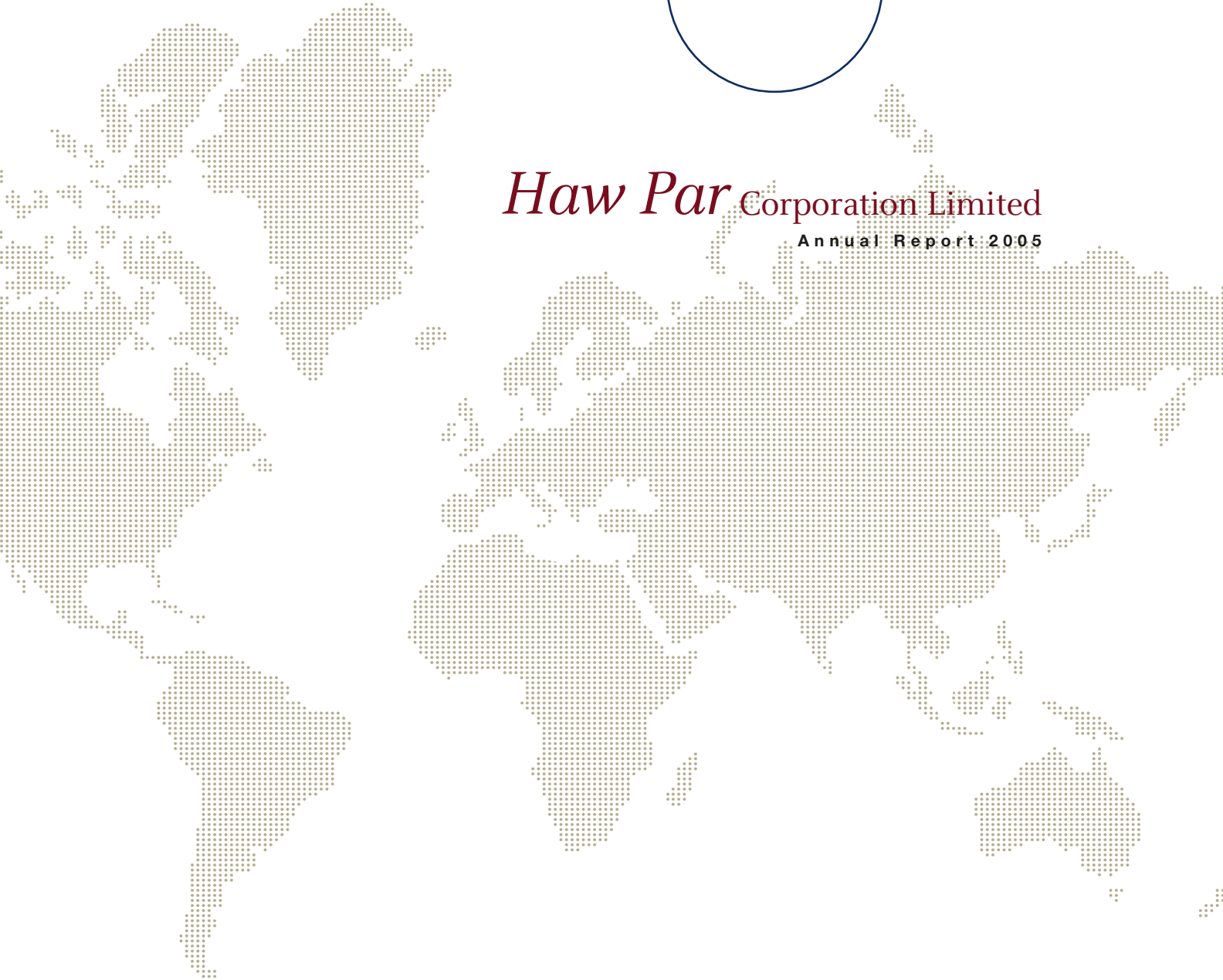


*Haw Par* Corporation Limited  
Annual Report 2005



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**corporate profile:** Haw Par Corporation Limited has been listed on the Singapore Exchange since 1969.

The Group's core healthcare and leisure businesses promote healthy lifestyles through its healthcare products, pharmaceuticals and oceanariums.

Haw Par's healthcare products and ethical drugs are manufactured and marketed under its various established brands such as Tiger Balm, Kwan Loong and Drug Houses of Australia. Its renowned ointment Tiger Balm and product extensions such as Tiger Balm Medicated Plaster, Tiger Balm Joint Rub, and Tiger Balm Neck & Shoulder Rub, are used worldwide to invigorate the body as well as to soothe away aches and pains.

The Group owns and operates two oceanariums, namely the Underwater World Singapore at Sentosa and Underwater World Pattaya in Thailand.

The Group also has interests in investment properties and manages its own portfolio of investments in securities.

The Group's corporate strategy is to expand its core healthcare and leisure businesses through product extensions under its own established brands, form strategic alliances with partners in various key markets and acquisitions of suitable businesses. It also aims to manage efficiently its portfolio of investments in properties and securities to achieve a reasonable return.

## chairman's STATEMENT



### Financial Performance

Group earnings in 2005 increased by 9% to \$79.6 million as compared to 2004 due to rising contribution from the healthcare and leisure operating businesses and a special dividend income of \$17.9 million arising from the distribution in specie of United Overseas Land Limited shares by United Overseas Bank Limited. Excluding the special dividend income, profit from operating businesses contributed almost in equal proportion to Group earnings in 2005 as investment income. Group turnover increased by 6% to \$120.4 million due to higher sales contributed by the healthcare division and Underwater World Singapore ("UWS").

The healthcare division reported a 9% increase in profit due to higher sales of Tiger Balm brand products while gross margin and marketing expenses were maintained. The leisure division reported a 5% increase in profit with record contribution from UWS attributed to higher visitor numbers and revenue per visitor. However, contribution from Underwater World Pattaya ("UWP") saw a significant decline due to reduced interstate traveling caused by high oil prices and security concerns in Southern Thailand. Property income decreased by 4% due to continuing weak market conditions for industrial property.

### Dividends

For the financial year ended 31 December 2005, the Directors recommend the payment of a final tax-exempt (one-tier) dividend of 13 cents per ordinary share. Together with the interim tax-exempt (one-tier) dividend of 6 cents paid in August 2005, the total tax-exempt (one-tier) dividend per ordinary share for financial year 2005 would be 19 cents (2004: 17 cents tax-exempt (one-tier)).

### Group Operating Highlights

The drive to achieve higher revenue from Tiger Balm brand products in key markets with growth potential has shown encouraging results. A new product named Tiger Balm Neck & Shoulder Rub targeted at younger consumers was launched in Singapore in July 2005. In view of the good response, the product will be introduced into other markets when the appropriate regulatory approvals are obtained. More dedicated resources are also being invested to revitalize the Kwan Loong brand of medicated oils. However, sales of generic pharmaceuticals recorded a slight decline due to intense competition.

The number of visitors to UWS hit 1.57 million, partly attributable to the higher tourist arrivals in Singapore. Its ability to provide innovative

programmes and exhibits helped to strengthen UWS's position as one of the leading attractions in Singapore.

In June 2005, the Group acquired a 21.1% interest in Hua Han Bio-Pharmaceutical Holdings Limited ("Hua Han") for an approximate cash consideration of \$35 million. Hua Han is listed on the main board of the Hong Kong Stock Exchange. Its principal activities include research, development manufacture and sale of pharmaceutical products primarily for women and the elderly people in mainland China.

In November 2005, the Group announced its decision to invest and build an oceanarium in Chengdu, China at an estimated cost of US\$12 million. This investment is expected to be operational in 2008.

### **Business Outlook and Strategy**

The Group will actively pursue revenue growth for its healthcare business by focusing its marketing efforts in markets with growth potential such as India and China.

The leisure division should benefit from favourable economic conditions and increased tourist arrivals in Singapore. However, its

aquarium attraction in Thailand is expected to face challenges from new competitors.

The acquisition of an interest in Hua Han and the decision to build an oceanarium in Chengdu, as mentioned above, are positive initiatives taken to actively pursue the Group's stated strategy to grow the proportion of profit contributed by the healthcare and leisure businesses over the coming years. In pursuit of its corporate strategy, the Group will consider acquisitions of significant minority stakes in related businesses which can provide strategic and operating benefits as well as the opportunity to account for a share of their results as in the case for Hua Han.

### **Acknowledgement**

2005 was another good year for the Group. For this, I wish to thank my fellow Board members for their wise counsel and guidance, management and staff for their hard work and dedication, and our shareholders and business associates for their continuing support.

**Wee Cho Yaw**  
Chairman

## 主席报告



### 业绩表现

集团2005年盈利增加了9%，报7960万元。这主要是由于集团医药保健及休闲业务的盈利增加，以及大华银行有限公司派发大华置地有限公司股票所取得的1790万元特别股息收益所致。倘若不把这笔特别股息收益计算在内，2005年集团经营的业务盈利与投资收入比重近乎相等。集团营业额因医药保健业务及新加坡海底世界的销售额提升而增加了6%，报1亿2040万元。

在毛利及行销开支维持水平的情况下，集团医药保健业务凭着较高的虎标产品销售额而取得9%的利润增长。集团休闲业务的5%盈利增长则来自新加坡海底世界的较高游客人数及人均收入所带来的空前佳绩。不过，来自泰国芭堤雅海底世界的盈利贡献则因油价高涨导致国内旅游消费减少以及泰国南部的治安局势，而显著下降。集团物业收入因工业物业市场的持续疲弱而下滑了4%。

### 股息

截至2005年12月31日的财政年度，董事会决议派发每股13分的年终免税股息。连同2005年8月派发的每股6分的中期免税股息，2005年的全年免税股息总达19分(2004年：17分免息)。

### 集团业务摘要

集团在具增长潜能的主要市场推动虎标产品争取更高盈利的努力，取得令人鼓舞的成效。集团2005年7月在新加坡推出了以年轻消费者为销售对象的新产品虎标颈肩舒。有鉴于客户们对新产品的良好反应，集团将在取得海外有关当局的批准后，将这新产品推介到海外市场。此外，集团也将投入更多资源，从而振兴均隆标的产品销售。不过，通用西药的销售则因激烈的市场竞争而稍微下滑。

新加坡海底世界的游客人数创下了157万人次的纪录，部份原因来自新加坡抵境游客的增加。

此外，海底世界之所以能为景点提供的新颖活动和展示品，也促使它成为新加坡的顶尖旅游景点之一。

集团于2005年6月以大约3500万元收购了华瀚生物制药控股有限公司21.1%的股权。华瀚是在香港交易所挂牌上市的公司。其主要业务是在中国研究、开发、制造和销售主要针对妇女和老人的药品。

集团于2005年11月宣布了以大约1200万美元在中国成都投资兴建海洋水族馆的决定。这项开发项目预计可在2008年投入运作。

### 展望与策略

集团将在具有增长潜能的市场如印度和中国加强营销运作，从而为其医药保健业务争取盈利增长。

集团休闲业务将从有利经济条件及新加坡抵境游客人数的增加中受惠。不过，其在泰国的水族馆业务预料将受到新竞争者的冲击。

集团对以上华瀚的投资以及在成都兴建海洋水族馆的决定，皆是集团在为未来几年进一步提升医药保健及休闲业务盈利比例的既定政策下所采取的积极措施。为了实现这项企业策略，以华瀚的收购为例，集团将探讨投资占显著股权但非作为大股东的方式，投资于相关领域的公司，从而为集团带来策略与营运上的效益，并分享该公司的盈利。

### 致谢

对集团而言，2005年是另一个好年头。谨此感谢各位董事同仁的宝贵咨询和指导，管理层与员工的辛劳和付出，以及股东与商业伙伴们所继续给予的支持。

黄祖耀  
主席

*b*oard of DIRECTORS

Wee Cho Yaw

Wee Ee Lim

**Wee Cho Yaw***Non-Executive Chairman*

Age 77. A career banker with more than 40 years' experience. Chairman of the Company and of the Haw Par Group ("Group") since 1978. Appointed to the Board on 31 October 1975 and last re-appointed on 28 April 2005.

Chairman & Chief Executive Officer ("CEO") of the United Overseas Bank Limited Group and Chairman of several listed companies – United Overseas Insurance Limited, United International Securities Limited, United Overseas Land Limited, Hotel Plaza Limited, Overseas Union Enterprise Limited, United Industrial Corporation Limited and Singapore Land Limited.

Honorary President of Singapore Chinese Chamber of Commerce & Industry. Appointed Pro-Chancellor of Nanyang Technological University in 2004.

Previously a Director of Singapore Press Holdings Limited.

Received Chinese high school education.

**Wee Ee Lim***President & CEO*

Age 44. Joined the Group in 1986 as Marketing Executive and promoted to Group General Manager in 1996, Deputy President in 2000 and President & CEO in 2003. Appointed to the Board on 23 March 1994 and last re-elected on 28 April 2005.

Director of Singapore Land Limited, United Industrial Corporation Limited and Hua Han Bio-Pharmaceutical Holdings Limited (a company listed on the Hong Kong Stock Exchange).

Re-appointed as a board member of Sentosa Development Corporation on 1 March 2005. Also a member of the governing board of Yong Siew Toh Conservatory of Music.

Previously a Director of Transit-Mixed Concrete Limited.

Holds a Bachelor of Arts (Economics) degree from Clark University, United States.



Sat Pal Khattar

Reggie Thein

**Sat Pal Khattar***Independent Director*

Age 63. A founding partner and later consultant in Messrs KhattarWong with over 38 years' experience in the legal profession. Now, Chairman and Director of Khattar Holdings Pte Ltd Group of Companies which engages principally in making investments. Appointed to the Board on 1 January 1977 and last re-elected on 28 April 2005.

Chairman of GuocoLand Limited. Chairman of the Board of Trustees of the Singapore Business Federation and Chairman of Network India.

Holds a LLM degree and a LLB (Hons) degree from the University of Singapore.

**Reggie Thein***Independent Director*

Age 65. An accountant with over 40 years' experience in the profession. Appointed to the Board on 8 July 2003 and last re-elected on 28 April 2004.

Director of GuocoLand Limited, BIL International Limited, Grand Banks Yachts Limited, MFS Technology Limited, FJ Benjamin Holdings Limited, MobileOne Limited, Keppel Telecommunications and Transportation Limited, Lindeteves-Jacoberg Limited and Pearl Energy Limited.

Also a member of the governing council of the Singapore Institute of Directors.

Previously, a director of Goodwood Park Hotel Limited, Central Properties Limited and Hotel Malaysia Limited.

Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Certified Public Accountants of Singapore.

*b*oard of DIRECTORS

Hwang Soo Jin

Lee Suan Yew

**Hwang Soo Jin***Independent Director*

Age 70. A chartered insurer with more than 40 years of professional experience. Appointed to the Board on 28 October 1986 and last re-elected on 28 April 2004.

Chairman of Singapore Reinsurance Corporation Limited and Director of Lee Kim Tah Holdings Limited, Singapore Land Limited, United Industrial Corporation Limited and United Overseas Insurance Limited.

An advisor to the Asean Civilisations Museum Board and a director of the Hokkien Foundation.

A chartered insurer of the Chartered Insurance Institute, UK, an advisor to the ASEAN Insurance Council, an Honorary Fellow of The Singapore Insurance Institute and a Justice of the Peace.

**Lee Suan Yew***Independent Director*

Age 72. A medical practitioner with over 40 years' experience. Appointed to the Board on 18 December 1995 and last re-appointed on 28 April 2005.

Currently, also a Director of K1 Ventures Limited.

Appointed Justice of the Peace in 1998. He was President of the Singapore Medical Council for 4 years (2000 - 2004). For his numerous public services, he was awarded the Public Service Star in 1991 and Public Service Star (Bar) in 2002.

Holds a M.B.B. Chir. degree from the University of Cambridge and MRCP and FRCP from the Royal College of Physicians, Glasgow.



Lim Kee Ming

Wee Ee Chao

**Lim Kee Ming***Independent Director*

Age 79. Chairman of Lim Teck Lee Group of Companies. Appointed to the Board on 5 December 1997 and last re-appointed on 28 April 2005.

Director of United Overseas Land Limited and Hotel Plaza Limited. Also an advisor to Network China.

Honorary President of Singapore Chinese Chamber of Commerce & Industry and President of Ngee Ann Kongsi.

Previously Chairman of Preservation of Monument Board and Advanced Systems Automation Limited.

Holds a Masters degree in International Trade & Finance from Columbia University and a Bachelor degree in Business Administration from New York University.

**Wee Ee Chao***Non-Executive Director*

Age 51. Chairman of UOB-Kay Hian Holdings Limited. Appointed to the Board on 8 July 2003 and last re-elected on 28 April 2004.

Has led the management of UOB-Kay Hian Holdings over the last 25 years. Besides stockbroking, Mr Wee also manages Kheng Leong Company (Private) Limited, which is involved in real estate development and investments in the region.

Previously, Chairman of the Singapore Tourism Board, 2002 - 2004.

Holds a Bachelor of Business Administration degree from The American University.

