2
MILLION



SHAREHOLDERS' FUNDS

\$3.2
BILLION



RETURN ON EQUITY

5.8%



TOTAL ASSETS

\$3.2
BILLION

GROUP FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Group revenue increased by 3% to \$244.0 million due mainly to higher sales from Healthcare in the first half of 2019. However, gross profit margin fell from 61.3% to 57.2% as cost of sales increased by 14% to \$104.5 million from higher production costs at Healthcare. Earnings for the financial year of \$182.2m is 2% higher than 2018 from higher investment income partially offset by lower profit from operations.

Revenue from Healthcare increased by 3% to \$224.0 million due to growth in most markets in the first half of the financial year, partially offset by lower demand in certain markets in the second half of the year. As a result of lower sales in the second half of the year and higher production costs, profit from Healthcare decreased by 3% to \$74.8 million for the full year.

Revenue from Property and Leisure segments decreased by 4% to \$20.0 million due mainly to lower occupancy at Property. The decrease was partially offset by the increase in revenue at Underwater World Pattaya from higher visitorship. Profit from Property and Leisure segments decreased by 12% to \$10.8m, largely attributable to the flow on effect of lower rental income at Property.

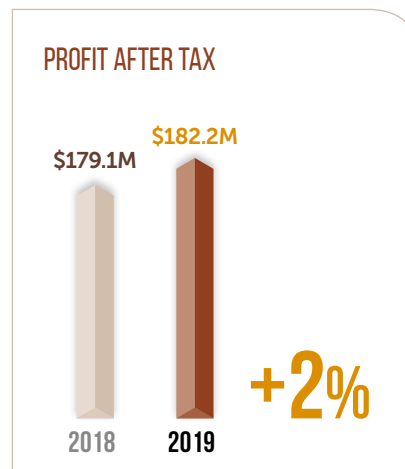
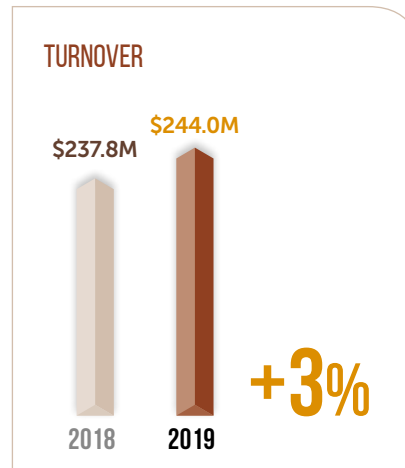
FINANCIAL POSITION

Shareholders' funds increased to \$3.2 billion (2018: \$2.9 billion) due mainly to higher market valuations of the Group's strategic investments.

The Group ended the financial year with lower cash balance of \$465.6 million (2018: \$519.6 million) due mainly to special dividends paid to shareholders during the year and repayment of borrowings, partially offset by cash generated from operations, higher cash dividends received from strategic investments and proceeds from disposal of certain investments.

DIVIDENDS

The Board of Directors is recommending a final dividend of 15 cents per share to be approved by shareholders at the coming Annual General Meeting. Together with the interim dividend of 15 cents paid in September 2019, the total dividend per share for the financial year ended 31 December 2019 is 30 cents per share (2018: 115 cents per share including special dividend of 85 cents per share).



FINANCIAL CALENDAR



HEALTHCARE OPERATIONS REVIEW

SALES GROWTH TEMPERED BY HEADWINDS

Unfortunately, 2019 was a year where crisis hit certain countries and adversely impacted the world in economic and social terms. Sales growth at Healthcare was affected and moderated amid global uncertainties. Trade wars, geopolitical issues, social unrests and worries of a slowing global economy dampened consumer confidence, affecting sales of Tiger Balm in a number of our key markets in Asia, Middle East and Europe. The tourist trade, from which our business benefits from, was hit hard as well. Gross profit margin was under pressure from

rising production costs due mainly to higher cost of raw materials.

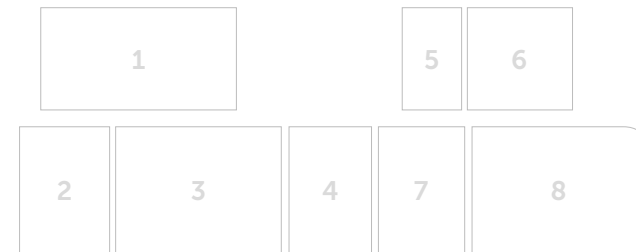
We stayed on course on our core strategy to drive growth through new products and increasing consumer awareness and reach. Product launches during the year included the Tiger Balm Plaster in Taiwan and the Philippines, Tiger Balm Mosquito Repellent Patch and Aerosol in Thailand, Tiger Balm Lotion in Malaysia and Tiger Balm Muscle & Joint Fluid in Germany. A new Tiger Balm shopfront was set up on JD.com, one of China's leading one-stop e-commerce platforms, to bring a greater variety of Tiger Balm products directly to the Chinese consumers and counter the drop in tourist trade.

As a key player in the topical analgesics category, Tiger Balm worked with our network of business associates to bring the Tiger Balm experience to our consumers, including in-store, online and activities such as trail marathons and yoga workshops. This integrated, multi-channel approach has seen positive results with new Tiger Balm products gaining acceptance in many markets amongst the fitness and wellness conscious.

CHALLENGES & OPPORTUNITIES

2020 looks likely to be another volatile year as the COVID-19 outbreak emerges as a potential threat to the world's economies, coupled with the confluence of political (Brexit being the most recent) and economic headwinds continue to pose risks to businesses. The fundamentals of Tiger Balm business remain strong. With a range of new products to address every lifestyle need and a vibrant Tiger Balm community built from years of engagement with our consumers, Tiger Balm should be able to weather the challenges ahead, if not regain some growth momentum.

1. Advertising on a tourist ferry in Bangkok.
2. 2x Olympic triple jump champion Christian Taylor and rock climber Sasha Digiulian, USA, connecting with consumers online.
3. Sponsorship of mass cycling event in Myanmar.
4. Visibility at upcoming modern trade in Cambodia.
5. Fitness influencer in Malaysia promoting Tiger Balm for workouts.
6. Triathlete Léonie Périault at meet-ups with runners, Marseille-Cassis Race, France.
7. Bringing the Tiger Balm experience to Run On Seoul 10K Race, South Korea.
8. Launch of Tiger Balm Plaster in Taiwan.



We stayed on course on our core strategy to drive growth through new products and increasing consumer awareness and reach.





AMERICA

- Bahamas
- Brazil
- Canada
- Jamaica
- Mexico
- Suriname
- Trinidad & Tobago
- USA

AFRICA

- Kenya
- Malawi
- Mauritius
- South Africa

MIDDLE EAST

- Bahrain
- Israel
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- UAE

EUROPE

- | | | | | |
|---------|-------------|---------------|------------|----------------|
| Andorra | Estonia | Holland | Lithuania | Serbia |
| Austria | Finland | Hungary | Luxembourg | Slovenia |
| Belgium | France | Ireland | Macedonia | Spain |
| Bosnia | Germany | Italy | Malta | Sweden |
| Croatia | Gibraltar | Latvia | Norway | Switzerland |
| Denmark | Hercegovina | Liechtenstein | Portugal | United Kingdom |

ASIA

- Brunei
- Cambodia
- China
- Hong Kong
- India
- Indonesia
- Japan
- Laos
- Macau
- Malaysia
- Myanmar
- Nepal
- Pakistan
- Philippines
- Singapore
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- Vietnam

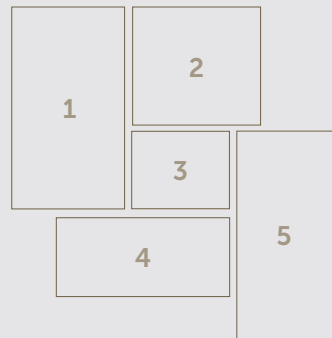
AUSTRALASIA

- Australia
- New Caledonia
- New Zealand
- Papua New Guinea
- Guinea

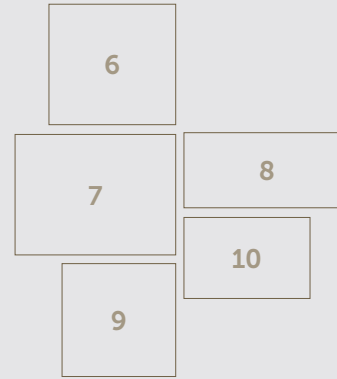
➤ Manufacturing Facilities

TIGER BALM GLOBAL PLAYER

THE TIGER BALM COMMUNITY



1. Terry Adams, top-ranking USA flatland rider in the world, at the FISE World Cup 2019.
2. Dipna Lim Prasad, Singapore's 400m hurdles national record holder.
3. Jon Reyes, professional scooter rider, USA.
4. Fans of Tiger Balm at marathon, Germany.
5. Markus Robért, Sweden, bronze medalist at the 2019 Snowkite World Championships.



6. 2019 Sala Silverman National triathlon championships, Sweden.
7. Xavier Thévenard, France, 3x winner of Ultra Trail du Mont-Blanc. Photo: Marc Daviet
8. 2019 Summer Vigor Dragon Boat Race, Hong Kong.
9. Tiger Balm Trail Marathon, Khao Yai, Thailand.
10. Multi-extreme sports athlete Markus Robért, Sweden.

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	
	2019	2018	2019	2018	2019	2018
Strategic Investment Portfolio Profile			\$'000	\$'000	\$'000	\$'000
Quoted Equity Securities						
United Overseas Bank Limited	74,850,539	74,850,539	1,973,060	1,839,078	93,563	85,035
UOL Group Limited	72,044,768	72,044,768	596,531	443,075	12,608	12,608

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

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



During the year, both Haw Par Technocentre and Haw Par Glass Tower enjoyed almost full occupancy while that of Haw Par Centre was at about 60%.

Our Malaysia property, Menara Haw Par, is a freehold commercial building located in Kuala Lumpur's Golden Triangle along Jalan Sultan Ismail with a total lettable area of 16,131 square metres. Due to substantial new supplies engulfing the city, the leasing market remained harsh. The property was about 67% occupied during the year.



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



LEISURE OPERATIONS REVIEW

STAYING RELEVANT IN AN INTENSELY COMPETITIVE AND RAPIDLY EVOLVING LANDSCAPE

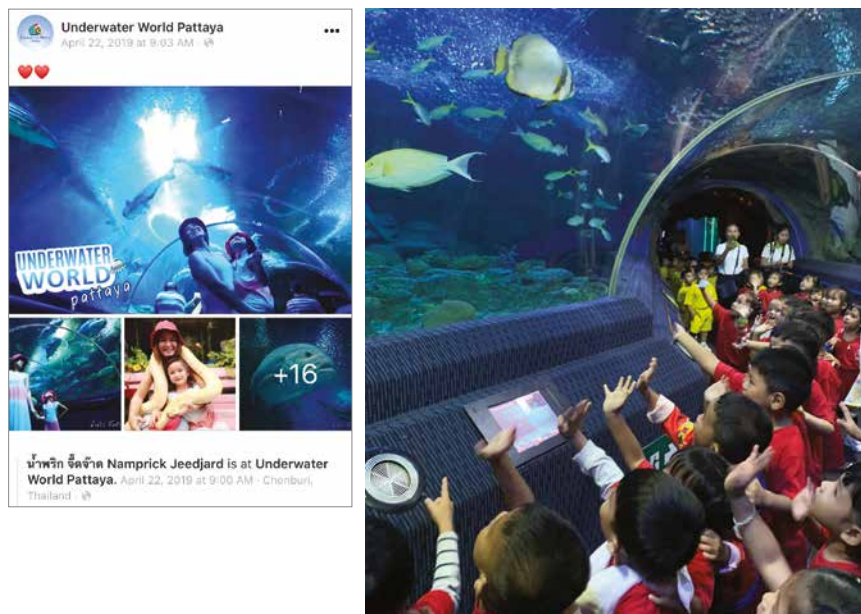
Competition in the tourism industry continues to intensify and travel trends are transforming at a faster pace. To keep up with changing times in today's dynamic landscape, Leisure's Underwater World Pattaya adopted a more targeted marketing approach, harnessing multimedia

and online channels to tap into conventional and new sources of domestic and overseas visitors. In particular, two of the social media campaigns, the Songkran charity fundraising campaign for sea turtle conservation and the Thai Mother's Day appreciation activity, resonated with our audience, generating likes and shares online and visits to our attraction. With the spotlight on climate change and conservation, our new educational programme

focusing on global warming and marine conservation proved to be popular with educators, boosting the number of school visits. Overall, Leisure maintained momentum from last year and performance was on track.