*b*oard of DIRECTORS

Chng Hwee Hong

Han Ah Kuan

**Chng Hwee Hong***Executive Director*

Age 56. Joined the Group in 1990. Appointed as Group General Manager in 1992 and promoted as Executive Director and Chief Operating Officer in 1996. Appointed to the Board on 23 March 1994 and last re-elected on 28 April 2004.

Appointed as Committee Member of the Singapore Sichuan Trade and Investment on 1 May 2005.

Holds a Bachelor of Science (Hons) degree in Applied Chemistry and a Diploma in Business Administration from the University of Singapore.

**Han Ah Kuan***Executive Director*

Age 57. Joined the Group in 1991 as General Manager of Haw Par Healthcare Limited ("HPH") and appointed as a director of HPH in 1995. Appointed to the Board on 28 January 2005 and re-elected on 28 April 2005.

Holds a Bachelor of Business Administration (Hons) degree from the University of Singapore.

## corporate INFORMATION

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### **Directors**

**Wee Cho Yaw**

Chairman

**Wee Ee Lim**

President & Chief Executive Officer

**Sat Pal Khattar**

**Reggie Thein**

**Hwang Soo Jin**

**Lee Suan Yew**

**Lim Kee Ming**

**Wee Ee Chao**

**Chng Hwee Hong**

Executive Director

**Han Ah Kuan**

Executive Director

### **Audit Committee**

**Reggie Thein**

Chairman

**Hwang Soo Jin**

**Lee Suan Yew**

### **Investment Committee**

**Wee Cho Yaw**

Chairman

**Wee Ee Lim**

**Chng Hwee Hong**

**Han Ah Kuan**

### **Nominating Committee**

**Sat Pal Khattar**

Chairman

**Wee Cho Yaw**

**Lee Suan Yew**

### **Remuneration Committee**

**Sat Pal Khattar**

Chairman

**Wee Cho Yaw**

**Hwang Soo Jin**

### **Company Secretary**

**Ong Sian Hin**

### **Auditors**

**PricewaterhouseCoopers**

**Chew Teck Soon**

Audit Partner-in-charge (From 2004)

### **Bankers**

**Standard Chartered Bank Limited**

**The Hong Kong & Shanghai Banking Corporation Limited**

**United Overseas Bank Limited**

### **Registrar**

**Lim Associates (Pte) Ltd**

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

### **Registered Office**

401 Commonwealth Drive

#03-03 Haw Par Technocentre

Singapore 149598

Tel : 6337 9102

Fax : 6336 9232

Website : [www.hawpar.com](http://www.hawpar.com)

Reg. No. : 196900437M

## *key* EXECUTIVES

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**Ong Sian Hin**

Group Financial Controller &  
Group Company Secretary

Joined the Group in 2000 as Group Financial Controller. Appointed as Group Company Secretary in 2001. Holds a Master of Business Administration and a Bachelor of Accountancy (Hons) degree from the University of Singapore. A member of the Institute of Certified Public Accountants of Singapore.

**Teo Thin Yien**

Group Internal Audit Manager

Joined the Group in 1979 as Group Internal Audit Manager. Fellow of CPA Australia.

**Tarn Sien Hao**

General Manager (Corporate Development)

Joined Haw Par Corporation in 2001 as Deputy General Manager (Corporate Development). Promoted to present position in 2005. Holds a Master of Business Administration from the University of Dubuque.

**Goh Bee Leong**

Director & General Manager,

Drug Houses of Australia (Asia) Private Limited

Joined Drug Houses of Australia in 1977 as Quality Control Pharmacist. Promoted to present position in 2000. Holds a Bachelor of Science (Pharmacy) from the University of Singapore.

**Jasmin Hong**

Deputy General Manager (Marketing),  
Haw Par Healthcare Limited

Joined Haw Par Healthcare in 2004 as Deputy General Manager (Marketing). Holds a Bachelor of Commerce degree from the University of Melbourne.

**William Lee**

Deputy General Manager (Manufacturing),  
Haw Par Healthcare Limited

Joined Haw Par Healthcare in 2005 as Deputy General Manager (Manufacturing). Holds a Master of Business Administration degree from the University of Strathclyde and a Bachelor of Science (Pharmacy) (Hons) degree from the National University of Singapore.

**Kwek Meng Tiam**

Director & General Manager,  
Underwater World Singapore Pte Ltd

Joined Underwater World Singapore in 1991 as Maintenance Superintendent. Promoted to Operations Director in 2002 and to General Manager in 2005. Holds a Bachelor of Arts degree in Business Studies from The Open University, United Kingdom.

**Jeffrey L. Mahon**

Curatorial Director,  
Underwater World Singapore Pte Ltd

Joined Underwater World Singapore in 2005 as Curatorial Director. Holds a Doctor of Philosophy (Zoology) degree from the University of Hawaii and a Bachelor of Science (Oceanography) degree from the United States Naval Academy.

**David Hong**

Director & General Manager,  
Underwater World Pattaya Ltd

Joined Underwater World Singapore in 1992 as Manager (Finance & Admin). Promoted to Senior Projects Manager in 1997 and promoted to General Manager of Underwater World Pattaya in 2002. Holds a Master of Science (Urban Land Appraisal) from the Reading University, United Kingdom.

**Chow Poh Soon**

Curator & General Manager Designate,  
Chengdu Haw Par Oceanarium Co Ltd

Joined Underwater World Singapore in 2005 as Curator. Holds a Doctor of Philosophy (Zoology) and a Bachelor of Science (Zoology) (Hons) from the National University of Singapore.

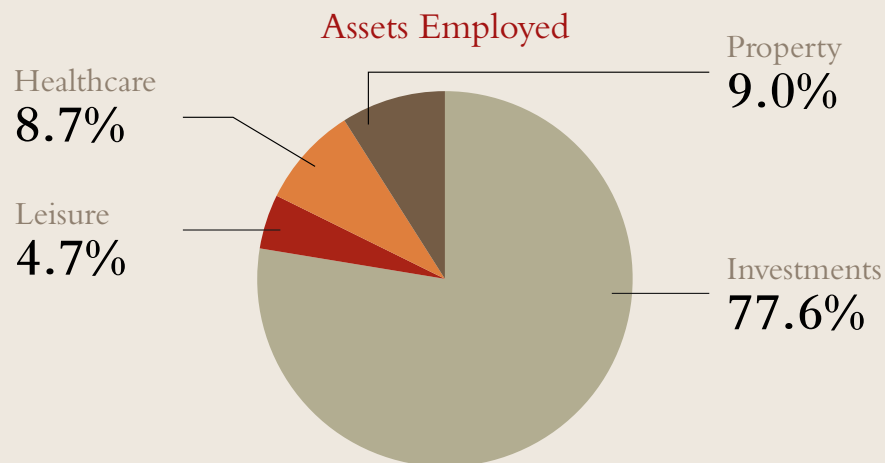
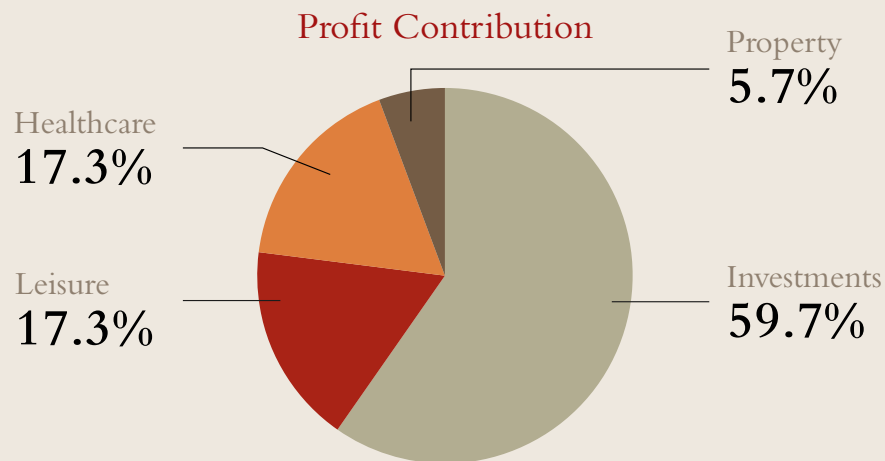
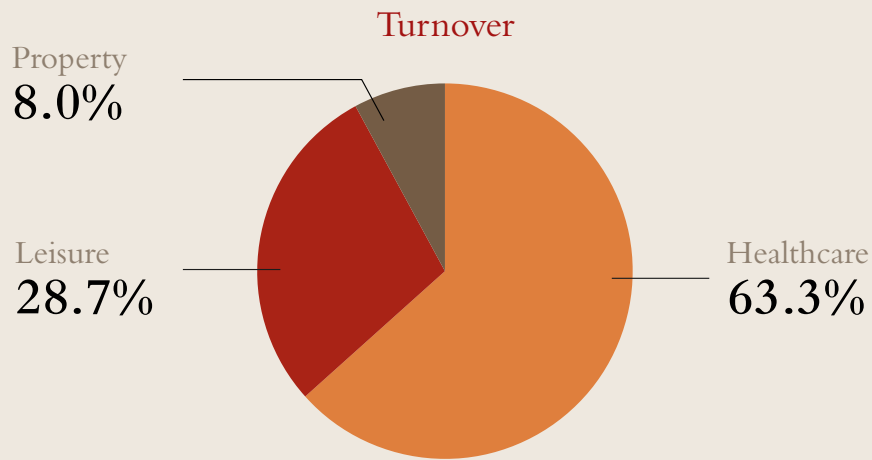
**Wong Fook Yuen**

Director & Property Manager,  
Haw Par Properties (Singapore) Private Limited

Joined Haw Par Properties as Property Manager in 2001. Holds a Bachelor of Science degree in Estate Management from the National University of Singapore.

## group financial HIGHLIGHTS

	2005	2004	%Increase/ (Decrease)
<b>RESULTS (\$'000)</b>			
Group turnover:			
1st Quarter	<b>26,959</b>	25,495	5.7
2nd Quarter	<b>31,333</b>	29,461	6.4
3rd Quarter	<b>30,906</b>	28,150	9.8
4th Quarter	<b>31,206</b>	30,273	3.1
	<b>120,404</b>	113,379	6.2
Profit before taxation:			
1st Quarter	<b>8,367</b>	7,362	13.7
2nd Quarter	<b>37,597</b>	38,143	(1.4)
3rd Quarter	<b>40,391</b>	21,116	91.3
4th Quarter	<b>8,067</b>	20,219	(60.1)
	<b>94,422</b>	86,840	8.7
Earnings for the year:			
1st Quarter	<b>6,362</b>	6,233	2.1
2nd Quarter	<b>34,493</b>	30,220	14.1
3rd Quarter	<b>32,364</b>	20,235	59.9
4th Quarter	<b>6,441</b>	16,566	(61.1)
	<b>79,660</b>	73,254	8.7
<b>BALANCE SHEET (\$'000)</b>			
Shareholders' funds	<b>1,312,918</b>	592,941	121.4
Borrowings	<b>105</b>	4,752	(97.8)
Debt/Equity (%)	<b>-</b>	0.8	(100.0)
<b>PER SHARE</b>			
Earnings (cents)	<b>38.5</b>	35.4	8.8
Dividend net (cents)	<b>19.0</b>	17.0	11.8
Dividend cover (times)	<b>2.0</b>	2.1	(4.8)
Net tangible assets per share (\$)	<b>6.27</b>	2.80	123.9
<b>EMPLOYEES</b>			
Number of employees	<b>442</b>	470	(6.0)
Group turnover per employee (\$'000)	<b>272</b>	241	12.9
Pre-tax profit per employee (\$'000)	<b>214</b>	185	15.7



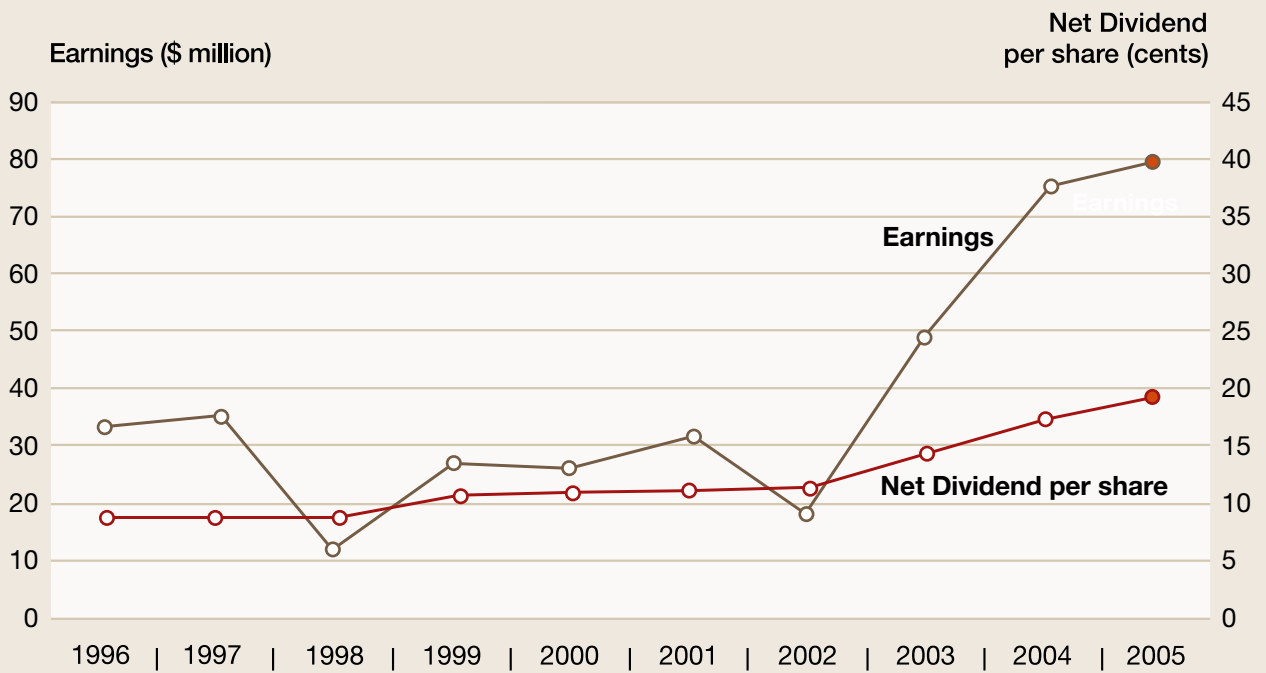
*five-Year* FINANCIAL SUMMARY

	2005	2004	2003	2002	2001
<b>RESULTS (\$'000)</b>					
Group turnover	<b>120,404</b>	113,379	99,384	105,120	126,263
Profit from operations after interest	<b>94,113</b>	86,677	63,417	68,472	48,971
Associates' contribution	<b>309</b>	163	(405)	(490)	(94)
Profit before exceptional items	<b>94,422</b>	86,840	63,012	67,982	48,877
Exceptional items	<b>-</b>	-	326	(31,867)	(1,732)
Profit before taxation	<b>94,422</b>	86,840	63,338	36,115	47,145
Profit after taxation	<b>80,038</b>	74,469	51,947	21,118	34,278
Earnings for the year	<b>79,660</b>	73,254	49,834	18,287	31,757
<b>PER SHARE</b>					
Earnings (cents)	<b>38.5</b>	35.4	24.1	8.9	16.0
Dividend net (cents)	<b>19.0</b>	17.0	14.7	11.7	11.6
Dividend cover (times)	<b>2.0</b>	2.1	1.6	0.8	1.4
<b>BALANCE SHEET (\$'000)</b>					
Shareholders' funds	<b>1,312,918</b>	592,941	559,093	551,825	580,768
Minority interests	<b>6,895</b>	6,668	5,132	29,556	28,565
	<b>1,319,813</b>	599,609	564,225	581,381	609,333
Property, plant and equipment	<b>26,045</b>	29,600	32,345	28,711	30,755
Investment properties	<b>132,340</b>	124,433	132,390	149,347	171,348
Associated companies	<b>36,696</b>	1,448	1,705	3,935	5,707
Available-for-sale financial assets	<b>846,834</b>	311,299	330,836	339,210	346,553
Intangible assets	<b>14,428</b>	14,428	15,215	883	952
Net current assets	<b>302,060</b>	124,721	95,551	70,269	65,886
Long term liabilities	<b>(38,590)</b>	(6,320)	(43,817)	(10,974)	(11,868)
	<b>1,319,813</b>	599,609	564,225	581,381	609,333
<b>STATISTICS</b>					
Return on equity (%)	<b>6.0</b>	12.2	8.8	3.1	5.2
Net tangible assets per share (\$)	<b>6.27</b>	2.80	2.63	2.67	2.81
Debt/Equity (%)	<b>-</b>	0.8	17.5	25.8	28.1
Number of shareholders	<b>24,915</b>	25,912	27,608	31,216	8,532
<b>EMPLOYEES</b>					
Number of employees	<b>442</b>	470	449	438	491
Group turnover per employee (\$'000)	<b>272</b>	241	221	240	257
Pre-tax profit per employee (\$'000)	<b>214</b>	185	141	82	96

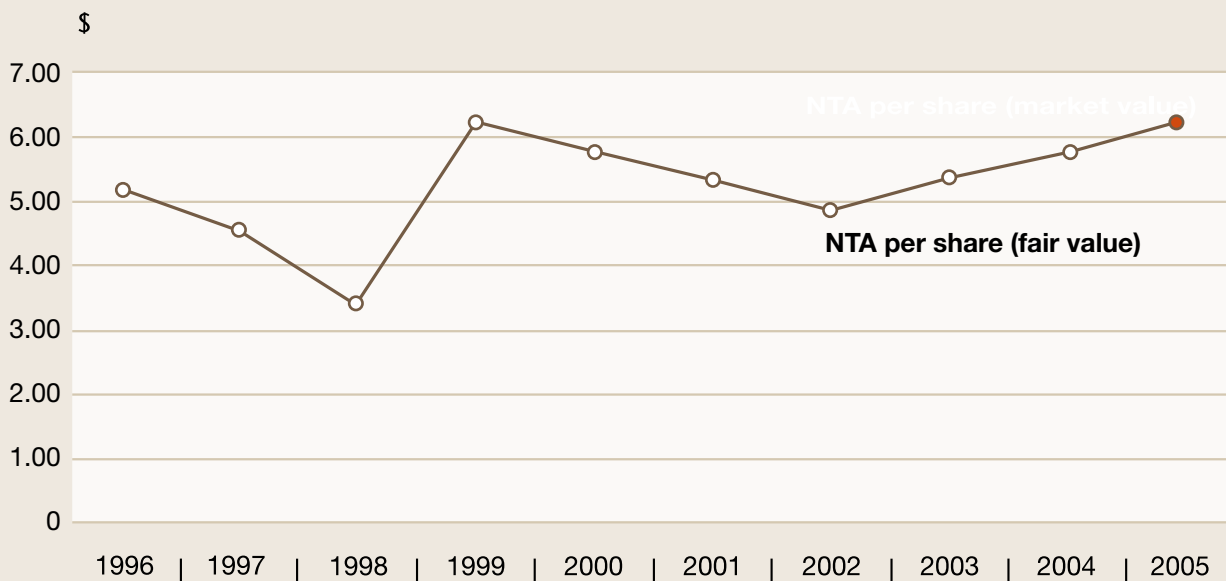
Certain comparative figures have been restated to take into account the requirements of Singapore Financial Reporting Standard ("FRS") 102 *Share-Based Payments*. The substantial increase in shareholders' funds and available-for-sale financial assets in 2005 were arising from fair value gains under FRS 39 (revised 2004) *Financial Instruments: Recognition and Measurement*. The details of the changes in accounting policies are set out in pages 70 to 75 of the Annual Report.

## charts

### Earnings and Net Dividend



### Net Tangible Assets ("NTA") per share





## *revitalising wellness around the world*

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### *healthcare*

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#### **Tiger Balm and Kwan Loong Brand Products**

Haw Par Healthcare's focus on revenue growth continued in 2005 with concerted efforts directed at growing the potentially large markets of China and India.

Investment in mass media advertising to build the Tiger Balm brand in the larger markets of India and China had achieved encouraging results. Other key markets in Asia, particularly Taiwan and Hong Kong, also recorded respectable revenue growth while the United States saw a recovery. The markets in the Middle East continued to do well but Europe was affected by the economic woes faced by Germany.

The launch of Tiger Balm Neck & Shoulder Rub in Singapore targeting at younger consumers in July 2005 was very well received. In view of the good response, the product is planned for introduction in other markets when the appropriate regulatory approvals are obtained.

As a testament to the brand building efforts, Tiger Balm won the Heritage Brand Award as well as the Singapore Most Valuable Brand Award for 2005.



### Ethical Pharmaceutical Products

Drug Houses of Australia (Asia) Private Limited (“DHA”) is one of the leading manufacturer and distributor of generic pharmaceuticals in Singapore. Its customers are mainly medical clinics and hospitals. Besides its dominant presence in the local market, DHA also continues to develop export markets in Malaysia, Hong Kong and Australia for its products.

The business had provided a stable contribution in 2005. A new product, DHA-Ketozole shampoo was approved in 2005 for launch in Singapore.

To maintain its position as one of the leading generic pharmaceutical manufacturers and distributors, DHA will continue to expand its export markets so as to reduce its reliance on the highly competitive local market.

### Acquisitions

In line with its strategy to grow the healthcare business, the Group acquired a significant minority stake in Hua Han Bio-Pharmaceutical Holdings Limited (“Hua Han”). Hua Han is listed on the Hong Kong Stock Exchange. Its principal activities include research, development, manufacture and sale of pharmaceutical products catering mainly for women and the elderly people in mainland China. Through this investment, the Group hopes to benefit from gaining operating knowledge to enhance its business endeavours and foster future business collaborations in the complex China healthcare market.



**AMERICA**

- |             |                   |
|-------------|-------------------|
| Bahamas     | Panama            |
| Canada      | Suriname          |
| El-Salvador | Trinidad & Tobago |
| Jamaica     | USA *             |
| Mexico      | Venezuela         |

# TIGER BALM WORLDWIDE DISTRIBUTION



\* Countries that have manufacturing facilities.



## *delighting visitors* and promoting marine conservation

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### *leisure*

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#### **Oceanariums**

##### *Underwater World Singapore*

Underwater World Singapore (“UWS”) saw the number of visitors to the aquarium increased by 5% to 1.57 million in 2005. The increase was a result of effective marketing strategy and product renewal to ride on the strong growth in tourist arrivals to Singapore.

UWS attracted good numbers of overseas students for its ever-popular “Living in the Ocean” sleepover program which received positive feedback for its educational value. The “Dive with the Sharks” and “Swim with the Dolphins” programs were also popular with the visitors.

In February 2005, UWS ushered in the Lunar New Year of the Golden Rooster with a power-packed underwater Wushu performance choreographed and performed by award-winning martial arts exponents.

In May 2005, UWS launched the exhibit of the Sea Angel, a unique, shell-less, jelly-like sea snail that

originates from the pristine and icy waters of the Northern Hemisphere. The Sea Angel exhibit is housed in a specially constructed setting that replicates the cold, stark and frozen habitat where they are found to enhance the experience of the visitors.

In November 2005, an exhibit showcasing more than 10 species of crabs including the daunting giant spider crab and the coconut crab, known to be the world’s largest land crab, was launched in custom-built tanks with informative and interactive displays to thrill the visitors.

UWS is committed to promote awareness of the importance of marine life and its conservation through active involvement and sponsorship of several environmental projects and educational programs.

The opening of new aquariums in neighbouring countries continues to pose a challenge to UWS. Nonetheless, UWS is actively involved in regular



product renewals and program innovation to provide each and every visitor with a unique fun-filled experience.

#### Underwater World Pattaya

The number of visitors to Underwater World Pattaya (“UWP”) in 2005 was badly affected by the after-effects of the Tsunami and the sectarian unrest in Southern Thailand. Rising oil prices had also curtailed local excursions. The opening of Siam Ocean World in Bangkok in December 2005 would pose a great challenge to UWP.

In March 2005, UWP launched the “Family Destination” campaign as well as the “Dive with the Sharks” and the “Snorkel in the Reef Tank” programs.

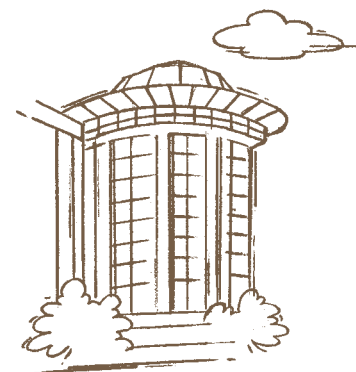
In September 2005, the sea dragon exhibit was launched by Mr Santichai Euachongprasit, Deputy Governor of Tourism Authority of Thailand. To publicise the launch, a sea-dragon-themed open container trailer with dancers on board crawled its way on a 4-hour journey from Bangkok to Pattaya.

#### New Oceanarium

In line with the Group’s strategy to grow its leisure business, a cooperative joint venture agreement with Chengdu Amusement Park to build an oceanarium with an estimated investment of US\$12 million located in the Chenghua District was signed in November 2005. This area has been selected for development by the Chengdu City Government to rejuvenate and renew the city centre as the Recreation and Business District along the Jinjiang River. Regulatory approval and construction of the oceanarium will take about 30 months to complete.

#### Family Entertainment Bowling Centres

The Group divested its chain of bowling centres in Malaysia as they were no longer regarded as a non-core business.



## strengthening our financial position

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### *property & investments*

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#### **Property**

The Group's property portfolio comprises 68,460 square metres of commercial and industrial space mainly in Singapore and Malaysia.

#### **Singapore**

Haw Par Centre and Haw Par Glass Tower are two office buildings with a total lettable area of 13,567 square metres. Both buildings have enjoyed a high occupancy rate of close to 90%.

Haw Par Technocentre and Setron Building are two light industrial buildings with a total lettable area of 27,450 square metres. The occupancy rates of both properties continued to be affected by the weak industrial property rental market. The leasing of Setron Building was especially difficult due to its old design.

The Group's other property in Singapore, Haw Par Tiger Balm Building with a lettable area of 10,906 square metres, is fully utilised by the healthcare operations.

#### **Malaysia**

The Group's only property in Malaysia, Menara Haw Par, is a freehold commercial building in Kuala Lumpur with a net lettable area of 16,062 square metres. Occupancy rate for this building has increased to almost 80% due partly to the refurbished facilities and improved rental market for office space.

#### **Hong Kong**

The three office cum industrial units at Westlands Centre with a total lettable area of 475 square metres have been fully leased.



### **Investments**

The Group has substantial investments in various securities that are actively managed under the guidance of the Investment Committee.

These investments have provided the Group with a stable source of recurring dividend income over the years.

Since the beginning of this financial year, in accordance with Financial Reporting Standard (“FRS”) 39, the Group’s quoted and unquoted equity investments were designated as available-for-sale and carried at fair value. The adoption of FRS 39 resulted in the recognition of approximately \$668 million (net of tax) in unrealised gains in the Group’s equity.

During the year, the Group increased its holding in United Overseas Land Limited (“UOL”) as a result of the distribution-in-specie of UOL ordinary shares by United Overseas Bank Limited. Following the distribution, the Group became a substantial shareholder of UOL, with an interest of approximately 5.2%.



## *building team spirit* and supporting conservation

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### *people & the community*

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#### **Training and Development**

A two-day workshop on Finance for Non-finance managers was organised for the management staff of the Group. The workshop was designed to help non-accounting executives and managers to acquire a basic yet thorough understanding of financial statements and ratios and how to use them to make informed business decisions.

#### **Social Activities**

The activities organised by the Haw Par Sports Club during the year included the Annual Dinner & Dance, annual bowling tournament, sporting activities, factory tours, culinary classes, mid-autumn festival celebrations and a trip to Korea.

#### **Community Relations**

In line with the Group's corporate social responsibility mission, contributions were made to charitable organizations and educational concerns. Some of these included the Joyful Charity, Make-A-Wish Foundation, President's Challenge and the Public Service Quarter Marathon.

The Haw Par Sports Club also joined hands with Underwater World Singapore ("UWS") to bring Christmas cheer to about 50 underprivileged children from Grace Haven and The Haven.



### **Conservation**

In its continuing support of the conservation of wildlife and endangered animals, the Group sponsored the Malayan Tiger Exhibit at the Night Safari and the Leopard Exhibit at the Singapore Zoological Gardens.

UWS sponsored a marine fish programme at Sungei Buloh Wetland Reserve in May 2005 to promote environmental and marine conservation. This partnership with the National Parks Board marks a significant step in UWS' role in further developing citizens who are more conscious of, and concerned for marine life and the marine ecosystem.

The Young Marine Biologist Award 2005 is an annual, non-commercial contest launched by UWS. It aims to develop interest amongst primary school students in the marine life sciences as well as to promote marine conservation and environmental awareness. This year, a total of 350 creative submissions from more than 1,500 participants were received. The top prize was won by three eleven-year olds from Maha Bodhi School.

## group COMPANIES

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### Principal operating companies

#### Core Operations

##### Healthcare

Haw Par Healthcare Limited  
Drug Houses of Australia (Asia) Private Limited  
Tiger Balm (Malaysia) Sdn. Bhd.  
Haw Par Tiger Balm (Philippines), Inc.  
Tiger Medicals (Taiwan) Limited  
Xiamen Tiger Medicals Co., Ltd.  
Haw Par Elder (India) Private Limited  
Haw Par Tiger Balm (Thailand) Limited  
PT. Haw Par Healthcare  
Hua Han Bio-Pharmaceutical  
Holdings Limited (21.1%)

##### Leisure

Haw Par Leisure Pte Ltd  
Underwater World Singapore Pte Ltd  
Underwater World Pattaya Ltd.  
Chengdu Haw Par Oceanarium Co Ltd

#### Property & Investments

##### Property

Haw Par Properties (Singapore) Private Limited  
Haw Par Centre Private Limited  
Setron Limited  
Haw Par Land (Malaysia) Sdn. Bhd.

##### Investments

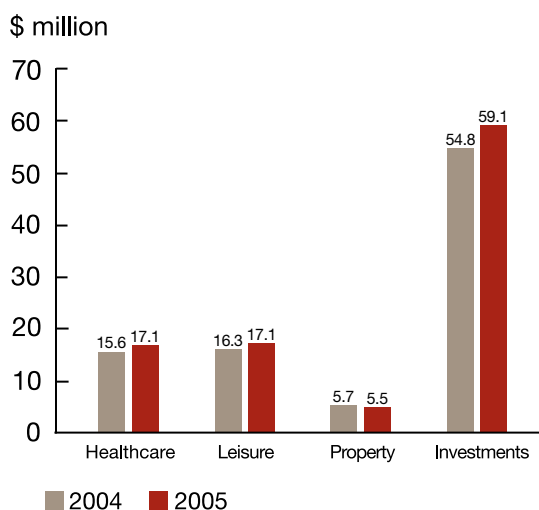
Haw Par Investment Holdings Private Limited  
Straits Maritime Leasing Private Limited  
Pickwick Securities Private Limited  
Haw Par Equities Pte Ltd  
Haw Par Trading Pte Ltd  
M & G Maritime Services Pte. Ltd.  
Haw Par Capital Pte Ltd  
Haw Par Securities (Private) Limited  
Haw Par International Limited

##### Others

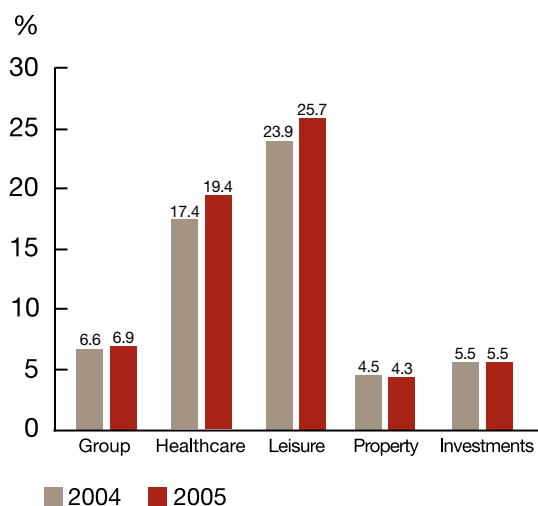
UIC Technologies Pte Ltd (40%)

## financial REVIEW

### Segment Profits Before Tax



### Return on Assets Employed



### Overview

Group earnings in 2005 increased by 9% to \$79.7 million as compared to 2004 due to rising contribution from the healthcare and leisure operating businesses as well as a special dividend income of \$17.9 million arising from the distribution in specie of United Overseas Land Limited shares by United Overseas Bank Limited. Excluding the special dividend, profit from the operating businesses of healthcare, leisure and property contributed almost in equal proportion to Group earnings in 2005 as investment income.

Group turnover increased by 6% to \$120.4 million due to higher sales contributed by the healthcare division and Underwater World Singapore (“UWS”).

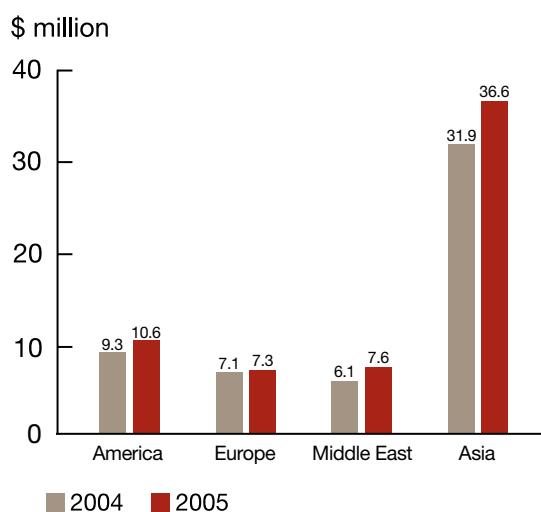
Earnings per share increased to 38.5 cents (2004: 35.4 cents). Net tangible assets per share increased significantly to \$6.27 (2004: \$2.80) as the Group’s investments are now carried at fair value pursuant to the adoption of Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement.