CHALLENGES & OPPORTUNITIES

The COVID-19 outbreak is expected to have a major impact on the tourism sector in 2020, adding on to existing threats such as global recession and political upheaval. The contest for visitors among attractions will become even more acute under these challenging circumstances. Through targeted marketing, product renewals and cautious cost management, Underwater World Pattaya, as a veteran in the industry, is expected to hold its own in the crowded and competitive tourism market in Pattaya. The long term outlook of the leisure industry remains positive.

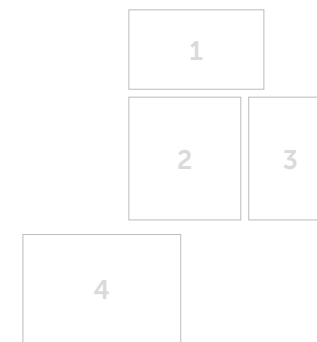


1. & 2. Songkran campaign to raise funds for sea turtle conservation generated support online and at Underwater World Pattaya (UWP).
3. & 4. Educational exhibits and programmes at UWP offering interactive experiences — a strong draw for parent bloggers and schools.

PEOPLE & THE COMMUNITY

50TH ANNIVERSARY — CELEBRATE BY GIVING BACK

Over the years, Haw Par has been giving back to society by supporting a broad spectrum of meaningful projects in Singapore and other countries. Through these initiatives, Haw Par creates unique opportunities to promote wellbeing amongst people from diverse communities and give a voice to worthwhile causes. In August 2019, Haw Par joined our nation in commemoration of the Singapore Bicentennial, which coincides with our Golden Jubilee, as a sponsor of the National Day Parade. To honour our seniors — pioneers who helped to build Singapore — we conducted our largest outreach to nursing homes over the month of November 2019. In total, over 200 staff visited 20 Nursing Homes to present gifts of Tiger Balm to over 5,500 seniors, as well as the nurses and volunteers who have been taking care of them. Some 80 staff also volunteered at a Grandparents' Day celebration organised by charities.



1. Singapore's Bicentennial National Day Parade.
2. Staff with seniors at nursing homes. Photo: MWS Bethany Nursing Home
3. Students giving out sponsored Tiger Balm to elderly at Mid-Autumn Festival. Photo: Temasek Polytechnic Community Service Club
4. Staff volunteers at Grandparents' Day@Short Street. Photo: ABM/RSVP

PEOPLE & THE COMMUNITY

CELEBRATE THE SPIRIT OF RESILIENCE

We remember and salute the resilient spirit of Singaporeans through our support of the athletes at the Singapore Disability Sports Council (SDSC). Their fighting spirit resonates with Haw Par's core value of resilience, which brought Haw Par to where it is today. Since 2015, Haw Par has been joining hands with SDSC to help build an inclusive society by expanding sporting opportunities for all. Funding from Haw Par goes towards organising competitions such as the Haw Par National Youth Swimming & Athletics Championships in September 2019 and the Boccia programme. Boccia is a Paralympic sport played by athletes with cerebral palsy and other locomotor disabilities. To help financially-marginalised athletes sustain their sports development, and to recognise the achievements of the athletes and the community behind them, we also sponsored the Haw Par Para Sports Bursary and the Singapore Disability Sports Awards. In 2019, over 100 staff turned out in force at events sponsored by Haw Par to cheer for the athletes.



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| 3 | 4 |
| 5 | |

- 2019 National Boccia Championships sponsored by Haw Par.
- 2019 Haw Par National Youth Swimming Championships.
- Cheque presentation to Singapore Disability Sports Council.
- 2019 Haw Par National Youth Athletics Championships.
- Haw Par Para Sports Bursary: Staff presented Tiger Balm goodies to caregivers of athletes to honour their role.

Photos: SDSC

CELEBRATE OUR PLANET'S BIODIVERSITY

As a company that contributes to the health and wellbeing of our consumers, we appreciate that we can only be as healthy as the planet we live in, and we continue to explore ways to contribute to biodiversity conservation for future generations. Haw Par is a supporter of the United Nations Decade on Biodiversity 2011-2020. In line with our Blue Mission to inspire, educate and conserve, Underwater World Pattaya raised funds for sea turtle conservation during the Songkran festival celebration in April 2019 and introduced a new educational programme for schools that focuses on global warming and marine conservation. 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 third 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, as well as supply chain and environmental factors.

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| 1 | 5 |
| 2 | |
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| 4 | |

- Underwater World Pattaya (UWP) – Blue Mission: Inspire, Educate, Conserve.
- Sea Turtle Conservation Education Display at UWP.
- Haw Par supports the United Nations Decade on Biodiversity.
- Presentation of Donation by UWP to Royal Thai Navy Sea Turtle Conservation Center.
- Supporting Tiger and Leopard conservation. Photo: Wildlife Reserves Singapore



FIVE-YEAR FINANCIAL SUMMARY

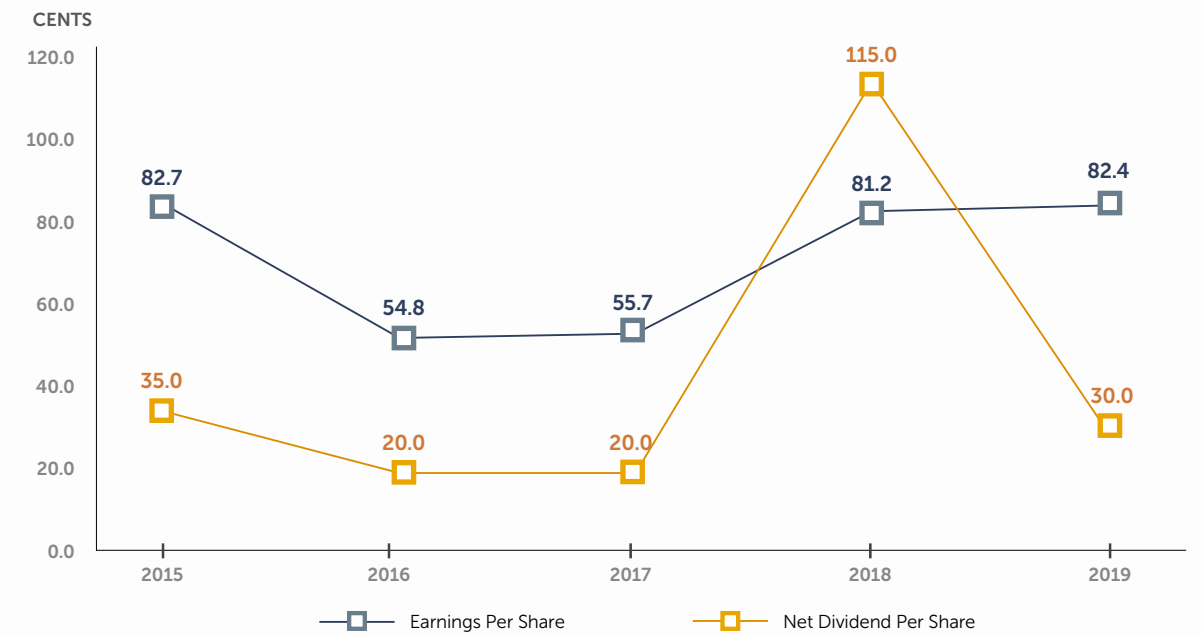
	2019	2018	2017	2016	2015
Results (\$'000)					
Group turnover	243,987	237,814	222,763	201,644	178,834
Profit from operations	195,202	190,989	136,905	133,064	135,249
– Healthcare	74,777	77,252	68,579	66,051	48,122
– Investment	114,102	105,508	60,217	61,366	88,419
– Others ¹	10,815	12,322	12,674	8,935	1,521
– Unallocated expenses	(4,492)	(4,093)	(4,565)	(3,288)	(2,813)
Associates' contribution	1,765	1,290	937	854	56,376
Profit before taxation	196,967	192,279	137,842	133,918	191,625
Profit attributable to equity holders of the Company	182,207	179,068	122,460	120,109	181,236
Per share					
Earnings (cents)	82.4	81.2	55.7	54.8	82.7
Dividend net (cents)	30	115 ³	20	20	35 ²
Dividend cover (times)	2.7	0.7	2.8	2.7	2.4
Statement of Financial Position (\$'000)					
Strategic investments	2,621,786	2,342,975	2,710,474	2,027,025	2,080,555
Investment properties	56,263	56,569	58,766	60,757	64,862
Property, plant and equipment	26,813	26,983	28,561	23,450	24,406
Associated companies	7,105	5,740	4,850	4,313	3,859
Intangible assets	11,116	11,116	11,116	11,116	11,116
Other net assets	433,349	484,650	264,526	198,284	204,364
Net assets / Shareholders' funds	3,156,432	2,928,033	3,078,293	2,324,945	2,389,162
Statistics					
Return on equity (%)	5.8	6.1	4.0	5.2	7.6
Net assets per share (\$)	14.28	13.26	13.98	10.60	10.90
Share price (\$)	12.75	12.02	11.35	9.09	8.27
Debt/Equity (%)	0.2	0.8	1.5	2.0	1.8
Number of shareholders	18,909	18,675	19,109	19,620	19,834

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

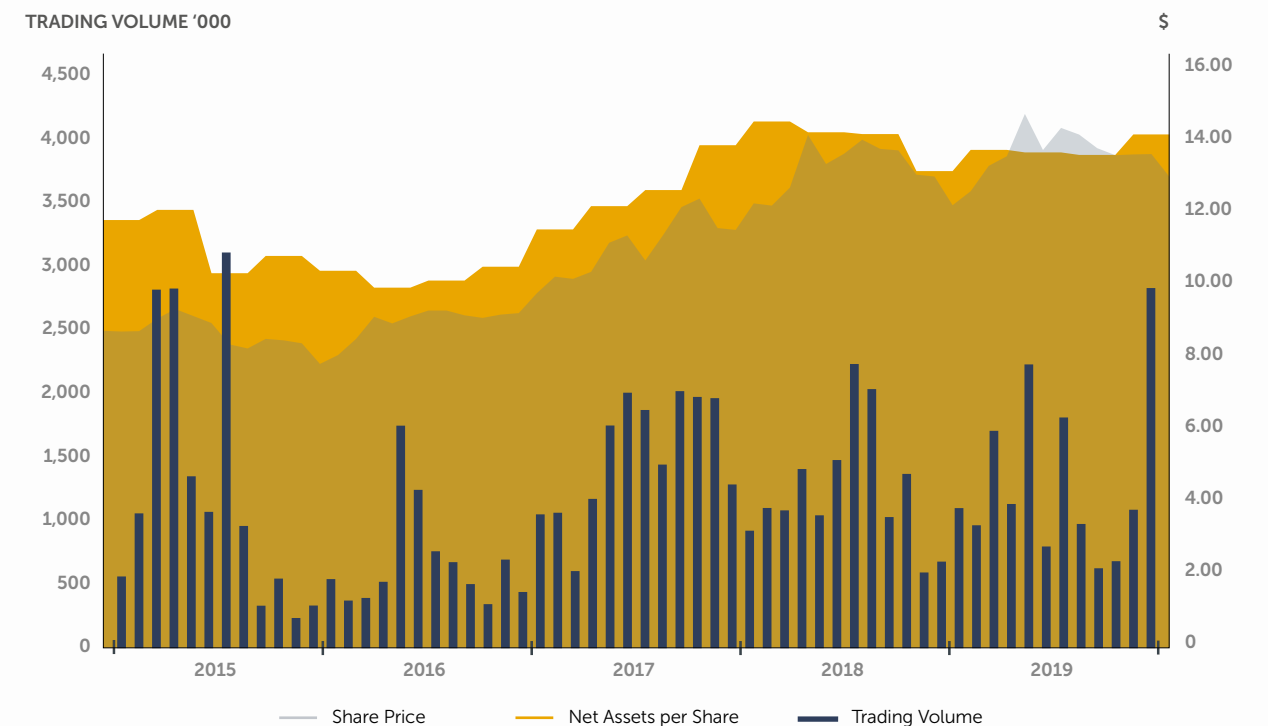
² Included a special dividend of 15 cents per share.