### Return on Assets Employed

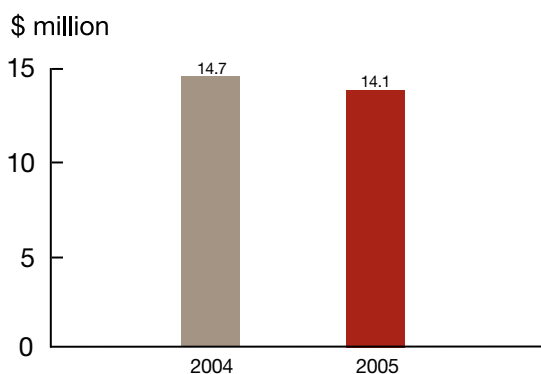
The Group applies a Return of Assets Employed (“ROA”) measure to evaluate the performance of its business operations. The ROA measures profitability of assets utilised by the various operations.

In 2005, Group ROA increased to 6.9% (2004: 6.6%). The ROAs of the healthcare and leisure divisions had improved due to higher profit and more efficient utilisation of assets. ROA of the investment division was flat as the impact of increased dividend income was offset by higher valuation for the financial assets. ROA of the property division decreased slightly from lower rental income.

**Healthcare  
(Sales of Tiger Balm and Kwan Loong  
Brand Products)**



**Healthcare  
(Sales of Generic Pharmaceuticals)**



**Segmental Performance**

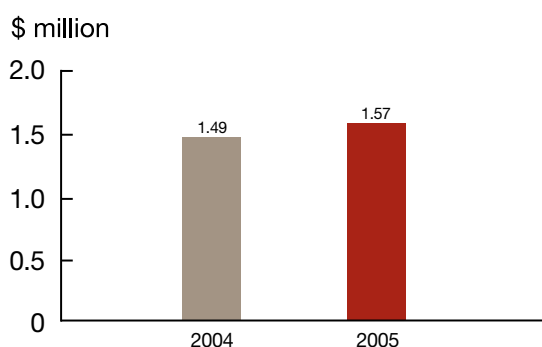
Healthcare

Total sales increased by 10% to \$76.2 million as compared to 2004 while profit of \$17.1 million was 9% higher mainly due to better sales of Tiger Balm and Kwan Loong brand products.

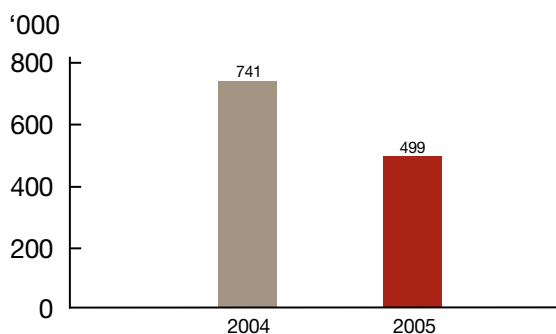
Sales of Tiger Balm and Kwan Loong brand products increased by 14% over 2004 to \$62.1 million. The higher sales were achieved mainly from good performance by the Middle East, Hong Kong, Taiwan, India and United States. Gross margin and marketing expenditure for these brands were maintained at last year's level.

Sales of generic pharmaceuticals of \$14.1 million were 4% lower than 2004. The slowdown in codeine-related product sales to wholesalers had contributed to the weaker performance despite higher sales of other products and overseas markets.

**Underwater World Singapore  
(Number of Visitors)**



**Underwater World Pattaya  
(Number of Visitors)**

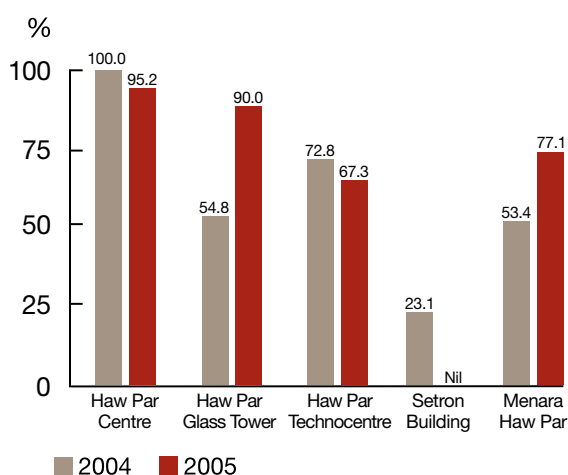


**Leisure**

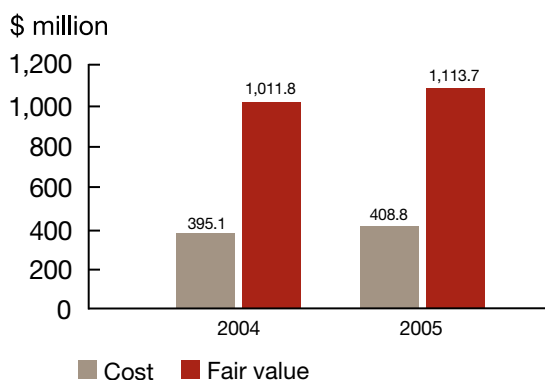
Profit of the leisure division increased by 5% to \$17.1 million as compared to 2004. Revenue was flat at \$34.5 million. The record results from Underwater World Singapore (“UWS”) were partly offset by the weak performance of Underwater World Pattaya (“UWP”). The operating assets of the bowling business in Malaysia were disposed off at a gain of \$0.4 million.

Revenue of UWS increased to \$28.7 million partly from a 5% increase in the number of visitors to 1.57 million. Revenue per visitor had improved with the ticket price increase in April 2005. UWP’s performance, however, was affected by high oil prices and sectarian unrest in Southern Thailand which curtailed local travelling in Thailand. Revenue of \$4.0 million and number of visitors of 0.5 million declined by 33% from 2004. UWP is also expecting competition with the opening of the Siam Paragon aquarium in Bangkok.

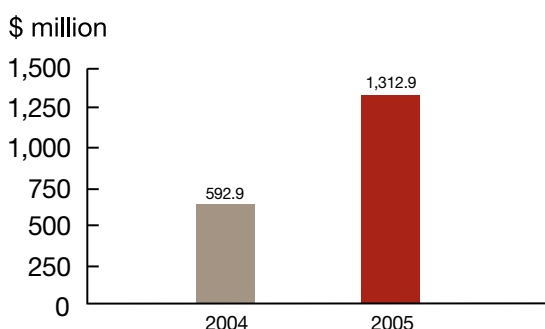
**Property  
(Building Occupancy Rates)**



**Investments  
(Cost vs Fair value)**



**Shareholders' Fund**



**Property**

Profit of \$5.5 million and revenue of \$9.7 million decreased slightly as compared to 2004. Prospects for the office rental market had improved but the industrial property segment remained weak.

In 2005, the Group changed its accounting estimate used for the valuation of plant and equipment integral to investment properties from historical cost to net book value. The change of accounting estimate resulted in a \$12.0 million increase in the value of investment properties. Details are set out in Note 2(g) of the financial statements. Overall, the investment properties recorded an increase of \$6.0 million in market value.

**Investments**

The increase in investment income was due to the special dividend income of \$17.9 million. The Group's investment portfolio enjoyed a healthy valuation surplus of \$704.9 million (\$668.3 million net of tax).

**Financial Position**

Shareholders' funds doubled to \$1,312.9 million mainly due to the large revaluation surplus derived from the fair value of the Group's financial assets following the adoption of the new FRS 39.

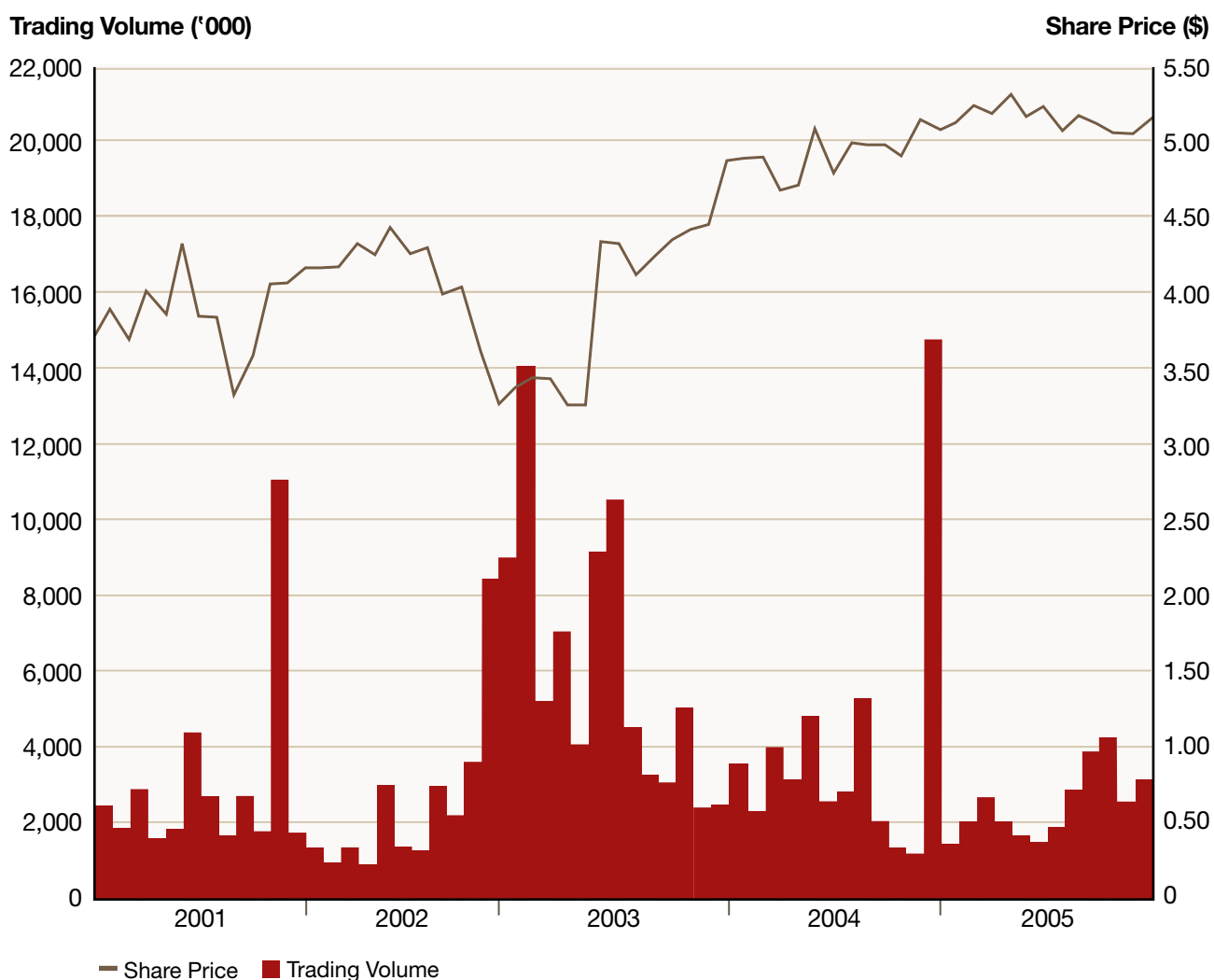
The Group ended the year in a strong financial position with net cash balances of \$44.1 million. Cash generated by operating activities was a healthy \$72.1 million.

**Dividends**

In view of the higher earnings, total dividend payment will be increased to 19 cents per share, which is equivalent to approximately 50% of earnings.

## share price & TRADING VOLUME

	2001	2002	2003	2004	2005
<b>SHARE PRICE (\$)</b>					
Last done	4.06	3.26	4.46	5.15	<b>5.15</b>
High	4.48	4.52	4.58	5.40	<b>5.45</b>
Low	3.16	3.18	3.10	4.46	<b>4.96</b>
<b>PER SHARE</b>					
Earnings (cents)	16.0	8.9	24.1	35.4	<b>38.5</b>
Dividend net (cents)	11.6	11.7	14.7	17.0	<b>19.0</b>
Dividend cover (times)	1.4	0.8	1.6	2.1	<b>2.0</b>
Net tangible assets per share (\$)	2.81	2.67	2.63	2.80	<b>6.27</b>



## corporate governance REPORT

Haw Par Corporation Limited is committed to uphold good corporate governance practices to safeguard the interests of its shareholders and to comply with the principles set out in the Code of Corporate Governance (the “Code”).

### Board Matters

#### Principle 1: Board’s Conduct of its Affairs

The principal responsibilities of the Board include:

- approving strategic plans and annual budgets;
- approving major funding, investment and divestment proposals;
- approving appointment of Directors to the Board;
- ensuring management maintains a sound system of internal controls, risk management, financial reporting and regulatory compliance;
- monitoring the performance of management; and
- approving the announcement of financial results and declaration of dividends.

The Board held four physical meetings during the year. The attendance of Directors at meetings of the Board and its various committees are as follows:

Name	Number of meetings attended in 2005				
	Main Board	Audit Committee	Nominating Committee	Remuneration Committee	Investment Committee
Wee Cho Yaw	4		1	2	9
Wee Ee Lim <sup>(1)</sup>	4	4		2	9
Sat Pal Khattar	4		1	2	
Reggie Thein	4	4			
Hwang Soo Jin	4	3		2	
Lee Suan Yew	4	4	1		
Lim Kee Ming	4				
Wee Ee Chao	3				
Chng Hwee Hong	4				9
Han Ah Kuan <sup>(2)</sup>	4				9
<b>Number of meetings held in 2005</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>9</b>

<sup>(1)</sup> Mr Wee Ee Lim was in attendance at the meetings of the Audit and Remuneration Committees although he was not a member of these Committees.

<sup>(2)</sup> Mr Han Ah Kuan was in attendance at the meetings of the Investment Committee prior to being appointed as a member in May 2005.

Appropriate training and orientation program to familiarise Directors with the Company's business and governance practices will be organised as and when necessary.

#### Principle 2: Board Composition and Balance

There were ten Directors on the Board during most part of the year. The Nominating Committee ("NC"), having regard to the Code's guidance for assessing independence, is of the view that five Non-Executive Directors were independent and no small group of individuals dominated the decisions of the Board.

The Board regarded its current size to be appropriate and also held the view that it comprised Directors, who as a group, provided core competencies necessary to discharge its duties and responsibilities effectively.

#### Principle 3: Chairman and Chief Executive Officer

There is clear division of responsibilities between the non-executive Chairman of the Board and the Chief Executive Officer ("CEO"), who is the son of the Chairman. The Chairman's principal role is to manage the business of the Board while the CEO has the executive responsibility for the day-to-day operations of the Group.

#### Principle 4: Board Membership

The NC comprises three members, of whom two including the chairman of the NC, are independent Directors. The NC makes recommendations to the Board on all board appointments as well as re-appointments of Directors annually having regard to their contribution and performance. Directors with multiple board memberships are also assessed on their ability and adequacy to carry out their duties. At each Annual General Meeting, one-third of the Board are required to retire from office by rotation and submit themselves for re-election. Key information regarding the Directors is provided under the Board of Directors section of this Annual Report.

#### Principle 5: Board Performance

The NC evaluated the performance of the Board as a whole taking into consideration, amongst other things, the Board's discharge of its principal responsibilities, earnings of the Group, return on equity and the share price performance of the Company. The NC was of the view that the Board had performed satisfactorily during the year.

The Chairman of the Board and the chairman of the NC, after considering the contribution of individual Directors including the achievement of financial objectives for Executive Directors, were of the view that the performance of each of them had been more than satisfactory.

**Principle 6: Access to Information**

The Board is provided with adequate information which includes quarterly management reports highlighting the Group's financial performance and position, draft announcement of financial results and matters requiring Board's decision, at least five working days prior to Board meetings.

The Board also has separate and independent access to the senior management and the Company Secretary, who attends all Board and Committee meetings and ensures that the Company complies with all regulatory requirements.

To assist the Directors to carry out their duties, the Company will, upon the approval of the Chairman, arrange to appoint a professional advisor to render the appropriate advice at its expense.

**Remuneration Matters****Principle 7: Procedures for Developing Remuneration Policies**

The Remuneration Committee ("RC") comprises three members, of whom two including the chairman of the RC, are independent Directors. The RC is supported by the Group Human Resource function when advice is needed.

The principal responsibilities of the RC are:

- to recommend to the Board a framework of remuneration for Directors and key executives;
- to determine the remuneration packages for the Executive Directors including the CEO; and
- to administer the Company's share option schemes.

During the year, the RC has recommended the amount of directors' fees to be paid to the Non-Executive Directors, assessed the performance and determine the bonus and salary components for the Executive Directors, and granted share options to eligible staff.

**Principle 8: Level and Mix of Remuneration**

The RC adopts a remuneration policy reflective of market conditions and comprises a fixed and a performance-based variable component.

None of the Non-Executive Directors are on service contracts or have consultancies with the Company. Only Non-Executive Directors, including the Chairman of the Board, are paid directors' fees which comprise basic fees and additional fees for serving on Board committees. Directors' fees recommended by the RC are submitted for endorsement by the Board and payment of these fees is subject to shareholders' approval. None of the Non-Executive Directors has been granted share options although the Company's share option scheme allow for such grants.

The remuneration packages of the CEO and the Executive Directors include a variable bonus element which is performance-based while only the Executive Directors are granted share options.

**Principle 9: Disclosure of Remuneration**

Details of the share option schemes are disclosed in the Report of the Directors and the audited financial statements. The details of the remuneration of each individual Director and the top five key executives are as follows:

<b>Name of Director</b>	<b>Directors' fees</b> %	<b>Base or fixed salary</b> %	<b>Variable bonus</b> %	<b>Benefit-in-kind and others</b> %	<b>Total</b> %	<b>Share options granted</b> No. of shares
<b>\$500,001 to \$750,000</b>						
Wee Ee Lim	–	58	30	12	100	–
Chng Hwee Hong	–	52	28	20	100	48,000
<b>\$250,001 to \$500,000</b>						
Han Ah Kuan	–	52	25	23	100	44,000
<b>Below \$250,000</b>						
Wee Cho Yaw	100	–	–	–	100	–
Sat Pal Khattar	100	–	–	–	100	–
Reggie Thein	100	–	–	–	100	–
Hwang Soo Jin	100	–	–	–	100	–
Lee Suan Yew	100	–	–	–	100	–
Lim Kee Ming	100	–	–	–	100	–
Wee Ee Chao	100	–	–	–	100	–

**Top 5 Key Executives**

Number of executives of the Group in remuneration bands:

\$250,001 to \$500,000	1
Below \$250,000	4

The names of these executives are not disclosed due to confidentiality reasons.

There were no employees who were immediate family members of the Directors or the CEO.

**Accountability and Audit****Principle 10: Accountability**

The Management provides the Board with relevant and timely information on actual performance, financial position and business prospects at least on a quarterly basis. Price-sensitive information, including announcements of financial results, is released to shareholders through the SGXNET and the Company's website.

#### Principle 11: Audit Committee

The Audit Committee (“AC”) comprises three members, all of whom are independent Directors. The chairman of the AC is an accountant with over 40 years’ experience in the profession while another member has over 40 years of business experience. The Board is of the view that the members of the AC have the financial management expertise and experience to discharge the AC’s responsibilities.

The principal responsibilities of the AC are:

- to review the audit plans and reports of the internal and external auditors;
- to consider the auditors’ evaluation of the system of internal controls;
- to recommend the re-appointment of the external auditors;
- to review annually the independence and objectivity of the external auditors, the cost effectiveness of the audit, and the nature and extent of non-audit services;
- to ensure adequacy, independence and objectivity of the internal audit function and that it meets professional standards;
- to review the Group’s quarterly and annual financial statements for approval by the Board, and the appropriateness and consistency of accounting principles and policies adopted across the Group;
- to review the risk management policies and processes; and
- to review interested person transactions.

During the year, the AC had fulfilled its responsibilities as stated above. In the review of non-audit services, the AC was satisfied that they were not material and would not affect the independence of the external auditors. It has recommended to the Board to re-appoint PricewaterhouseCoopers as auditors for financial year 2006 having been satisfied with their standards of audit, independence and objectivity.

The AC has full authority to investigate any matter where it is alerted of any suspected fraud or irregularity or failure of internal controls, full access to and cooperation of the Management and full discretion to invite any staff to attend its meetings.

#### Principle 12: Internal Controls and Risk Management

During the year, the AC met four times with the internal and external auditors to review their audit plans and evaluation of internal controls of the Group. The chairman of the AC also discussed with the external and internal auditors separately regarding their audit during the year without the presence of the Management.

Based on the reports by the internal and external auditors and review undertaken by the AC, the Board was satisfied that the internal controls of the Group were adequate to safeguard its assets and ensure the integrity of its financial statements.

The Group had established a formal risk management framework across the entire organisation since 2004 to provide a structured approach, balancing between cost and benefit, towards ensuring that the full spectrum of risks are identified, mitigated and managed. The Risk Management Committee, chaired by the CEO and comprising four other senior key executives, oversees the risk management policies and processes of the Group. It meets bi-annually to review risk management across the Group and reports annually to the AC on its findings and actions taken to address the key risks identified.

Major operational risks such as competition, manufacturing capability, regulatory compliance and business interruption are managed by leveraging on the Group's experience and knowledge of local market conditions, taking out appropriate insurance coverage, and having effective business continuity plans. Financial risks are mitigated by using appropriate hedging instruments and actively managing foreign exchange and credit exposures. Further details on managing financial risks are disclosed in Note 31 (Financial Risk Management) on pages 106 to 108 of the Annual Report.

#### Principle 13: Internal Audit

The Company has an internal audit department comprising four staff. The Group Internal Audit Manager reports to the chairman of the AC on audit matters and to the CEO on administrative matters. The internal audit function meets the standards set by recognised professional bodies. The AC is of the view that the internal audit function is adequately resourced and has appropriate standing within the Group.

#### Principles 14 and 15: Communication With Shareholders

The Company strives to convey to its shareholders pertinent information in a regular and timely manner. Communication is generally made through annual reports, press releases, SGXNET announcements and its website at <http://www.hawpar.com>.

The CEO, Group Financial Controller and the Corporate Communications Manager hold regular meetings with research analysts, fund managers and institutional investors to provide a better understanding of the Group's businesses.

At AGMs, shareholders are invited to raise questions on any matters that need clarification and appropriate responses are provided. The chairpersons of the AC, NC and RC as well as the external auditors are present at the AGMs to address the queries from shareholders.

The Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at the Company's general meetings. Separate resolutions on each distinct issue are tabled at the general meetings.

## **Other Governance Practices**

### Investment Committee

The Investment Committee is headed by the Chairman of the Board and comprises three other Executive Directors. The Committee meets monthly to review the Group's investments and funding requirements.

### Interested Person Transactions

During the year, there were no interested person transactions entered into by the Company and any Directors that required disclosure under the Listing Manual.

### Material Contracts

Except as disclosed in Note 27 (Related Party Transactions) on pages 101 to 102 of the Annual Report, there were no other material contracts of the Company or its subsidiaries involving the interests of the CEO, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

### Dealings in Securities

The Group adopts the Best Practices Guide with respect to dealings in securities issued by the Singapore Exchange Securities Trading Limited. It has a policy which prohibits its officers from dealing in the securities of the Company during the period commencing two weeks before the announcement of the financial results for each of the first three quarters and one month before the announcement of the full year results.

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## *directors'* REPORT

The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2005 and the balance sheet of the Company at 31 December 2005.

### DIRECTORS

(a) The Directors in office at the date of this report are as follows:

Wee Cho Yaw	<i>(Chairman)</i>
Wee Ee Lim	<i>(President &amp; Chief Executive Officer)</i>
Sat Pal Khattar	
Reggie Thein	
Hwang Soo Jin	
Lee Suan Yew	
Lim Kee Ming	
Wee Ee Chao	
Chng Hwee Hong	<i>(Executive Director)</i>
Han Ah Kuan	<i>(Executive Director, appointed on 28 January 2005)</i>

(b) The Directors holding office at 31 December 2005 had no interests in the shares, warrants, share options in or debentures of the Company and/or its subsidiaries as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Companies Act, Cap 50 except as follows:

	Direct interest as at			Deemed interest as at		
	1.1.2005			1.1.2005		
	or date of appointment	31.12.2005	21.1.2006	or date of appointment	31.12.2005	21.1.2006
<b>Interest in the Company's ordinary shares of \$1.00 each</b>						
Wee Cho Yaw	993,067	993,067	993,067	47,544,545	53,882,332	53,882,332
Wee Ee Lim	397,448	397,448	397,448	45,938,920	49,584,920	49,584,920
Sat Pal Khattar	60,500	60,500	60,500	15,972	15,972	15,972
Reggie Thein	240	240	240	–	–	–
Hwang Soo Jin	30,000	30,000	30,000	–	–	–
Lim Kee Ming	49,606	49,606	49,606	125,752	125,752	125,752
Wee Ee Chao	12,570	12,570	12,570	46,060,400	49,706,400	49,706,400
Chng Hwee Hong	222,400	270,400	100,400	–	–	–
Han Ah Kuan	–	2,000	2,000	–	–	–

#### **Options to subscribe for the Company's ordinary shares of \$1.00 each**

*(Under The Haw Par Corporation Group Executives' Share Option Scheme ("ESOS"))*

Chng Hwee Hong	48,000	–	–	–	–	–
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*(Under the Haw Par Corporation Group 2002 Share Option Scheme ("2002 Scheme"))*

Chng Hwee Hong	144,000	192,000	192,000	–	–	–
Han Ah Kuan	80,000	84,000	84,000	–	–	–

## *directors'* REPORT

### DIRECTORS (continued)

- (c) Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements to which the Company is a party, whereby Directors might 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 ESOS and 2002 Scheme.
- (d) Since the end of the previous financial year, no Director has received or has become entitled to receive benefits required to be disclosed by Section 201(8) of the Companies Act, Cap 50 by reason of a contract made by the Company or its subsidiaries with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except those disclosed in Note 27 to the financial statements.

### OPTIONS ON SHARES IN THE COMPANY

#### (a) The Haw Par Corporation Group Executives' Share Option Scheme

The Haw Par Corporation Group Executives' Share Option Scheme ("ESOS") was approved by members of the Company at an Extraordinary General Meeting held on 15 August 1990.

The ESOS had expired on 17 April 2001, but options already granted under the ESOS remain exercisable until the end of the relevant options periods. Although no further options can be granted, the ESOS continues to be administered by the Remuneration Committee on the outstanding options.

As at 31 December 2005, options to subscribe for unissued shares of the Company under the ESOS were as follows:

Date of grant	Number of shares covered by the options			Balance at 31.12.2005	Exercise Price	Exercise Period
	Balance at 1.1.2005	Cancelled	Exercised			
03.4.2001	72,000	–	72,000	–	\$3.75	03.4.2002 - 02.1.2006
	72,000	–	72,000	–		

Details of previous options granted under the ESOS have been disclosed in the Directors' Reports for the respective years.

During the financial year, 72,000 shares were issued by virtue of the exercise of options. The market prices on the date of exercise ranged from \$5.15 to \$5.25. No options to subscribe for unissued shares in the Company were cancelled and no options to subscribe for unissued shares were granted under the ESOS, the details of which are set out above.

Under the ESOS, no options can be granted at a discount to the market price of shares of the Company.

*directors'* REPORT**OPTIONS ON SHARES IN THE COMPANY** (continued)**(b) Haw Par Corporation Group 2002 Share Option Scheme**

In replacement of the expired ESOS, the Haw Par Corporation Group 2002 Share Option Scheme ("2002 Scheme") was approved by members of the Company at an Extraordinary General Meeting held on 22 May 2002. The 2002 Scheme was extended to include the participation by the non-executive directors and the maximum life-span of the options was also extended from 5 years to 10 years. Furthermore, the share option scheme size has been increased from 5% to 15% and exercise prices are allowed to be set at discounts of up to 20% to their market price.

As at 31 December 2005, options to subscribe for unissued shares of the Company under the 2002 Scheme were as follows:

Date of grant	Number of shares covered by the options			Balance at 31.12.2005	Exercise Price	Exercise Period
	Balance at 1.1.2005 or date of grant (if later)	Cancelled	Exercised			
07.6.2002	138,000	–	34,000	104,000	\$4.24	07.6.2003 - 06.6.2007
20.6.2003	230,000	–	114,000	116,000	\$3.96	20.6.2004 - 19.6.2008
18.5.2004	315,000	–	31,000	284,000	\$4.80	18.5.2005 - 17.5.2009
19.5.2005	348,000	36,000	–	312,000	\$5.11	19.5.2006 - 18.5.2010
	1,031,000	36,000	179,000	816,000		

In 2005, options to subscribe for 348,000 unissued shares in the Company at the price of \$5.11 per share were granted under the 2002 Scheme. No options have been granted at a discount to the market price of shares of the Company.

During the financial year, options to subscribe for 36,000 unissued shares were cancelled and 179,000 shares were issued by virtue of the exercise of options, the details of which are set out above. The market prices on the date of exercise ranged from \$5.10 to \$5.40.

## directors' REPORT

### OPTIONS ON SHARES IN THE COMPANY (continued)

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

- (1) The share option schemes of the Company are administered by the Remuneration Committee, comprising the following Directors:

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

- (2) The details of options granted to the Directors of the Company under the ESOS and 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 31.12.2005	Aggregate number of shares comprised in options exercised since commencement of scheme to 31.12.2005	Aggregate number of shares comprised in options that have expired since commencement of scheme to 31.12.2005	Aggregate number of shares comprised in options outstanding as at 31.12.2005
<b>Under ESOS</b>					
Wee Ee Lim	–	276,000	244,000	32,000	–
Chng Hwee Hong	–	438,000	398,000	40,000	–
<b>Under 2002 Scheme</b>					
Wee Ee Lim	–	48,000	48,000	–	–
Chng Hwee Hong	48,000	192,000	–	–	192,000
Han Ah Kuan	44,000	124,000	40,000	–	84,000

- (3) no options are granted to controlling shareholders of the Company and their associates of the Company;
- (4) no participant has received 5% or more of the total number of options available under the share option schemes;
- (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 2005; and
- (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.

## *directors'* REPORT

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### **MATERIAL ITEMS**

There were no event, item, or transaction that arose during or after the financial year which would affect the results of the operations, render any item misleading, or affect the ability of the Group or of the Company in meeting its obligations.

### **AUDIT COMMITTEE**

The Audit Committee comprises three members, all of whom are independent Directors. The members of the Audit Committee are as follows:

Reggie Thein (*Chairman*)

Hwang Soo Jin

Lee Suan Yew

In accordance with Section 201B(5) of the Companies Act, Cap 50, the Audit 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 auditors, PricewaterhouseCoopers, their audit plan, their evaluation of the system of internal accounting controls, their audit report on the consolidated financial statements of the Group for the financial year ended 31 December 2005 and the assistance given by the officers of the Group to them. The consolidated financial statements of the Group 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 as auditors of the Company.

### **AUDITORS**

PricewaterhouseCoopers have expressed their willingness to accept re-appointment as auditors of the Company and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

On behalf of the Board

**Wee Cho Yaw**

Chairman

**Wee Ee Lim**

President & Chief Executive Officer

**Singapore**

22 February 2006

## *s t a t e m e n t* by DIRECTORS

*Pursuant to Section 201(15)*

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We, Wee Cho Yaw and Wee Ee Lim, being two of the Directors of Haw Par Corporation Limited, do hereby state that, in the opinion of the Directors:

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 49 to 119 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the results of the business, consolidated recognised income and expense and the cash flows of the Group for the financial year then ended; 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.

On behalf of the Board

**Wee Cho Yaw**  
Chairman

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

**Singapore**  
22 February 2006

# auditors' report to the members of HAW PAR CORPORATION LIMITED

*For the financial year ended 31 December 2005*

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We have audited the accompanying financial statements of Haw Par Corporation Limited set out on pages 49 to 119 for the financial year ended 31 December 2005, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005, and the results, consolidated recognised income and expense and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**PricewaterhouseCoopers**  
Certified Public Accountants

**Singapore**  
22 February 2006

## consolidated income STATEMENT

For the financial year ended 31 December 2005

		The Group	
	Notes	2005 \$'000	2004 \$'000
<b>Revenue</b>	5	<b>120,404</b>	113,379
Cost of sales		<b>(49,457)</b>	(44,571)
		<b>70,947</b>	68,808
<b>Gross profit</b>			
Other income	6	<b>60,221</b>	57,053
Sales and marketing expenses		<b>(23,602)</b>	(21,721)
Warehouse and delivery expenses		<b>(716)</b>	(689)
General and administrative expenses		<b>(12,645)</b>	(15,566)
		<b>94,205</b>	87,885
<b>Profit from operations</b>	7		
Finance costs	8	<b>(92)</b>	(1,208)
Share of results of associated companies	16	<b>309</b>	163
		<b>94,422</b>	86,840
<b>Profit before taxation</b>			
Taxation	9	<b>(14,384)</b>	(12,371)
		<b>80,038</b>	74,469
<b>Profit for the year</b>			
<b>Attributable to:</b>			
Equity holders of the Company		<b>79,660</b>	73,254
Minority interests	10	<b>378</b>	1,215
		<b>80,038</b>	74,469
<b>Earnings per share</b>	12		
Basic		<b>38.5 cts</b>	35.4 cts
Diluted		<b>38.4 cts</b>	35.4 cts