³ Included a special dividend of 85 cents per share.

EARNINGS PER SHARE AND NET DIVIDEND PER SHARE



TRADING VOLUME, SHARE PRICE & NET ASSETS PER SHARE



FINANCIAL REVIEW

OVERVIEW

Group revenue at \$244.0 million was 3% higher than 2018 due mainly to higher sales from Healthcare.

Operating segment profits before interest expense decreased with Healthcare recording a 3% drop to \$74.8 million while Leisure and Property segments' profits decreased 12% to \$10.8 million. Investments increased 8% to \$114.3 million due to higher dividend income from strategic investments and higher interest income.

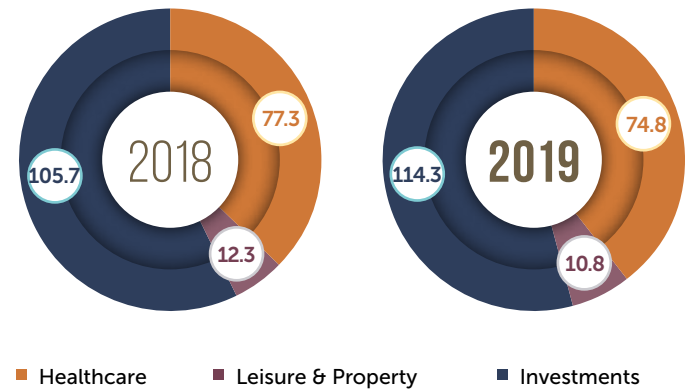
Group earnings increased 2% to \$182.2 million (2018: \$179.1 million) and earnings per share increased to 82.4 cents (2018: 81.2 cents) due mainly to higher income from investments. Net assets per share increased to \$14.28 (2018: \$13.26) attributed mainly from higher market valuations of the Group's strategic investments as at 31 December 2019.

Return on Assets Employed

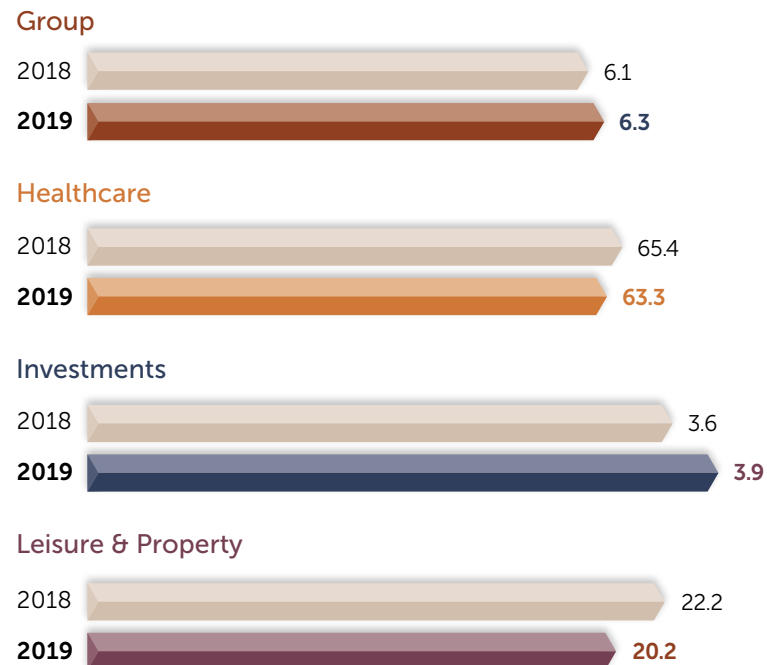
The Group applies a Return of Assets Employed ("ROA") measure to evaluate the performance of its business operations. The ROA measures profitability of assets utilised by the various segments.

The Group's ROA improved to 6.3% in 2019 (2018: 6.1%) due mainly to higher income from Investments. However, ROA of Healthcare reduced from 65.4% to 63.3% in 2019 due to lower gross margin and decrease in operating profit. ROA of Investments increased to 3.9% from higher dividend and interest income. ROA of Leisure and Property dropped from 22.2% to 20.2% due mainly to lower occupancy from Property.

SEGMENT PROFITS BEFORE INTEREST EXPENSE AND TAX (\$MILLION)



RETURN ON ASSETS EMPLOYED (%)



SEGMENTAL PERFORMANCE

Healthcare

Healthcare's revenue increased 3% to \$224.0 million, with growth mainly from markets outside of ASEAN region. However, sales growth was subdued in 2019 as demand slowed in second half of the year. US-China trade conflict and domestic issues in certain regional markets escalated which affected consumer sentiments and tourist trade. Full year sales to other Asian countries increased 5% to \$76.9 million, and sales to other countries grew 6% to \$45.8 million. Sales to ASEAN countries was stable at \$101.3 million. However, Healthcare's operating profit decreased 3% to \$74.8 million due to higher production costs.

Investment

Fair value of the Group's investments portfolio increased from \$2,343.0 million as of 31 December 2018 to \$2,621.8 million as of 31 December 2019 due mainly to higher market valuations of its strategic investments.

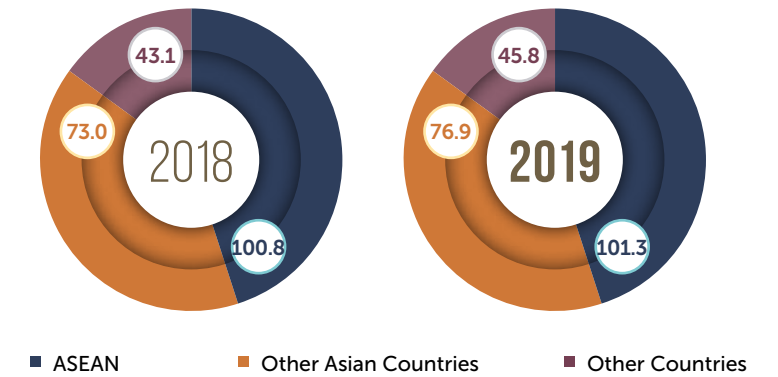
The Group's dividend income increased 9% to \$106.3 million in 2019 due mainly to higher dividend rate and increase in share base.

During the year, the Group disposed of certain of its investments and realised the capital appreciation. The cumulative gain on disposal of \$4.2 million was reclassified from fair value reserve to retained profits.

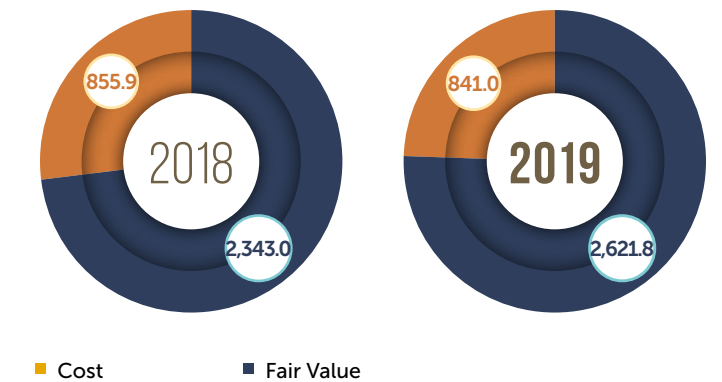
Property

Property average occupancy rate dropped during the year due to slower take up of office space. Notwithstanding the slower take up, the Group has continued to invest in improvements to its investment properties.

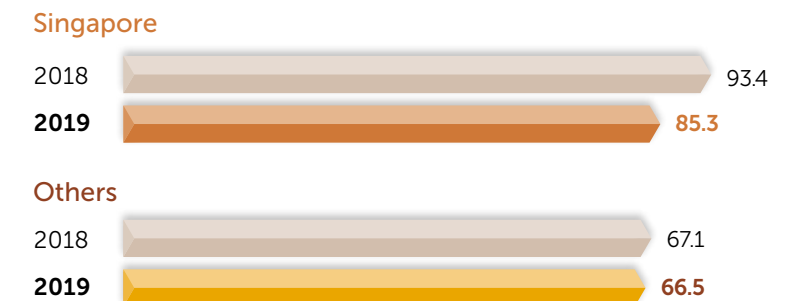
HEALTHCARE SALES BY REGION (\$MILLION)

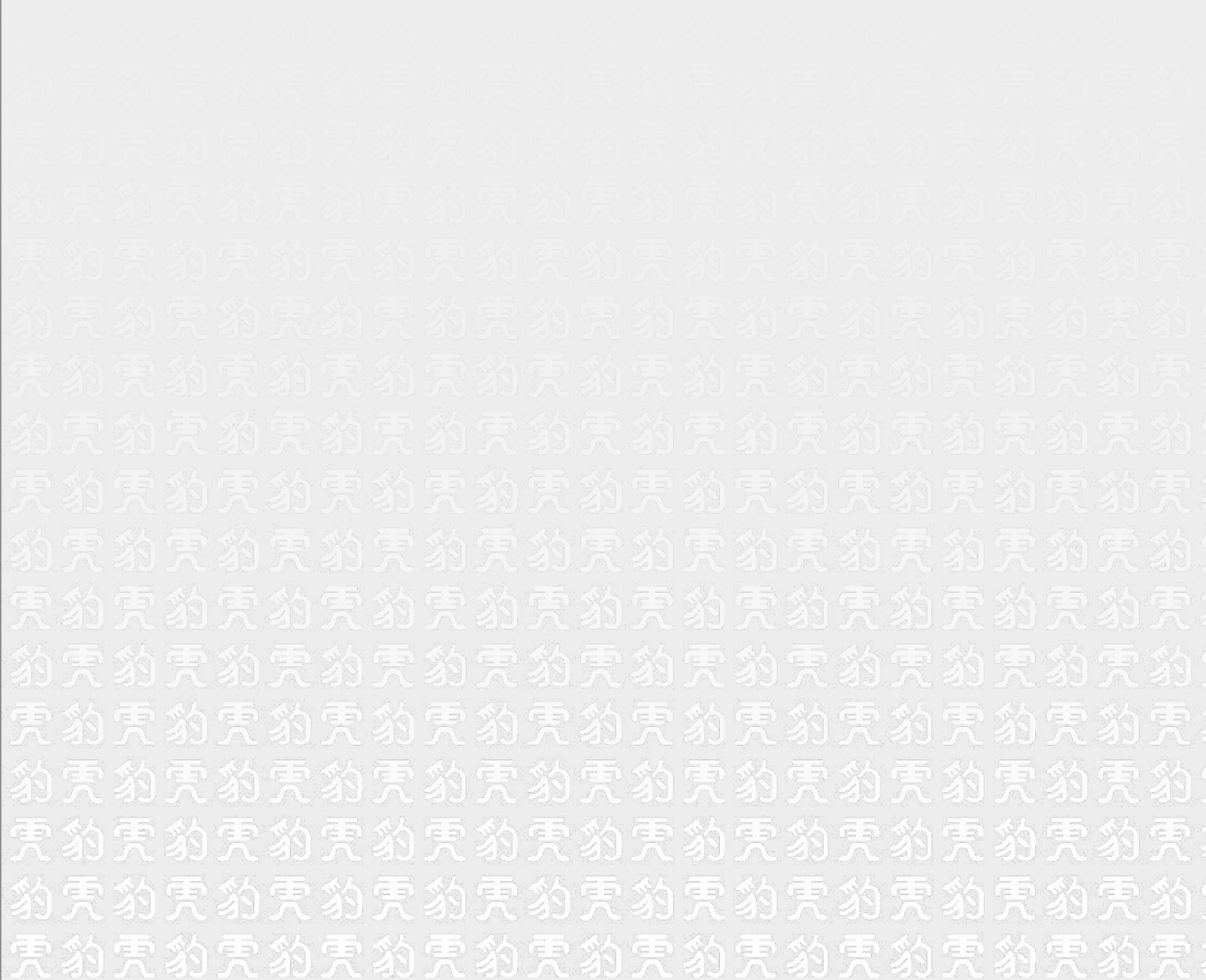


INVESTMENT (COST AND FAIR VALUE) (\$MILLION)



PROPERTY AVERAGE BUILDING OCCUPANCY (%)





CORPORATE GOVERNANCE REPORT

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 provisions of the Code of Corporate Governance 2018 (the “Code”), and taking into account the best practices of the Practice Guidance issued by the Corporate Governance Council. The following sections describe the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2019 (“FY 2019”) and explain deviations from any provision of the Code.