**balance SHEETS**

As at 31 December 2005

	Notes	The Group		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	26,045	29,600	793	954
Investment properties	14	132,340	124,433	-	-
Investment in subsidiaries	15	-	-	322,317	326,317
Investment in associated companies	16	36,696	1,448	2,895	2,895
Held-to-maturity financial assets	18	-	249	-	-
Available-for-sale financial assets	17	846,834	311,050	3,824	4,085
Intangible assets	19	14,428	14,428	-	-
		<b>1,056,343</b>	<b>481,208</b>	<b>329,829</b>	<b>334,251</b>
<b>Current assets</b>					
Stocks	20	9,705	8,113	-	-
Receivables	21	16,671	17,244	193,255	194,557
Tax recoverable		1,655	3,916	-	3,277
Held-to-maturity financial assets	18	249	402	-	-
Available-for-sale financial assets	17	266,594	83,363	-	-
Deposits with banks and financial institutions	22	29,597	34,897	16,508	5,005
Cash and bank balances	22	14,604	12,574	1,834	2,438
		<b>339,075</b>	<b>160,509</b>	<b>211,597</b>	<b>205,277</b>
<b>Total assets</b>		<b>1,395,418</b>	<b>641,717</b>	<b>541,426</b>	<b>539,528</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Creditors	23	(27,175)	(23,692)	(230,273)	(219,037)
Taxation		(9,735)	(7,344)	(1,010)	-
Loans and borrowings	24	(105)	(4,752)	-	-
		<b>(37,015)</b>	<b>(35,788)</b>	<b>(231,283)</b>	<b>(219,037)</b>
<b>Non-current liabilities</b>					
Deferred income taxation	25	(38,590)	(6,320)	(141)	(4,030)
		<b>(38,590)</b>	<b>(6,320)</b>	<b>(141)</b>	<b>(4,030)</b>
<b>Total liabilities</b>		<b>(75,605)</b>	<b>(42,108)</b>	<b>(231,424)</b>	<b>(223,067)</b>
<b>NET ASSETS</b>		<b>1,319,813</b>	<b>599,609</b>	<b>310,002</b>	<b>316,461</b>
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	26	207,200	206,949	207,200	206,949
Reserves	10	1,105,718	385,992	102,802	109,512
		<b>1,312,918</b>	<b>592,941</b>	<b>310,002</b>	<b>316,461</b>
<b>Minority interests</b>	10	<b>6,895</b>	<b>6,668</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>1,319,813</b>	<b>599,609</b>	<b>310,002</b>	<b>316,461</b>

# c o n s o l i d a t e d   s t a t e m e n t   o f

## R E C O G N I S E D   I N C O M E   A N D   E X P E N S E

*For the financial year ended 31 December 2005*

	Note	The Group	
		2005	2004
		\$'000	\$'000
<b>Recognised in revaluation reserve</b>			
Surplus/(deficit) on revaluation of investment properties	10	5,963	(7,378)
Currency translation differences	10	(3)	56
<b>Recognised in foreign currency translation reserve</b>			
Exchange differences on translation of the financial statements of foreign entities (net)	10	(24)	(814)
<b>Recognised in fair value reserve</b>			
Fair value gains (net of tax) on available-for-sale financial assets	10	85,337	–
<b>Recognised in other reserve</b>			
Expensing of share options	10	223	131
<b>Net income/(expense) recognised directly in equity</b>		<b>91,496</b>	<b>(8,005)</b>
Profit for the year		80,038	74,469
<b>Total recognised income and expense for the year</b>		<b>171,534</b>	<b>66,464</b>
<b>Attributable to:</b>			
Equity holders of the Company		171,307	65,362
Minority interests	10	227	1,102
		<b>171,534</b>	<b>66,464</b>

**consolidated CASH FLOW STATEMENT***For the financial year ended 31 December 2005*

	Notes	The Group	
		2005 \$'000	2004 \$'000
<b>Cash flows from operating activities:</b>			
Profit for the year		80,038	74,469
Adjustments for:			
Taxation	9	14,384	12,371
Share of results of associated companies	16	(309)	(163)
Finance costs	8	92	1,208
Depreciation of property, plant and equipment	13	4,111	4,338
Amortisation of intangible assets		–	787
Expensing of share options		223	131
Net gain on disposal of property, plant and equipment		(330)	–
Property, plant and equipment written off		169	238
Investment income	6	(58,806)	(55,362)
Interest income	6	(471)	(942)
Allowance for diminution in value of available-for-sale financial assets	17	–	1,074
Translation (gains)/losses		(568)	207
<b>Operating profit before working capital changes</b>		<b>38,533</b>	<b>38,356</b>
Increase in stocks		(1,592)	(1,287)
Decrease in receivables		581	989
Increase in creditors		3,483	3,047
<b>Cash generated from operations</b>		<b>41,005</b>	<b>41,105</b>
Interest paid		(92)	(1,673)
Investment income received		44,469	55,362
Interest income received		454	1,018
Net taxation paid		(13,734)	(15,648)
<b>Net cash provided by operating activities</b>		<b>72,102</b>	<b>80,164</b>
<b>Cash flows from investing activities:</b>			
Investment in associated company	16	(34,939)	–
Dividend received from associated company	16	–	420
Proceeds from liquidation of available-for-sale financial assets	17	183	239
Proceeds from disposal of property, plant and equipment		1,273	–
Proceeds from capital reduction of long term investment		–	8,225
Purchases of property, plant and equipment	13	(1,824)	(2,150)
Improvements to investment properties	14	(1,557)	(66)
Proceeds received from maturity of short term and long term held-to-maturity financial assets		410	29,321
<b>Net cash (used in)/provided by investing activities</b>		<b>(36,454)</b>	<b>35,989</b>

**consolidated CASH FLOW STATEMENT***For the financial year ended 31 December 2005*

	<b>Notes</b>	<b>The Group</b>	
		<b>2005</b>	<b>2004</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of share capital		<b>1,015</b>	1,621
Proceeds from issue of share capital to minority shareholder of a subsidiary	10	-	435
Net repayments of loans and borrowings	24	<b>(4,670)</b>	(92,787)
Payment of dividends to shareholders of the Company	11	<b>(35,212)</b>	(33,135)
		<b>(38,867)</b>	(123,866)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the financial year	22	<b>47,315</b>	55,028
<b>Cash and cash equivalents at end of the financial year</b>	22	<b>44,096</b>	47,315

# notes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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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. 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, provision of management and support services to members of the Group and owning investments for long term holding purposes.

The principal activities of the Group are as follows:

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

## **2. Significant accounting policies**

### **(a) Basis of preparation**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

### 2. Significant accounting policies (continued)

#### (a) Basis of preparation (continued)

In 2005, the Group and the Company adopted the new or revised FRS that are applicable in the current financial year. The 2004 financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRS. The following FRS are relevant to the Group:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS10 (revised 2004)	Events after the Balance Sheet Date
FRS16 (revised 2004)	Property, Plant and Equipment
FRS17 (revised 2004)	Leases
FRS21 (revised 2004)*	The Effects of Changes in Foreign Exchange Rates
FRS24 (revised 2004)	Related Party Disclosures
FRS27 (revised 2004)	Consolidated and Separate Financial Statements
FRS28 (revised 2004)	Investments in Associates
FRS32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS33 (revised 2004)	Earnings Per Share
FRS36 (revised 2004)	Impairment of Assets
FRS38 (revised 2004)	Intangible Assets
FRS39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS102	Share-based Payments
FRS103	Business Combinations

Except as disclosed in Note 3, the adoption of the above FRS has not resulted in substantial changes to the Group's accounting policies.

\* On 26 January 2006, the Council on Corporate Disclosure and Governance ("CCDG") has issued amendments to FRS 21 (revised 2004) to allow exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation to be recognised in a separate component of equity in the Group's consolidated financial statements irrespective of:

- (i) the currency of the monetary item (The previous version of FRS 21 requires the monetary item to be denominated in the functional currency of either reporting entity or the foreign operation), and
- (ii) whether the monetary item is resulting from a transaction by the reporting entity (parent) or by a subsidiary of the reporting entity with a foreign operation. (The previous version of FRS 21 only deals with transactions of the reporting entity and a foreign operation).

The amendments are effective for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. The Group has early applied these amendments in the financial year beginning on 1 January 2005. The effect of early application to the consolidated financial statements is set out in Notes 3.7(a) and 3.7(b) respectively.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(b) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

##### *(1) Sale of goods*

Revenue from sale of goods is recognised when a Group entity has transferred to the customer the significant risks and rewards of the ownership of the goods, and collectibility of the related receivables is reasonably assured.

##### *(2) Rendering of services*

Revenue from services is recognised upon rendering of services.

##### *(3) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and thereafter amortising the discount as interest income.

##### *(4) Dividend income*

Dividend income from subsidiaries, associated companies and non-current available-for-sale financial assets is recognised when the right to receive payment is established. Dividend income from current available-for-sale financial assets is accounted for on the basis of the dates dividends are paid by the investee companies.

##### *(5) Rental income*

Rental income from operating leases on investment properties is recognised on a straight line basis over the lease term.

#### **(c) Group accounting**

##### *(1) Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights and/or controls the majority composition of the Board of Directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

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### 2. Significant accounting policies (continued)

#### (c) Group accounting (continued)

##### (1) Subsidiaries (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries. Where the consideration for cost of control of a subsidiary is the allotment of shares of the Group credited as fully paid, the difference between the nominal value of the shares so allotted and the value of the consideration less related expenses is credited to the share premium account. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to Note 2(e)(1) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The consolidated financial statements incorporate the financial statements of the Group and all its subsidiaries for the year ended 31 December 2005. The accounting year of the Group and all its subsidiaries ends on 31 December except for Haw Par Elder (India) Private Limited ("HPEI") which has an accounting year ending 31 March as required by the laws of its country of incorporation. The consolidated financial statements incorporate HPEI's audited financial statements as of 31 March and the unaudited management financial statements to 31 December.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities, share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

Please refer to Note 2(h) for the Group's accounting policy on investments in subsidiaries.

## *n*otes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

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### **2. Significant accounting policies** (continued)

#### **(c) Group accounting** (continued)

##### *(2) 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 are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet include goodwill (net of accumulated amortisation) identified on acquisition, where applicable. Please refer to Note 2(e)(1) for the Group's accounting policy on goodwill.

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The Group's share of the results of associated companies, based on audited financial statements and/or management financial statements, is included in the consolidated income statement.

In applying the equity method, unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Please refer to Note 2(h) for the Group's accounting policy on investments in associated companies.

##### *(3) Transaction costs*

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

#### **(d) Property, plant and equipment**

##### *(1) Leasehold land and buildings*

Leasehold land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2(i)).

##### *(2) Other property, plant and equipment*

Plant, equipment, furniture, motor vehicles and marine livestock are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2(i)).

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

### 2. Significant accounting policies (continued)

#### (d) Property, plant and equipment (continued)

##### (3) Component of costs

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

##### (4) Depreciation

Depreciation is calculated using a straight line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	-	over the term of the lease
Leasehold buildings	-	50 years or over the term of the lease, whichever is shorter
Plant, equipment, furniture and vehicles	-	4 to 20 years
Marine livestock	-	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The useful lives, residual values and depreciation methods are reviewed at each balance sheet date 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.

##### (5) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

##### (6) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the consolidated income statement.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(e) Intangible assets**

##### *(1) Goodwill*

##### *(i) Acquisitions pre - 1 January 2001*

Goodwill represents the excess of the cost of an acquisition of subsidiaries or associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill on acquisitions was adjusted against retained earnings in the year of acquisition.

On disposal of the subsidiaries or associated companies, the goodwill previously adjusted against retained earnings are not recognised in the consolidated income statement.

##### *(ii) Acquisition post 1 January and pre 1 January 2005*

Goodwill represents the excess of the cost of an acquisition of subsidiaries or associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies.

Goodwill is amortised over a period of no exceeding 20 years.

##### *(iii) Acquisitions post 1 January 2005*

Goodwill for acquisitions post 1 January 2005 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

From 1 January 2005, goodwill recognised as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses (Note 2(i)). Please refer to Note 2(e) for accounting of goodwill prior to 1 January 2005.

Gains and losses on the disposal of the subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

##### *(2) Trademarks*

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2(i)). Amortisation is calculated using the straight line method to allocate the cost of trademarks over a period not exceeding 20 years. These are fully amortised as at the balance sheet date.

## notes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(e) Intangible assets** (continued)

##### *(3) Deferred expenditure*

Deferred expenditure comprises technology fee paid in advance and clinical trial expenses, which are recognised as assets as they generate future economic benefits. Technology fee expense paid in advance for the use of a third party's technology is amortised using the straight line method over the contract period which is 5 years. Clinical trial expenses incurred for product registrations are amortised using the straight line method over a 5-year period.

At each balance sheet date, the Group assesses whether there is any impairment. If any such indication exists, the recoverable amount is estimated, and provision for impairment made, where appropriate.

#### **(f) Finance costs**

Finance costs are taken to the consolidated income statement on a time-proportion basis using the effective interest method.

#### **(g) Investment properties**

Investment properties of the Group, principally comprising office and industrial buildings, are held for long-term rental yields and are not substantially occupied by the Group. Investment properties are treated as non-current investments and revalued annually by the directors, based on open market values determined by independent professional valuers. Investment properties are not subject to depreciation.

When an investment property is revalued, revaluation surpluses are taken to the asset revaluation reserve within equity, unless they offset previous revaluation losses of the same investment that were taken to the consolidated income statement. Revaluation losses are taken to the asset revaluation reserve within equity, to the extent that they offset previous revaluation surpluses of the same investment that were taken to the asset revaluation reserve within equity. Other revaluation surpluses or losses are taken to the consolidated income statement.

Previously, the Group's investment properties were accounted for using market value per independent valuation report less cost of the plant and equipment integral to the investment properties. The cost of equipment is estimated by management to be the market value of the plant and equipment integral to the investment properties.

With effect from 1 January 2005, the Group has changed its accounting estimate for valuing its investment properties by deducting the net book value of the plant and equipment integral to the investment properties as at the date of valuing the investment properties from the market value of the investment properties per the independent valuation report. This change in accounting estimate is to better reflect the value of the investment properties.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(g) Investment properties**

The effects of the change as at 31 December 2005 are as follows:

- Investment properties increased by \$12 million; and
- Revaluation reserve within equity increased by \$12 million.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is taken to the consolidated income statement; any amount in revaluation reserve within equity relating to that investment property is also transferred to the consolidated income statement.

Property that is being constructed or developed for future use as investment property is classified as development properties until construction or development is completed, at which time it is reclassified and accounted for as investment property.

#### **(h) Investments in subsidiaries and associated companies**

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses (Note 2(i)) in the Group's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between net disposal proceeds and the carrying amount of the net investment is taken to the consolidated income statement.

#### **(i) Impairment of assets**

##### *(1) Goodwill*

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill 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.

An impairment loss is recognised in the consolidated income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in a subsequent period.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(i) Impairment of assets** (continued)

##### *(2) Intangible assets, Property, plant and equipment, Investments in subsidiaries and associated companies and joint ventures*

Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies and joint ventures are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows 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 to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the consolidated income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the consolidated income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in consolidated income statement, a reversal of that impairment is also recognised in consolidated income statement.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(j) Investments in financial assets**

##### *(1) Classification*

The Group classifies its investments in financial assets in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in Receivables on the balance sheets (Note 2(k)).

##### *(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group's held-to-maturity investments include investments in fixed rate bonds.

##### *(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as the intention at the date of acquisition was to hold these assets as long term investments.

##### *(2) Recognition and derecognition*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

##### *(3) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

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### 2. Significant accounting policies (continued)

#### (j) Investments in financial assets (continued)

##### (4) *Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value.

Unrealised gains and losses arising from changes in fair value of investments classified as available-for-sale are recognised in fair value reserve within equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the consolidated income statement.

##### (5) *Determination of fair value*

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active or in the case of unquoted financial assets, the Group establishes fair value by using valuation techniques such as use of recent arm's length transaction and estimated discounted cash flow analysis.

##### (6) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from the fair value reserve within equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity investments are not reversed through the consolidated income statement, until the equity investments are disposed of.

#### (k) Trade receivables

Trade receivables which generally have 30-90 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the consolidated income statement.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

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### 2. Significant accounting policies (continued)

#### (l) Stocks

Stocks are stated 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) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

#### (m) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheets even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheets.

#### (n) Operating leases

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

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the consolidated income statement on a straight line basis over the period of the lease.

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

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

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

#### (o) Trade creditors

Trade creditors are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

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### 2. Significant accounting policies (continued)

#### (p) Deferred income taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on 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.

#### (q) Employee benefits

##### (1) *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, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

##### (2) *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 the consolidated income statement with a corresponding increase in other 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, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets), on the date of grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium account within equity when the options are exercised.

## notes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(r) Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flows.

The carrying amounts of current receivables and payables are assumed to approximate their fair values.

#### **(s) Foreign currency translation**

##### *(1) 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 and presentation currency of the Group.

##### *(2) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates closely approximating those ruling at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rates closely approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the consolidated income statement.

Currency translation differences on non-monetary items when the gain or loss is recognised directly in equity, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve within equity.

##### *(3) Translation of Group entities’ financial statements*

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that are in functional currencies different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the exchange rates closely approximating to those ruling at the balance sheet date;

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **2. Significant accounting policies** (continued)

#### **(s) Foreign currency translation** (continued)

##### *(3) Translation of Group entities' financial statements*

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are taken to the foreign currency translation reserve within equity. Goodwill and fair value adjustments arising on acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the dates of the acquisition were used.

##### *(4) Consolidation adjustments*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to foreign currency translation reserve within equity. When a foreign operation is disposed of, such exchange differences are taken to the consolidated income statement as part of the gain or loss on disposal.

#### **(t) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

#### **(u) Cash and cash equivalents**

Cash and cash equivalents include cash and bank balances, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the balance sheets.

#### **(v) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

#### **(w) Dividend**

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

## *notes to the FINANCIAL STATEMENTS*

*For the financial year ended 31 December 2005*

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### **3. Effects on financial statements on adoption of new or revised FRS**

The effects on adoption of the following FRS in 2005 are set out below:

#### *3.1 FRS 16 (revised 2004) Property, plant and equipment*

##### *Depreciable amount*

Previously, in accordance with the requirements of FRS 16 (now superseded by FRS 16 (revised 2004)), residual values were estimated only at the date of acquisition and not subsequently increased for changes in price.

The Group has re-measured the residual values of its property, plant and equipment on 1 January 2005 in accordance with the requirements of FRS 16 (revised 2004) which require re-measurement of the residual values of items of property, plant and equipment at least at each financial year end (Note 2(d)). This change has been effected prospectively from 1 January 2005 as a change in accounting estimate.

This change has no material impact on the consolidated financial statements.

#### *3.2 FRS 27 (revised 2004) Consolidated and Separate Financial Statements*

Previously, there was no requirement for the presentation of minority interests within equity. FRS 27 (revised 2004) requires minority interests to be presented within equity of the Group retrospectively.

#### *3.3 FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation*

##### *(a) Classification and consequential accounting for financial assets and financial liabilities*

- (i) Previously, the Group's equity investments are stated at cost less allowance for diminution in value if the decline is other than temporary. In accordance with FRS 39 (revised 2004), these investments are now classified as "available-for-sale financial assets" and are initially recognised at fair value and subsequently measured at fair value at the balance sheet date with all gains and losses other than impairment loss taken to the fair value reserve within equity. Impairment losses are taken to the consolidated income statement in the period they arise.

On disposal, gains or losses in fair values previously taken to the fair value reserve within equity are included in the consolidated income statement.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***3. Effects on financial statements on adoption of new or revised FRS (continued)****3.3 FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation (continued)****(a) Classification and consequential accounting for financial assets and financial liabilities (continued)**

- (i) This change has been effected prospectively from 1 January 2005 and consequently affected the following balance sheet items as at 1 January 2005.

	<b>The Group</b>	<b>The Company</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase/(decrease) in:		
Available-for-sale financial assets		
- Current assets	162,507	-
- Non-current assets	454,091	(157)
Deferred income taxation	(33,731)	-
Fair value reserve	<u>582,867</u>	<u>(157)</u>

The effects on the balance sheets as at 31 December 2005 and consolidated income statement for the year ended 31 December 2005 are set out in Notes 3.7(a), 3.7(c) and 3.7(b) respectively.

- (ii) Previously, the Group's investments in fixed rate bonds were stated at cost less provision for diminution in value of investments that was other than temporary, which was charged to the consolidated income statement when it arose. Any reversal of the provision was also included in the consolidated income statement.

In accordance with FRS 39 (revised 2004), the investments in fixed rate bonds are now classified as "held-to-maturity financial assets" (see balance sheet) and initially recognised at fair value plus transaction costs and subsequently accounted for at amortised cost using the effective interest method, less accumulated impairment losses (Note 2(j)(3)(4)).

- (iii) Previously, the Group's creditors were stated at cost. In accordance with FRS 39 (revised 2004), they are initially recognised at fair value less transaction costs and subsequently stated at amortised cost using the effective interest rate method.

These changes in (ii) and (iii) do not materially affect the consolidated financial statements.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***3. Effects on financial statements on adoption of new or revised FRS (continued)****3.3 FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation (continued)***(b) Impairment and uncollectibility of financial assets*

Previously, the Group maintained a general provision against its receivables for risks which were not specifically identified to any customer. Investments in equity interests and bonds were reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the adoption of FRS 39 (revised 2004), the Group now assesses at each balance sheet date if there is any objective evidence that a financial asset is impaired (Note 2(j)(6)). Impairment of receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (Note 2(k)).

This change has not materially affected the consolidated financial statements.

**3.4 FRS 102 Share-based Payments**

Previously, the grant of share options to employees did not result in any charge in the consolidated income statement. The Group and Company recognised an increase in share capital and share premium when the options were exercised. On adoption of FRS 102, an expense is recognised in the consolidated income statement for share options issued with a corresponding increase in other reserve within equity (Note 2(q)(2)).

This change was effected retrospectively for share options issued after 22 November 2002 and not yet vested by 1 January 2005. Consequently, the following previously reported balances as at/for the year ended 31 December 2004 were adjusted.

	<b>The Group</b>	<b>The Company</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase/(decrease) in:		
Revenue reserve	(131)	(131)
Other reserve (Note(10))	131	131
General and administrative expenses	131	
Total profit	(131)	
Basic earnings per share (cents)	(0.11)	
Diluted earnings per share (cents)	(0.11)	

The effects on the balance sheets as at 31 December 2005 and consolidated income statement for the year ended 31 December 2005 are set out in Notes 3.7(a), 3.7(c) and 3.7(b) respectively.

## notes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **3. Effects on financial statements on adoption of new or revised FRS** (continued)

#### *3.5 FRS 103 Business Combinations, FRS 36 (revised 2004) Impairment of Assets and FRS 38 (revised 2004) Intangible Assets*

##### *Goodwill*

Until 31 December 2004, goodwill on consolidation (Note 19) has been amortised on a straight line basis over a period not exceeding 20 years. In accordance with FRS 103 and FRS 36 (revised 2004), the Group has ceased amortisation of goodwill from 1 January 2005 and the accumulated amortisation as at 31 December 2004 of \$1,364,000 has been transferred to offset the cost of goodwill as shown in Note (19). Goodwill is thereafter tested annually for impairment as explained in Note 2 (i).

The effects on the balance sheets as at 31 December 2005 and the consolidated income statement for the year ended 31 December 2005 are set out in Notes 3.7(a) and 3.7(b) respectively.

#### *3.6 FRS 21 The Effects of Changes in Foreign Exchange Rates*

In accordance with FRS 21 (revised 2004), exchange differences arising from the following are taken to the consolidated financial statement:

- (a) Monetary items not denominated in the functional currency of the reporting entity or the foreign operation.
- (b) Monetary items other than those resulting from a transaction by the reporting entity or by a subsidiary of the reporting entity with a foreign operation.

However, with the early adoption amendments to FRS 21 (revised 2004) issued by the Council of Corporate Disclosure and Governance stated in Note 2(a), these requirements have been removed. This change has been applied retrospectively and the effects on the Group's balance sheet as at 31 December 2005 and consolidated income statement for the year ended 31 December 2005 are set out in Notes 3.7(a) and 3.7(b) respectively.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***3. Effects on financial statements on adoption of new or revised FRS (continued)***3.7 Summary of effects on adoption of new or revised FRS on:**(a) Consolidated balance sheet as at 31 December 2005*

Description of change	Increase/(decrease) \$'000					Total
	Amendments			FRS 102 Note 3.4	FRS 103 Note 3.5	
	FRS 21 (revised 2004) Note 3.6	to FRS 21 (revised 2004) Note 3.6	FRS 39 (revised 2004) Note 3.3			
<b>Consolidated balance sheet items as at 31 December 2005</b>						
Fair value reserve	-	-	668,204	-	-	668,204
Other reserve	-	-	-	354	-	354
Revenue reserve	(8,215)	8,215	-	(354)	787	433
Foreign currency translation reserve	8,215	(8,215)	-	-	-	-
Available-for-sale financial assets (Non-current)	-	-	525,589	-	-	525,589
Intangible assets	-	-	-	-	787	787
Available-for-sale financial assets (current)	-	-	179,272	-	-	179,272
Deferred income taxation	-	-	36,657	-	-	36,657

*(b) Consolidated income statement for the year ended 31 December 2005*

Description of change	Increase/(decrease) \$'000					Total
	Amendments			FRS 102 Note 3.4	FRS 103 Note 3.5	
	FRS 21 (revised 2004) Note 3.6	to FRS 21 (revised 2004) Note 3.6	FRS 39 (revised 2004) Note 3.3			
<b>Consolidated income statement items for the year ended 31 December 2005</b>						
General and administrative expenses	67	(67)	-	223	(787)	(564)
Total profit	(67)	67	-	(223)	787	564
Basic earnings per share (cents)	(0.03)	0.03	-	(0.11)	0.38	0.27
Diluted earnings per share (cents)	(0.03)	0.03	-	(0.11)	0.38	0.27

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***3. Effects on financial statements on adoption of new or revised FRS (continued)***3.7 Summary of effects on adoption of new or revised FRS on: (continued)**(c) Company balance sheet as at 31 December 2005*

Description of change	Increase/(decrease) \$'000		Total
	FRS 39 (revised 2004)	FRS 102	
	Note 3.3	Note 3.4	
<b>Balance sheet items as at 31 December 2005</b>			
Fair value reserve	(170)	–	(170)
Other reserve	–	354	354
Available-for-sale financial assets (Non-current)	(170)	–	(170)
Revenue reserve	–	(354)	(354)

**4. Critical accounting estimates and judgements**

Estimates 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.

**(a) Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(1) Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Based on the valuation derived, there is no impairment of goodwill.

As the estimates and assumptions used are reasonably conservative, it will require a significant variation to the estimates and assumptions to result in any adjustments.

## notes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### 4. Critical accounting estimates and judgements (continued)

#### (a) Critical accounting estimates and assumptions (continued)

##### (2) *Income tax*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

If the actual final outcome (on the judgement areas) differs by 10% from management's estimates, the Group would decrease the income tax liability by \$100,000.

##### (3) *Impairment of available-for-sale financial assets*

The Group follows the guidance of FRS 39 (revised 2004) on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumptions made regarding the duration that, and extent to which, the fair value is less than its cost other-than-impaired, the Group would suffer an additional \$2,671,000 loss in its 2006 financial statements, being the transfer of the cumulative loss previously recognised in the fair value reserve within equity to the consolidated income statement.

##### (4) *Impairment assessment on investment in subsidiaries*

The Group assesses as impairment on its investments in subsidiaries on an annual basis or whenever there is any indication that the investment may be impaired. An impairment is made if the recoverable amount of the asset is less than its carrying amount.

During the year, \$4,000,000 impairment loss has been made by the Company for its investment in a subsidiary. This amount has been derived after considering the intrinsic value of the investment determined on a discounted cash flow basis over the remaining lease period of the underlying assets. The directors are of the view that the impairment loss made for the year of \$4,000,000 (cumulative impairment loss made to-date of \$12,000,000) is reasonable.

This does not result in any impact to the Group's results.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***4. Critical accounting estimates and judgements (continued)****(a) Critical accounting estimates and assumptions (continued)***(5) Intangible assets in associated company*

During the year, the Group acquired an associated company and has fair valued its intangible assets to be \$3,800,000, resulting in goodwill from acquisition of \$812,000. The fair valuation has involved significant judgement and estimation, including the duration and extent the intangible assets can generate future economic benefits, and the industry and sector performance.

If there were no future economic benefits that could be generated from the intangible assets based on judgement and assumption, the goodwill from acquisition would then increase by \$3,800,000 to \$4,612,000.

**(b) Critical judgement in applying the entity's accounting policies***Distinction between investment properties and owner-occupied properties*

The Group regards investment properties to be investments in land and buildings that are not occupied substantially for use by, or in the operations of the Group. Owner-occupied properties are properties held (by the owner or by the lessee under finance leases) for use in the production or supply of goods or services or for administrative purposes.

**5. Revenue**

Revenue of the Group represents invoiced sales and services, and rental income but excludes dividend, interest income and intra-group transactions.

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Sales of goods	<b>82,391</b>	74,923
Sales of services	<b>28,343</b>	28,602
Rental income	<b>9,670</b>	9,854
	<b>120,404</b>	113,379

**6. Other income**

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Investment income from gross dividends from quoted equity investments	<b>58,806</b>	55,362
Interest income from:		
Deposits	<b>461</b>	303
Bonds	<b>10</b>	639
Service, licence and rental fee	<b>721</b>	642
Miscellaneous income	<b>223</b>	107
	<b>60,221</b>	57,053

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***7. Profit from operations**

Profit from operations is stated after charging/(crediting):

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Net exchange loss	4	590
Amortisation of intangible assets	-	787
Depreciation of property, plant and equipment (Note 13)	4,111	4,338
Total depreciation and amortisation	4,111	5,125
Remuneration of Directors	1,393	1,334
Auditors' remuneration:		
- Auditors of the Company:		
- fees	448	417
- (Over)/under-provision in respect of prior year	(18)	8
- Other auditors:		
- fees	70	67
- non-audit fees	19	61
Allowance for diminution in value	-	1,074
Cost of stocks recognised as an expense (Note 20)	30,696	27,480
Stocks written off	72	218

**8. Finance costs**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on bank overdrafts	10	24
Interest on other bank borrowings	82	1,184
	<b>92</b>	<b>1,208</b>

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***9. Taxation**

Tax expense attributable to profit is made up of:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current taxation</b>		
Current year:		
Singapore	<b>17,151</b>	15,931
Overseas	<b>1,287</b>	1,052
	<b>18,438</b>	16,983
Under/(over) provision in respect of previous years:		
Singapore	<b>(9)</b>	(20)
Overseas	<b>(43)</b>	54
	<b>(52)</b>	34
<b>Deferred taxation</b>		
Origination and reversal of temporary differences:		
Singapore	<b>(48)</b>	(148)
Overseas	<b>(34)</b>	54
	<b>(82)</b>	(94)
Reversal of previous years' temporary differences	<b>(3,920)</b>	(3,587)
Over provision in respect of previous years:		
Change in Singapore tax rate	-	(965)
	-	(965)
	<b>14,384</b>	12,371

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***9. Taxation (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:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before taxation	<b>94,422</b>	86,840
Taxation at applicable Singapore tax rate of 20%	<b>18,884</b>	17,368
Adjustments:		
Tax rate difference in subsidiaries	<b>472</b>	556
Tax effect of expenses not deductible for tax purposes	<b>529</b>	1,472
Tax effect of income not subject to tax	<b>(471)</b>	(1,480)
Tax rebates and exemptions	<b>(486)</b>	(965)
Utilisation of tax losses not recognised in previous years	<b>(529)</b>	(249)
Deferred income tax asset not recognised	<b>(15)</b>	290
Reversal of previous years' temporary differences	<b>(3,972)</b>	(3,553)
Reduction in deferred taxation resulting from reduction in tax rate	<b>-</b>	(965)
Others	<b>(28)</b>	(103)
Taxation expense	<b>14,384</b>	12,371

**10. Reserves and minority interests**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-distributable reserves</b>				
<i>Statutory reserve</i>				
Balance at beginning of financial year	<b>610</b>	515	-	-
Transferred from revenue reserve	<b>133</b>	95	-	-
Balance at end of financial year	<b>743</b>	610	-	-
<i>Share premium</i>				
Balance at beginning of financial year	<b>40,186</b>	38,998	<b>40,186</b>	38,998
Premium on exercise of share options	<b>764</b>	1,188	<b>764</b>	1,188
Balance at end of financial year	<b>40,950</b>	40,186	<b>40,950</b>	40,186
<i>Capital reserve</i>				
Balance at beginning and end of financial year	<b>17,267</b>	17,267	<b>38</b>	38

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***10. Reserves and minority interests (continued)**

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<i>Revaluation reserve</i>				
Balance at beginning of financial year	<b>16,569</b>	23,891	-	-
Surplus/(deficit) on revaluation of investment properties (Note 14)	<b>5,963</b>	(7,378)	-	-
Currency translation differences	<b>(3)</b>	56	-	-
Balance at end of financial year	<b>22,529</b>	16,569	-	-
<i>Fair value reserve</i>				
Balance at beginning of financial year				
- as previously reported	-	-	-	-
- effects of adoption of FRS 39 adjusted prospectively (Note 3.3(a))	<b>582,867</b>	-	<b>(157)</b>	-
As restated	<b>582,867</b>	-	<b>(157)</b>	-
Net fair value gains on available-for-sale financial assets (Note 17)	<b>88,191</b>	-	<b>(13)</b>	-
Currency translation differences (Note 17)	<b>72</b>	-	-	-
Tax on fair value gains on current available-for-sale financial assets (Note 25)	<b>(2,926)</b>	-	-	-
Balance at end of financial year	<b>668,204</b>	-	<b>(170)</b>	-
<i>Other reserve</i>				
Balance at beginning of financial year				
- as previously reported	-	-	-	-
- effects of adoption of FRS 102 adjusted retrospectively (Note 3.4)	<b>131</b>	-	<b>131</b>	-
As restated	<b>131</b>	-	<b>131</b>	-
Expensing of share options	<b>223</b>	-	<b>223</b>	-
Balance at end of financial year	<b>354</b>	-	<b>354</b>	-
Total non-distributable reserves	<b>750,047</b>	74,632	<b>41,172</b>	40,224

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 capital reserve relates to non-distributable profits arising from sale of long term investments according to certain subsidiaries' Articles of Association and share premium arising from issue of shares by certain subsidiaries.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***10. Reserves and minority interests (continued)**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Distributable reserves</b>				
<i>Revenue reserve</i>				
Balance at beginning of financial year				
– as previously reported	<b>313,094</b>	272,939	<b>69,288</b>	76,534
– effects of adoption of FRS 102 adjusted retrospectively (Note 3.4)	<b>(131)</b>	–	<b>(131)</b>	–
As restated	<b>312,963</b>	272,939	<b>69,157</b>	76,534
Transfer to statutory reserve	<b>(133)</b>	(95)	–	–
Profit attributable to shareholders, restated	<b>79,660</b>	73,385	<b>27,685</b>	25,889
Dividends paid (Note 11)	<b>(35,212)</b>	(33,135)	<b>(35,212)</b>	(33,135)
Balance at end of financial year	<b>357,278</b>	313,094	<b>61,630</b>	69,288
<i>Foreign currency translation reserve</i>				
Balance at beginning of financial year				
as previously reported	<b>(1,734)</b>	(1,033)	–	–
Net movement	<b>127</b>	(701)	–	–
Balance at end of financial year	<b>(1,607)</b>	(1,734)	–	–
Total distributable reserves	<b>355,671</b>	311,360	<b>61,630</b>	69,288
Total reserves	<b>1,105,718</b>	385,992	<b>102,802</b>	109,512
<b>Minority interests</b>				
Balance at beginning of financial year	<b>6,668</b>	5,131	–	–
Profit attributable to minority interests	<b>378</b>	1,215	–	–
Capital contribution	–	435	–	–
Currency translation differences	<b>(151)</b>	(113)	–	–
Balance at end of financial year	<b>6,895</b>	6,668	–	–

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***11. Dividends paid**

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Ordinary dividends paid:				
Final exempt (one-tier) 2004 dividend of 11 cents per share (2004: Final 2003 dividend of 11 cents per share comprising 4.9 cents less tax of 20% and 6.1 cents tax exempt one-tier)	<b>22,782</b>	20,720	<b>22,782</b>	20,720
Interim exempt (one-tier) 2005 dividend of 6 cents per share (2004: 6 cents)	<b>12,430</b>	12,415	<b>12,430</b>	12,415
	<b>35,212</b>	33,135	<b>35,212</b>	33,135
Dividend per share (net of tax)	<b>17.0 cts</b>	16.0 cts	<b>17.0 cts</b>	16.0 cts

The Directors recommend the payment of a final tax exempt one-tier dividend of 13 cents amounting to approximately \$26.9 million be paid for the financial year ended 31 December 2005. These financial statements do not reflect this dividend which will be accounted for in the shareholders' equity as an appropriation of revenue reserves in the financial year ending 31 December 2006.