BOARD MATTERS

Board’s Conduct of its Affairs

[Principle 1: Board Roles and Duties]

The Company is headed by an effective Board which is collectively responsible and works with management for the long-term success of the Company.

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 understand the Company’s business as well as their directorship duties (including their roles as executive, non-executive and independent directors), and exercise due diligence and discharge their duties and responsibilities objectively at all times as fiduciaries, in the best interests of the Company. They set an appropriate tone-from-the-top and desired organisational culture, and to ensure proper accountability within the Company, they have put in place a Code of Conduct and Whistle Blowing Policy, more details of which are set out under the Code of Conduct and Whistle Blowing Policy section of this Annual Report.

CORPORATE GOVERNANCE REPORT

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, which are clearly communicated to management in writing. 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, such Board member recuses himself from any discussion or decision involving the issue of conflict.

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 2019 include economic performance, compliance and good governance, occupational health and safety of employees, product quality and safety, labour practices and issues, supply chain, and environmental factors. The report can be found on the Company's website at 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 written charter / terms of reference, setting out the Committee's compositions, authorities and duties, including reporting back to the Board. 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 has approved the Terms of Reference and Charters of the respective Board Committees during its Board meeting. The delegation of authority by the Board to the Board Committees are as set out in the Table of Authority Grid.

The Board held four meetings during FY 2019. Directors attend and actively participate in Board and Board Committee meetings, and 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 2019 is as follows:

CORPORATE GOVERNANCE REPORT

Table 1:

Number of meetings attended in FY 2019

Name	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee	Investment Committee	AGM
Wee Cho Yaw (Non-executive / Non-independent)	4 ⁽²⁾	N/A	1	1	5 ⁽²⁾	1
Wee Ee-chao (Non-executive / Non-independent)	4	N/A	N/A	N/A	N/A	0
Wee Ee Lim ⁽¹⁾ (Executive / Non-independent)	4	4	N/A	1	5	1
Sat Pal Khattar (Non-executive / Independent)	4	N/A	1 ⁽²⁾	1 ⁽²⁾	N/A	1
Chew Kia Ngee (Non-executive / Independent)	4	4 ⁽²⁾	N/A	N/A	N/A	1
Hwang Soo Jin (Non-executive / Independent)	4	N/A	N/A	1	N/A	1
Lee Suan Yew (Non-executive / Independent)	4	N/A	1	N/A	N/A	1
Peter Sim Swee Yam (Non-executive / Independent)	4	4	1	N/A	N/A	1
Gn Hiang Meng (Non-executive / Independent)	4	4	N/A	N/A	N/A	1
Chew Choon Soo (Non-executive / Independent)	3	N/A	N/A	N/A	N/A	1
Han Ah Kuan (Executive / Non-independent)	4	N/A	N/A	N/A	4	1
Number of meetings held in FY 2019	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.

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.

CORPORATE GOVERNANCE REPORT

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 to develop and maintain their skills and knowledge, as and when 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 2019, the Directors were given updates on proposed changes and changes to Listing Rules of Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code 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

[Principle 2: Board Independence and Diversity]

The Board considers its present size of eleven Directors appropriate for the current scope and nature of the Group's operations. Nine of these Directors are Non-Executive Directors. The Nominating Committee ("NC") has reviewed the composition of the present Board and the Board Committees, and is satisfied that in line with the Board Diversity Policy approved by the Board at its Board meeting, they comprise the Directors who, as a group, provide the appropriate balance and mix of skills, core competencies in management experience, strategic planning, customer-based experience, accounting, finance, legal knowledge and the necessary industry knowledge, as well as other aspects of diversity including age, so as to avoid groupthink and foster constructive debate.

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 relevant rules of the Listing Manual of the SGX-ST, the Code's guidance for assessing independence and the relevant Practice Guidance, has determined that the majority of Directors on the Board, being seven Non-Executive Directors, namely Mr Sat Pal Khattar, Dr Lee Suan Yew, Mr Hwang Soo Jin, Dr Chew Kia Ngee, Mr Peter Sim, Mr Gn Hiang Meng and Mr Chew Choon Soo, are Independent Directors, as indicated in Table 1 above, and that they are independent and have maintained their independence throughout FY 2019.

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.

CORPORATE GOVERNANCE REPORT

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 2019 or the immediate past financial year. They and their immediate family members did not have any financial dealings with the Group whether in FY 2019 or the immediate past financial year, nor were they or any of their immediate family members, during FY 2019 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 2019 or the immediate past financial year. Also, neither they nor any of their immediate family members were in FY 2019 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 S\$100,000) from the Company or any of its related corporations for the provision of services, for FY 2019 or the immediate past financial year, other than compensation for services on the Board.

The NC and the Board have given due consideration to Guideline 2.4 of the Code of Corporate Governance 2012 (which continues to operate prior to 1 January 2022 on a comply-or-explain basis), which provides that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. 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.

Chairman and Chief Executive Officer

[Principle 3: Clear Division of Responsibilities between Board and Management]

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. A table of authority grid sets out such division of responsibilities between the Chairman and the CEO.

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 concerns or 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. The Non-Executive Directors and/or the Independent Directors, led by an Independent Director, meet regularly without the presence of management, and the chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

CORPORATE GOVERNANCE REPORT

Nominating Committee

[Principle 4: Formal and Transparent Process for Appointment and Re-appointment of Directors and Progressive Renewal of the Board]

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:

- review appointments / reappointments of Directors and key executives, including the CEO;
- review the composition of the Board and Board Committees;
- review the succession plans for Directors, in particular for the Chairman, the CEO and key management personnel, and make recommendations to the Board on the same;
- assess the independence of Directors;
- evaluate the performance of the Board and Board Committees (including whether a Director is able to and has been adequately carrying out his or her duties as a Director), and review the process and criteria for such evaluation; and
- review training and professional development programmes for Directors,

and make recommendations to the Board on the same.

The charter of the NC provides that the NC shall comprise not less than three members, all non-executive, of which the majority shall be independent.

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.

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 reappointment 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.

CORPORATE GOVERNANCE REPORT

Board Performance

[Principle 5: Formal Annual Assessment of Effectiveness of the Board as a Whole, Board Committees and Individual Directors]

The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board.

The process of assessing the Board, the Board Committees and each Director involves each Director completing board evaluation forms to provide his view on the composition, practices and conduct of the Board and the Board Committees, and how the Board and each Board Committee adds value to the Company. The responses to the board evaluation forms are compiled by the Company Secretary and thereafter presented to the NC. No external facilitator has been used.

For FY 2019, 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 2019 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

Management provides directors with complete and adequate information on the Group's financials and operations in a timely manner, both on an on-going basis and prior to meetings. 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 and discharge their duties and responsibilities. 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.

CORPORATE GOVERNANCE REPORT

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.

Directors have separate, independent and unrestricted access to management, the Company Secretary and external advisors (where necessary) at the Company's expense. The Company Secretary is required to attend and attends all Board meetings as well as the Audit and Risk Committee meetings. The Group Financial Controller ("GFC") attends all Board and Board Committee meetings. They ensure 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 ("Constitution"), 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

[Principle 6: Formal and Transparent Procedure for Developing Policies for Director and Executive Remuneration]

Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises four members, namely Mr Sat Pal Khattar, Dr Wee Cho Yaw, Mr Hwang Soo Jin and Mr Chew Choon Soo. Under the RC Charter, the majority of the RC, including the chairman of the RC, who is currently Mr Sat Pal Khattar, shall be 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 RC considers all aspects of remuneration, including termination terms, to ensure they are fair. 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 each Director;
- c) reviewing and recommending to the Board for its endorsement the remuneration packages for key management personnel; and
- d) administering the Company's long term incentive plan.

CORPORATE GOVERNANCE REPORT

During FY 2019, 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

[Principle 7: Level and Structure of Remuneration of the Board and Key Management Personnel]

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, the workload of each Board Committee member, the effort, time spent and responsibilities of each Non-Executive Director, as well as market trends before recommending the fee structure to the Board, so as to ensure that the remuneration of Non-Executive Directors is appropriate to the level of contribution.

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

Board	S\$
– Chairman	90,000
– Deputy Chairman	58,500
– Member	45,000
Audit and Risk Committee	
– Chairman	20,000
– Member	10,000
Nominating and Remuneration Committee	
– Chairman	10,000
– Member	5,000

Notes:

(1) Directors' fees are subject to shareholders' approval at the forthcoming annual general meeting on 22 April 2020.

CORPORATE GOVERNANCE REPORT

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 which comprises of 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 ceased 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 2019. 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 FY2017 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 level of achievement 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 annually the relevance of the above key performance metrics.

As a whole, a significant and appropriate portion of Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company. Further, remuneration is appropriate to attract, retain and motivate the Directors to provide effective stewardship of the Company and key management personnel to successfully manage the Company for the long term.

CORPORATE GOVERNANCE REPORT

Disclosure of Remuneration

[Principle 8: Transparency on Remuneration Policy, Level and Mix]

The details of the remuneration of each Director for FY 2019 are as follows:

Table 2:

Name	Directors' Fees ⁽¹⁾ S\$'000	Base or fixed salary S\$'000	Variable bonus S\$'000	Benefits in-kind and others S\$'000	Total S\$'000
Wee Ee Lim	–	1,113	1,269	87	2,469
Han Ah Kuan	–	413	449	78	940
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
Chew Choon Soo	43	–	–	–	43

Notes:

(1) Directors' fees are subject to shareholders' approval at the forthcoming annual general meeting on 22 April 2020.

The remuneration of each of the key management personnel (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 %
S\$250,000 – S\$500,000				
Goh Bee Leong, GM – Manufacturing	52	42	6	100
Jasmin Hong, GM – Marketing	52	42	6	100
Keeth Chua, GM – Marketing	52	42	6	100
Tarn Sien Hao, Group General Manager	57	34	9	100
Below S\$250,000				
Zann Lim ⁽¹⁾ , Chief Financial Officer	94	–	6	100
Chow Say Suan ⁽²⁾ , GFC	55	44	1	100

Notes:

(1) Resigned on 28 February 2019.

(2) Appointed as Group Financial Controller on 1 March 2019.

CORPORATE GOVERNANCE REPORT

The total remuneration paid/accrued to the key management personnel is S\$2,099,964.

The aggregate amount of termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the key management personnel is about S\$635,000.

Save as disclosed below, there is no employee (other than the CEO) who is a substantial shareholder of the Company, or an immediate family member of a Director, the CEO or a substantial shareholder and whose remuneration exceeds S\$100,000 in FY 2019. 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 S\$200,000 and S\$300,000. As at 2 March 2020, there is one employee who is a substantial shareholder of the Company, namely the Chief Executive Officer and Executive and Non-independent Director, Mr Wee Ee Lim.

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 periodic 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")

[Principle 10: Audit Committee]

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 of the Company's existing auditors in the last 24 months, or has any financial interest in the Company's existing auditors.

The charter of the ARC provides that the ARC shall comprise not less than three members, all non-executive, the majority of whom shall be independent. At least two members of the ARC, including the Chairman, shall have recent and relevant accounting or financial management expertise or experience.

CORPORATE GOVERNANCE REPORT

The principal responsibilities of the ARC include:

- reviewing the audit plans with the internal and external auditors;
- reviewing the audit report of the external auditors and the results of the internal audit procedures;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of external auditors, and the compensation and terms of engagement of the external auditors;
- reviewing annually the adequacy, effectiveness, independence, scope, results and objectivity of the external auditors, the cost effectiveness of the audit, and the nature and extent of non-audit services;
- approving the hiring, removal, evaluation of the performance and compensation of Group Internal Audit Manager;
- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;
- reviewing the adequacy, effectiveness, independence, scope and results of the internal audit function annually;
- reviewing the Group's periodic 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 any announcements relating to the Company's performance;
- reviewing annually 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 GFC 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;
- reviewing whistle-blowing reports; and
- reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

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 2019, 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 cooperation 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.

CORPORATE GOVERNANCE REPORT

In its review of the financial statements, the ARC discussed with management the key accounting policies applied and areas where judgement and critical estimates were involved. After extensive discussions, the ARC was satisfied with the measurement and disclosure of the related financial balances in the Group's financial statements in all material aspects. The ARC also discussed with the external auditors all significant matters noted during their audit which were contained in their report to the ARC. The valuation of financial assets was a key audit matter highlighted by the auditors in its audit report and the ARC was satisfied with the extent of work performed by the auditors. 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 auditors was not material and would not impair the independence of the external auditors. 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 auditors. The ARC has recommended to the Board the re-appointment of PricewaterhouseCoopers LLP as the Group's auditors for the ensuing year. The aggregate amount of fees paid/payable to PricewaterhouseCoopers LLP for FY 2019 is approximately S\$358,000. The breakdown of fees paid/payable for audit and non-audit services is approximately S\$354,000 and S\$4,000 respectively. The ARC has reviewed and is satisfied with the independence and objectivity of the external auditors.

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

[Principle 9: Sound System of Risk Management and Internal Controls]

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

The Board has overall responsibility for the governance of risk and determination of risk policies. The Board, assisted by the ARC, is responsible for determining the Company's level of risk tolerance (including the nature and extent of significant risks which the Company is willing to take) and oversees the management in implementing the risk management and internal controls system.

The Risk Management Committee is chaired by the CEO and comprises an Executive Director, the GFC, 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.

CORPORATE GOVERNANCE REPORT

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. The Group is in the midst of enhancing its IT infrastructure to deal 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.

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

CORPORATE GOVERNANCE REPORT

For FY 2019, the Board has received assurances from:

- (a) the CEO and the GFC that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) the CEO and the Risk Management Committee that the Group's risk management and internal control systems are adequate and effective in all material respects as at 31 December 2019.

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 2019.

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 the Policy.

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. Whistleblowing 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 whistleblowing unit, comprising the Human Resource Director and Group Internal Audit Manager. Details of the whistleblowing 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. The Code of Conduct is effectively communicated and integrated into the Company's strategy and operations, including risk management systems and remuneration structures.

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 staff in the IA department 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.

CORPORATE GOVERNANCE REPORT

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.

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 Group.

Shareholders Rights and Communication with Shareholders

[Principle 11: Shareholder Rights and Conduct of General Meetings]

[Principle 12: Communication with Shareholders]

The Group is guided by an investor relations policy which allows for an ongoing exchange of views and 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. 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 is available for reference by shareholders who require.

To allow the Company's shareholders to communicate their views on various matters affecting the Company and contact the Company with questions, and in order to solicit and understand the views of shareholders, the Company has a dedicated communications channel with the Investor Relations Department which is available to shareholders and can be reached via email at investorrelations@hawpar.com. The Investor Relations Department is required to respond to shareholders' queries in a timely and effective manner. When matters requiring shareholders' meetings are to be held, notices are published in newspapers and reports / circulars are communicated in a timely manner to all shareholders. Shareholders are informed of the rules, including voting procedures, which govern the shareholders' meetings. The Constitution does not allow for absentia voting at general meetings, except through the appointment of a proxy or in the case of a corporation, corporate representative, to cast the registered shareholder's vote in their stead. 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 recording substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Board and management are prepared, and made available to shareholders at the registered office upon request within a reasonable time after each general meeting. Such minutes are also published on the Company's website.

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.

CORPORATE GOVERNANCE REPORT

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 auditors are present at general meetings to address queries from shareholders on matters affecting the Group, the conduct of external audit and the preparation and content of the auditors' report. 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.

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. To commemorate the 50th year anniversary in 2019, the Company paid a special tax-exempt dividend of 85-cents per share.

Engagement with Stakeholders

[Principle 13: Managing Stakeholders Relationships]

Haw Par's management approach hinges on the commitments to our key stakeholders who are identified based on the significance of their respective impacts on the Company. We believe communication with relevant stakeholders is vital to the long term success of our businesses.

The basis for determining who is considered a key stakeholder begins with understanding our value chain and thereafter determining which stakeholders Haw Par has an impact on, and conversely which stakeholders have an impact on our businesses.

For more information on our approach, please refer to our sustainability website at:
www.hawpar.com/sustainability/our-approach.html

We welcome feedback from our stakeholders on our sustainability reports at sustainability@hawpar.com

CORPORATE GOVERNANCE REPORT

OTHER GOVERNANCE PRACTICES

Investment Committee

The Investment Committee ("IC") is headed by the Chairman of the Board and comprises two Executive Directors and the GFC. 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.

The terms of reference of the IC provides authority for the IC to make decisions for transactions relating to long-term and short-term investments, unbudgeted capital expenditure, disposal/divestment of businesses of operating entities, within the stipulated limits.

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 quarter/half year financial results 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 2019

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

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 2019 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 & Chief Executive Officer)</i>
Sat Pal Khattar	
Hwang Soo Jin	
Lee Suan Yew	
Chew Kia Ngee	
Peter Sim Swee Yam	
Gn Hiang Meng	
Chew Choon Soo	<i>(appointed on 28 February 2019)</i>
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' STATEMENT

For the financial year ended 31 December 2019

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 Director or nominee		Holdings in which Director is deemed to have an interest	
	31.12.2019	1.1.2019	31.12.2019	1.1.2019
<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
Han Ah Kuan	159,000	235,100	–	–

- (b) 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.
- (c) The Directors' interests in the ordinary shares and share options of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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 31.12.2019	Exercise price	Exercise period
3.3.2015	33,000	\$8.58	3.3.2016 – 2.3.2020
4.3.2016	112,000	\$8.00	4.3.2017 – 3.3.2021
1.3.2017	151,000	\$9.96	1.3.2018 – 28.2.2022
	<u>296,000</u>		

During the financial year, 231,000 ordinary shares of the Company were issued by virtue of the exercise of options and no unexercised share options were cancelled. The market price on the dates of exercise ranged from \$12.82 to \$14.10 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 2019

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

Chew Choon Soo

- (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 31.12.2019	Aggregate number of shares exercised since commencement of scheme to 31.12.2019	Aggregate number of shares comprised in options that have expired since commencement of scheme to 31.12.2019	Aggregate number of shares comprised in options outstanding as at 31.12.2019
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 2019.
- (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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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 2019 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 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAW PAR CORPORATION LIMITED

For the financial year ended 31 December 2019

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 2019 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 financial year ended 31 December 2019;
- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the statements of financial position of the Group and of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial 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 2019

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 2019. 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>Ownership and valuation of strategic investments (Note 9 of the financial statements)</p> <p>As at 31 December 2019, the Group's strategic investments, classified as financial assets carried at fair value through other comprehensive income ("FVOCI"), amounted to \$2,622 million (2018: \$2,343 million), representing 81% and 83% (2018: 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>

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (the "Other Sections"), which are 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 Other Sections, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAW PAR CORPORATION LIMITED

For the financial year ended 31 December 2019

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAW PAR CORPORATION LIMITED

For the financial year ended 31 December 2019

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

- 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.
- 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 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	The Group	
		2019 \$'000	2018 \$'000
Revenue	3	243,987	237,814
Cost of sales		(104,537)	(92,083)
Gross profit		139,450	145,731
Other income	3	116,466	107,967
Distribution and marketing expenses		(46,241)	(49,520)
General and administrative expenses		(14,277)	(12,956)
Finance expenses		(196)	(233)
Share of profit of associated company		1,765	1,290
Profit before taxation		196,967	192,279
Taxation	6	(14,760)	(13,211)
Profit for the financial year, net of tax		182,207	179,068
Earnings per share attributable to equity holders of the Company	8		
– Basic		82.4 cents	81.2 cents
– Diluted		82.4 cents	81.1 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	The Group	
	2019 \$'000	2018 \$'000
Profit for the financial year, net of tax	182,207	179,068
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences on consolidation of foreign entities (net)	(58)	(369)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on investments (net)	298,414	(280,009)
Other comprehensive income/(expense) for the financial year, net of tax	298,356	(280,378)
Total comprehensive income/(expense) for the financial year	480,563	(101,310)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	The Group		The Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS					
Cash and bank balances	13	465,599	519,627	366,408	446,164
Trade and other receivables	13	30,350	40,881	47,068	63,402
Inventories	13	20,136	24,479	–	–
Deferred income tax assets	6	2,093	2,082	–	–
Associated company	16	7,105	5,740	2,895	2,895
Subsidiaries	16	–	–	562,561	555,834
Investment properties	12	56,263	56,569	–	–
Property, plant and equipment	11	26,813	26,983	–	–
Intangible assets	10	11,116	11,116	–	–
Strategic investments	9	2,621,786	2,342,975	–	–
Total assets		3,241,261	3,030,452	978,932	1,068,295
LIABILITIES					
Trade and other payables	13	64,544	65,788	48,987	46,530
Borrowings	13	7,822	23,251	7,822	23,251
Current income tax liabilities		11,643	12,655	1,139	973
Deferred income tax liabilities	6	820	725	–	–
Total liabilities		84,829	102,419	57,948	70,754
NET ASSETS		3,156,432	2,928,033	920,984	997,541
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	14	266,228	264,173	266,228	264,173
Retained profits		1,107,374	1,175,230	654,630	733,330
Other reserves		1,782,830	1,488,630	126	38
Total equity		3,156,432	2,928,033	920,984	997,541

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	← Attributable to equity holders of the Company →						
	Share capital \$'000	Statutory reserve ¹ \$'000	Capital reserve \$'000	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total equity \$'000
2019							
Balance at 1 January 2019	264,173	2,389	38	1,486,478	(275)	1,175,230	2,928,033
Issue of share capital	2,055	–	–	–	–	–	2,055
Transfer of cumulative gain on disposal of investments to retained profits	–	–	–	(4,156)	–	4,156	–
Dividends paid (Note 7)	–	–	–	–	–	(254,219)	(254,219)
Total comprehensive income/(expense) for the financial year	–	–	–	298,414	(58)	182,207	480,563
Balance at 31 December 2019	266,228	2,389	38	1,780,736	(333)	1,107,374	3,156,432

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.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	← Attributable to equity holders of the Company →							
	Share capital \$'000	Statutory reserve ¹ \$'000	Capital reserve \$'000	Share option reserve \$'000	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total equity \$'000
2018								
Balance at 1 January 2018	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) ²	(4,731) ³	–	–	21,508	–
Transfer of cumulative gain on disposal of investments to retained profits	–	–	–	–	(23,322)	–	23,322	–
Transfer from retained profits 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)
Balance at 31 December 2018	264,173	2,389	38	–	1,486,478	(275)	1,175,230	2,928,033

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 CASH FLOWS

For the financial year ended 31 December 2019

	Note	The Group	
		2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit before tax		196,967	192,279
Adjustments for:			
Dividend income	3	(106,323)	(97,795)
Interest income	3	(8,497)	(7,343)
Depreciation of property, plant and equipment and investment properties		6,463	6,310
Share of profit of associated company		(1,765)	(1,290)
Write-back of unclaimed dividends		(252)	(243)
Finance expenses		196	233
Inventories written down	13	46	79
Loss on disposal and write-off of property, plant and equipment		13	5
Unrealised currency translation losses/(gains)		284	(1,039)
Operating profit before working capital changes		87,132	91,196
Decrease/(increase) in inventories		4,297	(7,432)
Decrease/(increase) in trade and other receivables		10,121	(7,904)
(Decrease)/increase in trade and other payables		(2,230)	8,287
Cash generated from operations		99,320	84,147
Net taxation paid		(15,168)	(14,600)
Net cash from operating activities		84,152	69,547
Cash flows from investing activities			
Dividend income received		106,323	50,186
Proceeds from disposal of investments	9	20,342	66,821
Interest income received		8,402	6,676
Purchase of property, plant and equipment		(2,965)	(3,361)
Improvements to investment properties		(1,920)	(316)
Dividends from associated company		400	400
Proceeds from sale of property, plant and equipment		2	7
Net cash from investing activities		130,584	120,413
Cash flows from financing activities			
Payment of dividends to members of the Company	7	(254,219)	(55,180)
Repayment of borrowings	13	(16,186)	(23,110)
Proceeds from issue of share capital for share options exercised	14	2,055	6,230
Interest paid on borrowings and lease liabilities		(206)	(248)
Principal payment of lease liabilities		(148)	–
Bank deposits released from pledge		–	222
Net cash used in financing activities		(268,704)	(72,086)
Net (decrease)/increase in cash and cash equivalents		(53,968)	117,874
Cash and cash equivalents at beginning of the financial year		519,427	400,562
Effects of currency translation on cash and cash equivalents		(69)	991
Cash and cash equivalents at end of the financial year	13	465,390	519,427

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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(c).

(a) Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has 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:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

(a) Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases

- (i) When a group company is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

Upon the adoption of SFRS(I) 16, the Group applied certain transition reliefs under a simplified approach and did not restate comparative amounts for leases previously classified as operating leases on 1 January 2019.

The Group chose to recognise right-of-use ("ROU") assets at an amount equivalent to its lease liabilities of approximately \$978,000 on the statement of financial position on 1 January 2019 by discounting the remaining lease payments as at 1 January 2019 using the Group's incremental borrowing rate.

Recognition exemptions for short-term leases and leases of low-value items are used as permitted by the standard. Under SFRS(I) 16, the recognition of operating expenses on a straight-line basis is replaced with the combination of depreciation expenses for ROU assets and interest expense on lease liabilities.

A reconciliation between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised on the statement of financial position as at 1 January 2019 is as follows:

	\$'000
Operating lease commitments disclosed as at 31 December 2018	1,709
Less: Short-term leases	(560)
Less: Discounting effect using weighted average incremental borrowing rate of 3.37% per annum	(171)
Lease liabilities recognised as at 1 January 2019	<u>978</u>

- (ii) When a group company is the lessor

There are no material changes to accounting by the Group as a lessor.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 17(j).

The adoption of the new standard or amended SFRS(I) and INT SFRS(I) had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. BASIS OF PREPARATION (CONTINUED)

(b) New accounting standards and SFRS(I) Interpretations and Amendments effective in 2020 or after

Effective for financial periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3 *Business Combination*

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

(c) 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 involves 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) involves such accounting estimate as set out in Note 9(d).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2019

3. SEGMENTAL REPORTING (CONTINUED)

(a) Reportable segments

	Healthcare products \$'000	Investments \$'000	Others ¹ \$'000	Consolidated \$'000
2019				
Total segment revenue	224,011	–	20,833	244,844
Inter-segment revenue	–	–	(857)	(857)
Revenue from external parties	224,011	–	19,976	243,987
Dividend income	–	106,323	–	106,323
Interest income	–	8,497	–	8,497
Miscellaneous income	239	643	764	1,646
Total other income	239	115,463	764	116,466
Total revenue and other income	224,250	115,463	20,740	360,453
Depreciation	3,296	103	3,064	6,463
Finance expense	32	164	–	196
Segment profit	74,777	114,102	10,815	199,694
Unallocated expenses	–	–	–	(4,492)
Share of profit of associated company	–	1,765	–	1,765
Profit before taxation	–	–	–	196,967
Taxation	–	–	–	(14,760)
Earnings for the financial year	–	–	–	182,207
Segment assets	167,593	3,009,002	62,573	3,239,168
Deferred income tax assets	–	–	–	2,093
Total assets per statement of financial position	–	–	–	3,241,261
Expenditures for segment non-current assets	–	–	–	–
– Additions to property, plant and equipment	2,973	50	54	3,077
– Investment properties improvements	–	–	2,204	2,204
	2,973	50	2,258	5,281
Segment liabilities	49,351	16,191	6,824	72,366
Current income tax liabilities	–	–	–	11,643
Deferred income tax liabilities	–	–	–	820
Total liabilities per statement of financial position	–	–	–	84,829

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 2019

3. SEGMENTAL REPORTING (CONTINUED)

(a) Reportable segments (continued)

	Healthcare products \$'000	Investments \$'000	Others ¹ \$'000	Consolidated \$'000
2018				
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
Finance expense	–	233	–	233
Segment profit	77,252	105,508	12,322	195,082
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 2019

3. SEGMENTAL REPORTING (CONTINUED)

(a) Reportable segments (continued)

Revenue consists of the following:

	The Group	
	2019	2018
	\$'000	\$'000
Sale of goods	224,725	217,567
Rendering of services	3,753	3,232
Rental income	15,509	17,015
Total revenue	243,987	237,814

(b) Geographical Information (excluding strategic investments)

	Revenues ⁽ⁱ⁾	Non-current assets ⁽ⁱⁱ⁾
	\$'000	\$'000
2019		
Singapore	31,293	73,459
Other ASEAN countries	89,996	17,422
Other Asian countries	76,855	10,416
Other countries	45,843	–
Total	243,987	101,297
2018		
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

(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 \$15,509,000 (2018: \$17,015,000) which is mainly earned in Singapore, the remaining revenue by segment relates to revenue from contracts with customers under SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. SEGMENTAL REPORTING (CONTINUED)

(c) Major customers

Revenues of approximately \$121,286,000 (2018: \$122,772,000) were contributed from two groups of external customers (2018: two groups). These revenues are attributable to the sale of Healthcare products in Asia to distributors belonging to the same group of companies.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

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 \$'000	JPY \$'000	Others \$'000	Total \$'000
Group				
<u>At 31 December 2019</u>				
Cash and cash equivalents and financial assets (FVOCI)	93,282	12,159	9,616	115,057
Borrowings	–	(7,822)	–	(7,822)
Currency exposure on financial assets and liabilities	93,282	4,337	9,616	107,235
<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	72,105	5,826	6,477	84,408

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:

	JPY \$'000	Others \$'000	Total \$'000	
Company				
<u>At 31 December 2019</u>				
Cash and cash equivalents	–	297	297	
Borrowings	(7,822)	–	(7,822)	
Currency exposure on financial assets and liabilities	(7,822)	297	(7,525)	
	USD \$'000	JPY \$'000	Others \$'000	Total \$'000
<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	6,872	(23,251)	282	(16,097)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

A 10% (2018: 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 \$'000	JPY \$'000	Others \$'000	Total \$'000
Group				
<u>At 31 December 2019</u>				
Profit or loss, after tax	4,985	–	820	5,805
Other comprehensive income	3,450	434	–	3,884
<u>At 31 December 2018</u>				
Profit or loss, after tax	3,897	–	543	4,440
Other comprehensive income	2,665	583	–	3,248
Company				
<u>At 31 December 2019</u>				
Profit or loss, after tax		(782)	30	(752)
<u>At 31 December 2018</u>				
Profit or loss, after tax	687	(2,325)	28	(1,610)

A 10% (2018: 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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.

(d) Financial instruments by category

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

	Note	The Group		The Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial Assets					
Strategic investments (FVOCI)	9	2,621,786	2,342,975	–	–
Cash and bank balances and trade and other receivables (Amortised cost)		495,650	559,718	413,462	509,556
		3,117,436	2,902,693	413,462	509,556
Financial Liabilities					
Trade and other payables and borrowings (Amortised cost)		72,366	89,039	56,809	69,781

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. EXPENSES

(a) Breakdown by expenses

	The Group	
	2019	2018
	\$'000	\$'000
Purchase of inventories	65,657	64,547
Changes in inventories	4,297	(7,432)
	69,954	57,115
Sales and marketing expenses	37,511	41,378
Employee costs (Note 5(b))	35,048	33,667
Depreciation		
– property, plant and equipment (Note 11)	4,040	3,880
– investment properties (Note 12)	2,423	2,430
Repair and maintenance	2,747	2,719
Utilities	2,511	2,363
Property tax	2,016	1,978
Professional and legal fees	1,024	1,175
Auditors' remuneration:		
– Auditor of the Company:		
– audit fees	331	332
– non-audit fees	4	4
– underprovision of audit fees in respect of prior year	23	10
– Other auditors:		
– audit fees	27	33
– non-audit fees	6	9
Trademark expenses	554	339
Inventories written down	46	79
Finance expense		
– borrowings	164	233
– lease liabilities	32	–
Loss on disposal and write-off of property, plant and equipment	13	5
Foreign exchange loss/(gain), net	313	(981)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. EXPENSES (CONTINUED)

(b) Employee benefits

(i) Employee costs (including Executive Directors)

	The Group	
	2019 \$'000	2018 \$'000
Salaries and other short-term employee benefits (including directors' fees)	32,659	31,595
– Key management	5,949	5,498
– Other employees	26,710	26,097
Employer's contribution to Central Provident Fund and other defined contribution plans	2,389	2,072
– Key management	106	95
– Other employees	2,283	1,977
	35,048	33,667

Total compensation to Directors of the Company included in the above amounted to \$3,956,000 (2018: \$3,461,000).

- (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	
	2019	2018
Under 2002 Scheme:		
Outstanding at beginning of the financial year	527,000	1,243,000
Cancelled/ Expired/ Not accepted	–	(16,000)
Exercised	(231,000)	(700,000)
Outstanding at end of the financial year	296,000	527,000
Exercisable at end of the financial year	296,000	527,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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		
2019							
3.3.2014	30,000	–	–	(30,000)	–	\$8.55	3.3.2015 – 1.3.2019
3.3.2015	138,000	–	–	(105,000)	33,000	\$8.58	3.3.2016 – 2.3.2020
4.3.2016	142,000	–	–	(30,000)	112,000	\$8.00	4.3.2017 – 3.3.2021
1.3.2017	217,000	–	–	(66,000)	151,000	\$9.96	1.3.2018 – 28.2.2022
	<u>527,000</u>	–	–	<u>(231,000)</u>	<u>296,000</u>		
2018							
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
	<u>1,243,000</u>	–	<u>(16,000)</u>	<u>(700,000)</u>	<u>527,000</u>		

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 2019

6. TAXATION

(a) Tax expense

	The Group	
	2019	2018
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
Current taxation		
Current year:		
– Singapore	10,570	11,043
– Overseas	4,474	5,573
	15,044	16,616
(Over)/under provision in respect of previous years:		
– Singapore	(105)	(1,029)
– Overseas	(392)	215
	(497)	(814)
Deferred taxation		
Origination and reversal of temporary differences:		
– Singapore	(77)	(19)
– Overseas	293	(1,237)
	216	(1,256)
Overprovision in respect of previous years:		
– Singapore	(3)	(813)
– Overseas	–	(522)
	(3)	(1,335)
	14,760	13,211

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6. TAXATION (CONTINUED)

(a) Tax expense (continued)

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:

	The Group	
	2019 \$'000	2018 \$'000
Profit before taxation	196,967	192,279
Share of profit of associated company	(1,765)	(1,290)
Profit before taxation and share of profit of associated company	195,202	190,989
Taxation at applicable Singapore tax rate of 17% (2018: 17%)	33,184	32,468
Adjustments:		
– Tax rate difference in foreign subsidiaries	588	519
– Withholding taxes	1,494	1,366
– Tax effect of expenses not deductible for tax purposes	859	917
– Tax effect of income not subject to tax	(18,967)	(17,578)
– Tax rebates, exemptions and incentives	(1,853)	(2,317)
– Utilisation of previously unrecognised deferred taxes	(45)	(15)
– Overprovision in respect of previous years	(500)	(2,149)
Taxation expense	14,760	13,211

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 \$'000							
	Fair value changes on financial assets (FVOCI) \$'000	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000	Provisions \$'000	Others \$'000	Total \$'000								

The Group

2019

Beginning of financial year	–	694	31	725	(2,010)	(72)	(2,082)	(1,357)
Charged to profit or loss								
– Others	–	127	(31)	96	118	(1)	117	213
Currency translation differences	–	(1)	–	(1)	(128)	–	(128)	(129)
End of financial year	–	820	–	820	(2,020)	(73)	(2,093)	(1,273)

2018

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	–	694	31	725	(2,010)	(72)	(2,082)	(1,357)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6. TAXATION (CONTINUED)

(b) Deferred tax (continued)

- (i) 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 \$22.6 million (2018: \$23.3 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 \$0.1 million which will expire between 2020 and 2024 (2018: \$0.7 million between 2019 and 2023).
- (ii) In conjunction with the transition and adoption of SFRS(I) in 2018, management undertook a comprehensive review of the financial statements. Arising from the review and taking into consideration relevant 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 2018 as they were capital in nature and should not be subject to tax in the event of realisation. There were no changes in circumstances for the current financial year.

7. DIVIDENDS

	The Group	
	2019 \$'000	2018 \$'000
<i>Ordinary dividends paid:</i>		
Final exempt 2018 dividend of 15 cents per share and special exempt dividend of 85 cents per share (2018: Final exempt 2017 dividend of 10 cents per share)	221,058	22,056
Interim exempt 2019 dividend of 15 cents per share (2018: Interim exempt 2018 dividend of 15 cents per share)	33,161	33,124
	254,219	55,180
Dividend per share (net of tax)	115 cents	25 cents

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. DIVIDENDS (CONTINUED)

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, amounting to approximately \$33.2 million to be paid for the financial year ended 31 December 2019 (2018: 15 cents per share and a special tax exempt one-tier dividend of 85 cents per share, amounting to \$221.1 million). These financial statements do not reflect the proposed final tax exempt dividends, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

In accordance with the Constitution of the Company, unclaimed dividends outstanding for more than 6 years of about \$252,000 (2018: \$243,000) were written back.

8. EARNINGS PER SHARE

	The Group	
	2019 \$'000	2018 \$'000
Earnings for the financial year	182,207	179,068
	'000	'000
Weighted average number of ordinary shares for calculation of basic earnings per share	221,023	220,647
Dilution adjustment for share options	113	218
Adjusted weighted average number of shares for calculation of diluted earnings per share	221,136	220,865
<i>Earnings per share attributable to equity holders of the Company</i>		
– Basic	82.4 cents	81.2 cents
– Diluted	82.4 cents	81.1 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 2019

9. STRATEGIC INVESTMENTS

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

	The Group	
	2019 \$'000	2018 \$'000
Singapore listed equity securities		
– United Overseas Bank Limited	1,973,060	1,839,078
– UOL Group Limited	596,531	443,075
	2,569,591	2,282,153
Others	52,195	60,822
	2,621,786	2,342,975

- (a) During the financial year, the Group did not receive any dividend income as scrip shares in lieu of cash dividends (2018: \$47,609,000).
- (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 quoted overseas change by 10% (2018: 10%) with all other variables including tax rate being held constant, the Group's equity and other comprehensive income will be affected by:

	2019 \$'000	2018 \$'000
<u>Listed in Singapore</u>		
– increased by	257,513	228,724
– decreased by	(257,513)	(228,724)
<u>Quoted overseas</u>		
– increased by	4,327	5,259
– decreased by	(4,327)	(5,259)

- (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 \$20,342,000 at the date of disposal. The cumulative gain on disposal of \$4,156,000 was reclassified from fair value reserve to retained profits.

In 2018, the Group disposed of certain investments which had a fair value of approximately \$66,821,000 at the date of disposal, with cumulative gain on disposal of \$23,322,000 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, and trading in its shares has been suspended since September 2016. During the 2019 financial year, provisional liquidators were appointed and on 2 December 2019, the Hong Kong High Court ordered that the company be wound up. Due to the prolonged lack of clarity on its financial status and based on the latest available public information, management has continued to assess the fair value of this investment to be nil (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. INTANGIBLE ASSETS

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Goodwill on consolidation	11,116	11,116	–	–
Trademarks	–	–	–	–
	11,116	11,116	–	–

(a) Goodwill on consolidation

	The Group	
	2019 \$'000	2018 \$'000
Cost		
Balance at beginning and end of financial year	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	4.9% (2018: 6.8%) per annum
Growth rate	0.0% (2018: 0.0%) per annum

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 2019

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
The Group			
<i>Cost</i>			
At 1 January 2019	29,007	38,200	67,207
Adoption of SFRS(I) 16 (Note 2(a))	931	47	978
	29,938	38,247	68,185
Additions	1,233	1,844	3,077
Disposals/write-offs	(361)	(812)	(1,173)
Currency translation differences	384	(73)	311
At 31 December 2019	31,194	39,206	70,400
<i>Accumulated depreciation</i>			
At 1 January 2019	17,252	22,972	40,224
Depreciation charge for the year	1,231	2,809	4,040
Disposals/write-offs	(361)	(797)	(1,158)
Currency translation differences	510	(29)	481
At 31 December 2019	18,632	24,955	43,587
Net book value			
At 31 December 2019	12,562	14,251	26,813
<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
Net book value			
At 31 December 2018	11,755	15,228	26,983

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leases – The Group as a lessee

The Group leases land, building and office space for its operations. The right-of-use of assets under leasing arrangements are presented together with the owned assets of the same class. These leases were previously classified as operating leases (Note 15(b)(ii)) before the adoption of SFRS(I) 16 on 1 January 2019.

(i) Carrying amounts and movement of right-of-use assets classified within property, plant and equipment

	Leasehold land and buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
As at 1 January 2019	1,871	47	1,918
Additions	112	–	112
Currency translation differences	(27)	–	(27)
Depreciation expense	(161)	(24)	(185)
As at 31 December 2019	1,795	23	1,818

(ii) Expenses relating to short-term and low-value leases not recognised as right-of-use assets and lease liabilities in 2019 amounted to \$272,000 and \$29,000 respectively. Total cash outflow for all leases in 2019 was \$493,000.

(iii) Certain property leases contain extension options exercisable by the Group, for which the related lease payments had not been included in lease liabilities as the Group is not certain whether to exercise the extension option. Where practicable, the Group negotiates to include extension options in leases to provide operational flexibility.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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	
	2019 \$'000	2018 \$'000
<i>Cost</i>		
Beginning of financial year	122,161	122,010
Improvements	2,204	316
Currency translation differences	(168)	(165)
End of financial year	124,197	122,161
<i>Accumulated depreciation and impairment losses</i>		
Beginning of financial year	65,592	63,244
Depreciation charge for the year	2,423	2,430
Currency translation differences	(81)	(82)
End of financial year	67,934	65,592
<i>Net book value</i>		
As at 31 December	56,263	56,569
At valuation:		
Freehold properties	35,958	35,260
Leasehold properties	181,700	178,800

(a) Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties 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, management 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% (2018: 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 2019

12. INVESTMENT PROPERTIES (CONTINUED)

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

	The Group	
	2019 \$'000	2018 \$'000
Rental income (Note 3)	15,509	17,015
Direct operating expenses arising from investment properties that generated rental income	(7,209)	(7,334)

(c) Certain investment properties with a carrying value of \$42,088,000 (2018: \$42,353,000) and fair value of \$181,700,000 (2018: \$178,800,000) 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 2019 are as follows:

Investment properties	Description	Tenure of land	Independent valuer
Haw Par Glass Tower 178 Clemenceau Avenue 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 180 Clemenceau Avenue 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 401 Commonwealth Drive 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 Lot 242, Jalan Sultan Ismail, 50250 Kuala Lumpur 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. INVESTMENT PROPERTIES (CONTINUED)

- (e) Investment properties are tenanted under non-cancellable lease arrangements. Future undiscounted lease payments to be received from the operating leases as of 31 December are as follows:

	The Group	
	2019 \$'000	2018 \$'000
Less than one year	15,787	13,828
One to two years	11,748	7,904
Two to three years	6,470	3,762
Three to four years	483	508
Total undiscounted lease payment	34,488	26,002

13. WORKING CAPITAL BALANCES

(a) Cash and bank balances

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Short term bank deposits	428,452	494,170	362,759	444,639
Cash at bank and on-hand	37,147	25,457	3,649	1,525
	465,599	519,627	366,408	446,164

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.

Included in the cash and bank balances are bank deposits and cash on hand amounting to \$9,812,000 (2018: \$10,354,000) 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	
	2019 \$'000	2018 \$'000
Cash and bank balances (as above)	465,599	519,627
Less: Bank deposits pledged for banking facilities	(209)	(200)
Cash and cash equivalents per consolidated statement of cash flows	465,390	519,427

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. WORKING CAPITAL BALANCES (CONTINUED)

(b) Trade and other receivables

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables	24,284	35,093	4,630	4,245
Advances to subsidiaries	–	–	40,567	57,428
Other receivables	6,066	5,788	1,871	1,729
	30,350	40,881	47,068	63,402

The Group's other receivables mainly comprise other debtors and deposits of approximately \$4,043,000 (2018: approximately \$3,368,000).

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 is determined as follows:

	Current	Past due within 1 month	Past due 1 to 3 months	Total
	\$'000	\$'000	\$'000	\$'000
The Group				
Expected loss rate	–%	–%	1%	
2019				
Gross carrying amount	23,525	759	–	24,284
Loss allowance provision	–	–	–	–
Expected loss rate	–%	–%	1%	
2018				
Gross carrying amount	34,599	494	–	35,093
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 2019 and 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. WORKING CAPITAL BALANCES (CONTINUED)

(c) Inventories

	The Group	
	2019 \$'000	2018 \$'000
Manufacturing stocks	12,052	12,087
Work in progress	3,021	3,450
Finished stocks	5,063	8,942
	20,136	24,479

The cost of inventories recognised as expense and included in "Cost of sales" amounted to \$69,954,000 (2018: \$57,115,000) (Note 5).

During the financial year, the Group recognised inventories write down of \$46,000 (2018: \$79,000). The inventories written down have been included in "Cost of sales" in profit or loss.

(d) Trade and other payables

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables	3,348	5,740	–	–
Other payables and accruals	60,256	60,048	4,654	3,180
Lease liabilities (Note 13(d)(i))	940	–	–	–
Advances from subsidiaries	–	–	44,333	43,350
	64,544	65,788	48,987	46,530

Trade and other payables excluding lease liabilities, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. WORKING CAPITAL BALANCES (CONTINUED)

(d) Trade and other payables (continued)

- (i) Lease liabilities are measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate.

	The Group
	2019
	\$'000
<u>Lease liability</u>	
Beginning of financial year	–
Adoption of SFRS(I) 16 (Note 2(a))	978
Additions during the year	112
Principal and interest payment	(180)
Interest expense	32
Effects of changes in foreign exchange rates	(2)
End of financial year	<u>940</u>

The Group does not have any material financial liabilities maturing more than 12 months from 31 December 2019.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. WORKING CAPITAL BALANCES (CONTINUED)

(e) Borrowings (continued)

(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 and in Note 13(d)(i):

	The Group and the Company	
	2019	2018
	\$'000	\$'000
Borrowings		
Beginning of financial year	23,251	45,048
Repayment of borrowings	(16,186)	(23,110)
Effects of changes in foreign exchange rates	757	1,313
End of financial year	7,822	23,251

14. SHARE CAPITAL

	The Group and the Company			
	2019		2018	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Beginning of financial year	220,841	264,173	220,141	257,943
Issue of ordinary shares by virtue of exercise of share options (Note 5(b)(ii))	231	2,055	700	6,230
End of financial year	221,072	266,228	220,841	264,173

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. SHARE CAPITAL (CONTINUED)

(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 2018.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Property, plant and equipment	8,327	923	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(b) Commitments (continued)

(ii) Operating lease commitments – as a lessee

As at 31 December 2018, future minimum rentals payable under non-cancellable operating leases contracted for but not recognised as liabilities are as follows:

	The Group
	2018
	\$'000
Within one year	389
Between one year and five years	770
After five years	550
	<u>1,709</u>

As disclosed in Note 2(a), the Group adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets (Note 11) and lease liabilities (Note 13(d)) on the statement of financial position as at 31 December 2019, except for short-term and low value leases.

16. SUBSIDIARIES AND ASSOCIATED COMPANY

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	
	2019	2018
	\$'000	\$'000
Equity investments at cost:		
Unquoted, at written down cost	601,160	601,072
Allowance for impairment in value	(38,599)	(45,238)
	<u>562,561</u>	<u>555,834</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. SUBSIDIARIES AND ASSOCIATED COMPANY (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	
			2019 %	2018 %
SUBSIDIARIES				
Healthcare products				
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
Leisure products and services				
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
Property				
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 Pte Ltd	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 2019

16. SUBSIDIARIES AND ASSOCIATED COMPANY (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	
			2019 %	2018 %
Investments				
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 ⁺⁺	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 2019

16. SUBSIDIARIES AND ASSOCIATED COMPANY (CONTINUED)

(b) Investment in an associated company

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Investment in an associated company	7,105	5,740	2,895	2,895

Name of associated company	Country of incorporation	Principal activities	Effective equity interest held by Group	
			2019 %	2018 %
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 (at a point in time) and collection of related receivables is generally within 60 days.

(ii) *Rendering of services*

Revenue from services is recognised upon rendering of services (over time) and payment is due immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue and other income recognition (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 primarily 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.

When a portion of the investment portfolio is hedged, 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 of trade receivables, the Group applies the simplified expected credit loss model as disclosed in Note 13(b)(i). Cash balances and other receivables are measured on 12-month expected credit losses and are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

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.

The cost of right-of-use assets comprises the initial measurement of lease liabilities (Note 17(j)(ii)(1)) adjusted for any lease payments made at or before the commencement date. Any initial direct costs that would not have been incurred but for the lease are added to the carrying amount of the right-of-use assets.

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 2019

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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Group accounting (continued)

(i) Subsidiaries (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of non-financial assets

Goodwill, Intangible assets, Property, plant and equipment, Right-of-use assets, 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.

(j) Leases

(i) *Accounting policy applied before 1 January 2019*

(1) *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.

(2) *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

(ii) *Accounting policy applied from 1 January 2019*

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

At inception of a contract, the Group assesses whether the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Leases, except for short-term leases and leases of low value assets, are recognised as a right-of-use asset (Note 17(f)) and corresponding lease liability at the date which the underlying asset is available for use.

Lease liability is initially measured at the present value of the lease payments discounted using the implicit rate in the lease, or the Group's incremental borrowing rate, if the implicit rate cannot be readily determined. Lease liability is remeasured, with a corresponding adjustment to the right-of-use asset, if there is a modification or change in the lease terms or intentions.

Right-of-use assets are presented within "Property, plant and equipment" (Note 11) while lease liabilities are presented within "Trade and other payables" (Note 13).

Short-term and low value assets

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

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

The accounting policy applicable to the Group as a lessor in the comparative period are the same under SFRS(I) 16.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2020.

GROUP OFFICES

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

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

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

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 2019

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: 2 years
 with an option to renew: 10 years

PROPERTIES

Haw Par Centre

180 Clemenceau Avenue
 Singapore 239922

- Six-storey commercial building
- Leasehold

Remaining Lease: 32 years

Haw Par Glass Tower

178 Clemenceau Avenue
 Singapore 239926

- Eight-storey commercial building with basement
- Leasehold

Remaining Lease: 50 years

Haw Par Technocentre

401 Commonwealth Drive
 Singapore 149598

- Seven-storey industrial building
- Leasehold

Remaining Lease: 43 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: 10 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: 39 years

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

STATISTICS OF SHAREHOLDINGS

As at 2 March 2020

DISTRIBUTION OF SHAREHOLDINGS

Size Of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	9,441	49.81	285,998	0.13
100 – 1,000	5,193	27.40	1,939,350	0.88
1,001 – 10,000	3,730	19.68	11,167,712	5.05
10,001 – 1,000,000	575	3.03	22,928,801	10.37
1,000,001 AND ABOVE	14	0.08	184,805,312	83.57
TOTAL	18,953	100.00	221,127,173	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	WEE INVESTMENTS PTE LTD	60,907,926	27.54
2	DBSN SERVICES PTE. LTD.	25,337,026	11.46
3	DBS NOMINEES (PRIVATE) LIMITED	20,969,412	9.48
4	CITIBANK NOMINEES SINGAPORE PTE LTD	18,737,779	8.47
5	TYE HUA NOMINEES (PTE) LTD	17,435,534	7.88
6	UOB KAY HIAN PRIVATE LIMITED	15,414,775	6.97
7	RAFFLES NOMINEES (PTE.) LIMITED	6,977,422	3.16
8	HSBC (SINGAPORE) NOMINEES PTE LTD	5,254,533	2.38
9	UNITED OVERSEAS INSURANCE LIMITED – SHF	4,274,600	1.93
10	WAH HIN & CO PTE LTD	3,652,655	1.65
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	1,490,404	0.67
14	WEE CHO YAW	1,092,373	0.49
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	796,417	0.36
16	SINGAPORE REINSURANCE CORPORATION LTD – SHAREHOLDERS	675,000	0.31
17	HO HAN LEONG CALVIN	550,440	0.25
18	CHUA WEE KENG	534,240	0.24
19	THIA CHENG SONG	488,100	0.22
20	WEE EE LIM	437,192	0.20
TOTAL		188,285,976	85.13

FREE FLOAT

Based on the information available to the Company as at 2 March 2020, approximately 43.41% 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 2 March 2020

SUBSTANTIAL SHAREHOLDERS AS AT 2 MARCH 2020

	No. of Shares Held			%
	Direct	Deemed	Total	
Wee Cho Yaw	1,092,373	77,605,330	78,697,703	35.59 ^{(1), (2), (3)}
Wee Ee Cheong	128,857	74,678,311	74,807,168	33.83 ^{(1), (2), (4)}
Wee Ee Lim	437,192	73,001,217	73,438,409	33.21 ⁽¹⁾
Wee Ee-chao	13,826	73,134,135	73,147,961	33.08 ^{(1), (5)}
Wee Investments Private Limited	60,907,926	–	60,907,926	27.54
Supreme Island Corporation	12,085,601	–	12,085,601	5.47
First Eagle Investment Management, LLC	–	23,340,822	23,340,822	10.56 ⁽⁷⁾
United Overseas Bank Limited	–	21,708,537	21,708,537	9.82 ⁽⁸⁾

(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 23,340,822 shares amounting to a shareholding of 10.56%.

(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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-first 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 Wednesday, 22 April 2020 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 2019 together with the Auditor's Report thereon.

Resolution 2 To declare a Second & Final Tax-Exempt Dividend of 15 cents per share for the financial year ended 31 December 2019.

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

Resolution 3 Mr Wee Ee-chao

Mr Wee Ee-chao, will upon re-election, continue as the Deputy Chairman of the Board.

Resolution 4 Mr Gn Hiang Meng

Mr Gn Hiang Meng will, upon re-election, continue as a member of the Audit and Risk Committee. Mr Gn is considered as an independent Director.

Resolution 5 To approve Directors' fees of around \$547,000 for the financial year ended 31 December 2019 (2018: \$503,500).

Resolution 6 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.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

Resolution 7

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO RESOLUTIONS

Resolution 2 Together with the interim tax-exempt dividend of 15 cents per share paid on 4 September 2019 and subject to shareholders' approval of the second & final tax-exempt dividend of 15 cents per share, the total tax-exempt dividend for the financial year ended 31 December 2019 will be \$0.30 per share (2018: 30 cents tax-exempt, excluding special tax-exempt dividend of 85 cents).

Subject to shareholders' approval of the second & final tax-exempt dividend, the Share Transfer Books and Register of Members of the Company will be closed* on **5 May 2020 at 5.00 p.m.**, and the second & final tax-exempt dividend will be payable on **14 May 2020**.

**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 5 May 2020 will be registered to determine shareholders' entitlement to the proposed second & final 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 5 May 2020 will be entitled to such proposed dividend.*

Resolution 3 Mr Wee Ee-chao is a non-executive and non-independent Director.

Resolution 4 Mr Gn Hiang Meng is a non-executive and independent Director and a senior banker with more than 30 years of investment banking and hospitality industry experience.

Mr Han Ah Kuan is also due to retire by rotation at this Annual General Meeting and will not be seeking re-election thereat.

Please refer to the 'Board of Directors' section of the Company's Annual Report 2019 for information on the current directorships in other listed companies and principal commitments of these Directors. The Company's Annual Report 2019 is available at www.hawpar.com/AR2019 or through scanning the QR code at the end of this Notice of Annual General Meeting.

Resolution 6 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.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 7 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 7 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.

NOTICE OF ANNUAL GENERAL MEETING

ADDITIONAL NOTES:

In view of the situation of the COVID-19 and in accordance with recommendations by the relevant authorities, the following measures to minimize the spread of COVID-19 will be put in place at the Annual General Meeting:

- (i) compulsory temperature taking for all shareholders and persons attending the Annual General Meeting;
- (ii) any person having fever and/or displaying flu-like symptoms will not be allowed to attend the Annual General Meeting;
- (iii) any person with a travel history to any of the affected areas as advised by the Ministry of Health within the last 14 days will not be allowed to attend the Annual General Meeting;
- (iv) any person who has been in contact with any individual who is a confirmed case of COVID-19 infection in the past 14 days will not be allowed to attend the Annual General Meeting;
- (v) there will be no food and beverages served at the Annual General Meeting.

We seek the shareholders' understanding on the above-mentioned precautionary measures to be taken during this period to put in our effort in minimizing community spread of the COVID-19.

By Order of the Board

Lee Kay Swee
Company Secretary

Singapore
1 April 2020



AR2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Each of Mr Wee Ee-chao and Mr Gn Hiang Meng 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, also refer to "Additional Disclosure by Mr Gn Hiang Meng on (j)(i) and (j)(iv)":

- (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?

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

- (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?

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ADDITIONAL DISCLOSURE BY MR GN HIANG MENG ON (J)(I) AND (J)(IV)

(j)(i) Mr Gn is an independent non-executive director of TEE International Limited (“TEEI”).

TEEI had, on 4 March 2020, received an order under section 20 of the Criminal Procedure Code (Cap. 68) of Singapore (“CPC”) to produce various categories of documents to the Commercial Affairs Department (“CAD”) to assist with an investigation into an offence under the Penal Code (Cap. 224) of Singapore pursuant to the provisions of the CPC.

TEEI had also received a notice to provide assistance to gain access to the computers containing any corporate email accounts and instant messages/chat accounts assigned to (i) the Company’s former Group Chief Executive (ii) Group Chief Financial Officer and (iii) the Financial Controller.

On 4 March 2020, the CAD took certain documents and items from the premises of TEEI.

(j)(iv) Mr Gn was a non-executive director of UOB Asia Limited which in November 2000 was served with 2 charges under section 97 and 2 charges under section 99 of Securities Industry Act (Cap. 289) of Singapore (“SIA”) in respect of its handling of the initial public offering of shares by e.World of Sports.com Limited and Hua Kok International Limited.

UOB Asia Limited (wholly owned subsidiary of United Oversea Bank Limited) pleaded guilty to the 2 charges under section 99 of the SIA and was fined \$400,000. The other 2 charges under section 97 of the SIA were not proceeded with but were taken into consideration for the purpose of sentencing.

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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 1 April 2020.

FIFTY-FIRST 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	
Total	

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 / PASSPORT NUMBER	PROPORTION OF SHAREHOLDING	
			No. of shares (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 51st Annual General Meeting ("AGM") to be held at PARKROYAL on Beach Road, Grand Ballroom, Level 1, 7500 Beach Road, Singapore 199591 on Wednesday, 22 April 2020 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 7 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 FOR*	NO. OF VOTES AGAINST*
Ordinary Business			
1	Adoption of Directors' Statement, Audited Financial Statements and Auditor's Report		
2	Declaration of Second & Final Dividend		
3	Re-election of Mr Wee Ee-chao as Director		
4	Re-election of Mr Gn Hiang Meng as Director		
5	Approval of Directors' fees		
6	Re-appointment of PricewaterhouseCoopers LLP as Auditor		
Special Business			
7	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 _____ 2020

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.

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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