**12. Earnings per share**

	The Group	
	2005 \$'000	2004 \$'000
Earnings for the financial year	<b>79,660</b>	73,254
	'000	'000
Weighted average number of ordinary shares for calculation of basic earnings per share	<b>207,109</b>	206,832
Dilution adjustment for share options	<b>84</b>	117
Adjusted weighted average number of shares for calculation of diluted earnings per share	<b>207,193</b>	206,949
<b>Earnings per share</b>		
Basic	<b>38.5 cts</b>	35.4 cts
Diluted	<b>38.4 cts</b>	35.4 cts

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***12. Earnings per share (continued)**

Basic earnings per share is calculated by dividing the earnings for the financial year by the weighted average number of ordinary shares in issue 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. A calculation is carried out to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

The effects of changes in accounting policies on the basic and diluted earnings per share are set out in Note 3.7 (b).

**13. Property, plant and equipment**

	Leasehold land and buildings \$'000	Plant, equipment, furniture and vehicles \$'000	Marine livestock \$'000	Total \$'000
<b>The Group</b>				
<b>Cost</b>				
At 1 January 2005	30,506	56,971	799	88,276
Currency translation differences	(229)	276	(2)	45
Additions	24	1,569	231	1,824
Disposals/write-offs	-	(7,543)	(207)	(7,750)
At 31 December 2005	<b>30,301</b>	<b>51,273</b>	<b>821</b>	<b>82,395</b>
<b>Accumulated Depreciation</b>				
At 1 January 2005	11,896	46,112	668	58,676
Currency translation differences	(22)	224	(1)	201
Charge for 2005	1,228	2,834	49	4,111
Disposals/write-offs	-	(6,562)	(76)	(6,638)
At 31 December 2005	<b>13,102</b>	<b>42,608</b>	<b>640</b>	<b>56,350</b>
<b>Net book value</b>				
At 31 December 2005	<b>17,199</b>	<b>8,665</b>	<b>181</b>	<b>26,045</b>

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***13. Property, plant and equipment (continued)**

	<b>Leasehold land and buildings \$'000</b>	<b>Plant, equipment, furniture and vehicles \$'000</b>	<b>Marine livestock \$'000</b>	<b>Total \$'000</b>
<b>The Group</b>				
<b>Cost</b>				
At 1 January 2004	30,674	57,166	928	88,768
Currency translation differences	(229)	(529)	(4)	(762)
Additions	116	1,905	129	2,150
Disposals/write-offs	(55)	(1,571)	(254)	(1,880)
At 31 December 2004	30,506	56,971	799	88,276
<b>Accumulated Depreciation</b>				
At 1 January 2004	10,708	45,075	640	56,423
Currency translation differences	(8)	(435)	–	(443)
Charge for 2004	1,251	2,975	112	4,338
Disposals/write-offs	(55)	(1,503)	(84)	(1,642)
At 31 December 2004	11,896	46,112	668	58,676
<b>Net book value</b>				
At 31 December 2004	18,610	10,859	131	29,600
				<b>Plant, equipment, furniture and vehicles \$'000</b>
<b>The Company</b>				
<b>Cost</b>				
At 1 January 2005				1,551
Additions				117
Disposals/write-offs				(39)
At 31 December 2005				<b>1,629</b>
<b>Accumulated Depreciation</b>				
At 1 January 2005				597
Charge for 2005				273
Disposals/write-offs				(34)
At 31 December 2005				<b>836</b>
<b>Net book value</b>				
At 31 December 2005				<b>793</b>

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***13. Property, plant and equipment (continued)**

	<b>Plant, equipment, furniture and vehicles \$'000</b>
<b>The Company</b>	
<b>Cost</b>	
At 1 January 2004	1,418
Additions	152
Disposals/write-offs	(19)
At 31 December 2004	<u>1,551</u>
<b>Accumulated Depreciation</b>	
At 1 January 2004	350
Charge for 2004	266
Disposals/write-offs	(19)
At 31 December 2004	<u>597</u>
<b>Net book value</b>	
At 31 December 2004	<u>954</u>

**14. Investment properties**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of the financial year	<b>124,433</b>	132,390
Currency translation differences	<b>387</b>	(645)
Improvements	<b>1,557</b>	66
Revaluation surplus/(deficit) (net) (Note 10)	<b>5,963</b>	(7,378)
At end of the financial year	<b><u>132,340</u></b>	<u>124,433</u>
At valuation:		
Freehold properties	<b>22,154</b>	16,621
Leasehold properties	<b>110,186</b>	107,812
	<b><u>132,340</u></b>	<u>124,433</u>

All investment properties of the Group are stated at Directors' valuation based on open market valuations at 31 December 2005 carried out by independent professional valuers. It is the intention of the Directors to hold the investment properties for long term.

Investment properties are leased to third parties under operating leases (Note 29).

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***14. Investment properties**

The details of the Group's investment properties are as follows:

<b>Investment properties</b>	<b>Description</b>	<b>Tenure of land</b>	<b>Independent valuer</b>	<b>Valuation date</b>
Haw Par Glass Tower 178 Clemenceau Avenue Singapore 239926	8-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	DTZ Debenham Tie Leung (SEA) Pte Ltd	31 December 2005
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	DTZ Debenham Tie Leung (SEA) Pte Ltd	31 December 2005
Setron Building 10 Dundee Road Singapore 149455	8-storey industrial building on a land area of 6,567 square metres. The lettable area is 11,763 square metres.	60-year lease from 1 November 1972	DTZ Debenham Tie Leung (SEA) Pte Ltd	31 December 2005
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 15,687 square metres.	99-year lease from 1 March 1963	DTZ Debenham Tie Leung (SEA) Pte Ltd	31 December 2005
Menara Haw Par Lot 242, Jalan Sultan Ismail, 50250 Kuala Lumpur Malaysia	32-storey office building on a land area of 2,321 square metres. The lettable area is 16,062 square metres.	Freehold	M Nawawi & Company	31 December 2005
Westlands Centre Units 1405-1407 Westlands Centre 20 Westlands Road Quarry Bay Hong Kong	3 units of office/ industrial space with a lettable area of 475 square metres.	999-year lease	DTZ Debenham Tie Leung (SEA) Pte Ltd	31 December 2005

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***15. Investment in subsidiaries**

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares:		
Unquoted, at written down cost	<b>347,607</b>	347,607
Allowance for impairment in value	<b>(25,290)</b>	(21,290)
	<b>322,317</b>	326,317

Details of subsidiaries are shown in Note 34.

**16. Investment in associated companies**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Equity investments, at cost	<b>39,757</b>	4,818	<b>4,818</b>	4,818
Share of post acquisition losses (net)	<b>(541)</b>	(850)	-	-
Allowance for impairment in value	<b>(1,320)</b>	(1,320)	<b>(1,923)</b>	(1,923)
Dividends received, net of tax	<b>(1,200)</b>	(1,200)	-	-
	<b>36,696</b>	1,448	<b>2,895</b>	2,895

Fair value of investment in a Hong Kong Stock Exchange listed associate of cost \$34,939,000 (2004: \$nil) is \$40,269,000 (2004: \$nil). This is based on its quoted closing price as at 30 December 2005 and the exchange rate of S\$1=HK\$4.66.

This investment has been accounted for on a cost basis in the Group's financial statements. Its results, which are regarded as not material to the Group, will be equity accounted for in the financial statements for the financial year ended 31 December 2005 of the subsidiary company which holds the investment when the information is available in March 2006.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***16. Investment in associated companies** (continued)

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	<b>1,448</b>	1,705	<b>2,895</b>	2,895
Acquisition of associated company	<b>34,939</b>	-	-	-
Share of profits	<b>309</b>	163	-	-
Dividends received	-	(420)	-	-
Balance at end of financial year	<b>36,696</b>	1,448	<b>2,895</b>	2,895

The summarised financial information of associated companies are as follows:

- Assets	<b>56,623</b>	5,527
- Liabilities	<b>(17,783)</b>	(2,830)
- Revenues	<b>20,522</b>	18,798
- Net profit	<b>309</b>	163

Share of associated companies' contingent liabilities incurred jointly with other investors

-	-
---	---

Contingent liabilities in which the Group is severally liable

-	-
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Investment in associated companies at 31 December 2005 include intangible assets valued at \$3,800,000 (2004: \$nil) and goodwill of \$812,000 (2004: \$nil).

Details of significant associated companies are included in Note 34.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

### 17. Available-for-sale financial assets

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at beginning of financial year				
- at cost	<b>394,413</b>	404,032	<b>4,085</b>	12,430
- effect of adoption of FRS 39 on 1 January 2005 (Note 3.3(a)(i))	<b>616,598</b>	-	<b>(157)</b>	-
As restated	<b>1,011,011</b>	404,032	<b>3,928</b>	12,430
Additions	<b>14,337</b>	-	-	-
Currency translation differences (Note 10)	<b>72</b>	(81)	-	-
Fair value gains transferred to equity (Note 10)	<b>88,191</b>	-	<b>(13)</b>	-
Capital reduction	-	(8,225)	-	(8,225)
Liquidation of investee companies	<b>(183)</b>	(239)	<b>(91)</b>	(120)
Allowance for diminution in value	-	(1,074)	-	-
Balance at end of financial year	<b>1,113,428</b>	394,413	<b>3,824</b>	4,085
Less: Non-current portion	<b>(846,834)</b>	(311,050)	<b>(3,824)</b>	(4,085)
Current portion	<b>266,594</b>	83,363	-	-

Current investments and long term investments as at 1 January 2004 and 31 December 2004 have been reclassified into "available-for-sale financial assets" so as to conform to the presentation adopted in 2005. Available-for-sale financial assets are measured in accordance with the accounting policy as set out in Note 2(j) only with effect from 1 January 2005.

	The Group			The Company		
	2005 \$'000	← 2004 → \$'000	\$'000	2005 \$'000	← 2004 → \$'000	\$'000
	At fair value	At fair value	At cost	At fair value	At fair value	At cost
Quoted investments	<b>1,109,446</b>	1,006,832	390,077	-	-	-
Unquoted investments	<b>3,982</b>	4,179	4,336	<b>3,824</b>	3,928	4,085
	<b>1,113,428</b>	1,011,011	394,413	<b>3,824</b>	3,928	4,085
Represented by:						
Current portion	<b>266,594</b>	245,870	83,363	-	-	-
Non-current portion	<b>846,834</b>	765,141	311,050	<b>3,824</b>	3,928	4,085
	<b>1,113,428</b>	1,011,011	394,413	<b>3,824</b>	3,928	4,085

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***18. Held-to-maturity financial assets**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Bonds with fixed interest of 3.21% (2004: 3.21%) and maturity date of 15 March 2006	<b>249</b>	249
Bonds matured on 18 April 2005 at fixed interest of 4.25%	-	402
	<b>249</b>	<b>651</b>

Long term investments as at 31 December 2004 were reclassified into 'available-for-sale financial assets' (non-current) and 'held-to-maturity financial assets' to conform to the presentation adopted in 2005 in accordance with FRS 39.

The effective interest rates for the bonds are as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Bonds with fixed interest and maturity date of 15 March 2006	<b>3.21</b>	3.21
Bonds with fixed interest and matured on 18 April 2005	-	4.25

The fair values are based on discounted cash flows using a market interest rate for an equivalent non-convertible bond as at the balance sheet date. The carrying amounts of the held-to-maturity financial assets approximate their fair values and are denominated in Singapore dollars.

**19. Intangible assets**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Goodwill on consolidation	<b>14,380</b>	14,380	-	-
Trademarks	-	-	-	-
Deferred expenditure	<b>48</b>	48	-	-
	<b>14,428</b>	<b>14,428</b>	-	-

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

### 19. Intangible assets (continued)

#### (a) Goodwill on consolidation

	The Group	
	2005	2004
	\$'000	\$'000
<b>Cost</b>		
Balance at beginning and end of financial year		
– as previously reported	15,744	15,744
– effect of adoption of FRS 103 (Note 3.5)	(1,364)	–
As restated	<u>14,380</u>	<u>15,744</u>
<b>Accumulated amortisation</b>		
Balance at beginning of financial year		
– as previously reported	1,364	577
– effect of adoption of FRS 103 (Note 3.5)	(1,364)	–
As restated	–	577
Amortisation	–	787
Balance at end of financial year	<u>–</u>	<u>1,364</u>
Net book value	<u>14,380</u>	<u>14,380</u>

#### *Impairment tests for goodwill*

The goodwill is allocated to the healthcare division of the Group, which is regarded as a cash-generating unit (“CGU”).

During the year, the Group determines that there is no impairment of its CGU containing goodwill. 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 twenty-year period.

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

Discount rate	6.27%
Growth rate	0.00%

These assumptions have been used for the analysis of the CGU. The discount rate used is post-tax and reflects specific risks relating to the healthcare division. Management determined a 0% growth rate on grounds of prudence.

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

### 19. Intangible assets (continued)

#### (b) Trademarks and deferred expenditure

	Trademarks \$'000	Deferred expenditure \$'000
<b>The Group</b>		
Balance at 1 January and 31 December 2005, net of accumulated amortisation	–	48
At 31 December 2005:		
Cost	3,200	1,248
Less: Accumulated amortisation	(3,200)	(1,200)
Net book value	–	48
<b>The Company</b>		
Balance at 1 January and 31 December 2005, net of accumulated amortisation		–
At 31 December 2005:		
Cost		2,000
Less: Accumulated amortisation		(2,000)
Net book value		–

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 subsidiary, the exclusive right to manufacture, distribute, market and sell “Tiger” and “Kwan Loong” products worldwide until 31 December 2012. These licensing arrangements are renewable upon expiry for a further period of 25 years on terms to be mutually agreed between the Licensors and HPH.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***20. Stocks**

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At cost</b>		
Trading stocks	<b>552</b>	461
<b>At net realisable value</b>		
Manufacturing stocks	<b>6,075</b>	5,226
Finished stocks	<b>3,078</b>	2,426
	<b>9,153</b>	7,652
<b>Total</b>	<b>9,705</b>	8,113

The cost of stocks recognised as expense and included in "Cost of sales" amounted to \$30,696,000 (2004: \$27,480,000) (Note 7).

During the year, the Group reversed \$172,000 (2004: \$206,000), part of an inventory write-down made in 2004, as the inventories were sold above the carrying amounts in 2005. The reversal has been included in "Cost of sales" in the consolidated income statement.

**21. Receivables**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	<b>15,664</b>	16,559	-	-
Allowance for impairment of receivables (Note 21(i))	<b>(391)</b>	(600)	-	-
Net trade receivables	<b>15,273</b>	15,959	-	-
Advances to subsidiaries	-	-	<b>193,169</b>	194,478
Other receivables (Note 21(ii))	<b>1,398</b>	1,285	<b>86</b>	79
	<b>1,398</b>	1,285	<b>193,255</b>	194,557
<b>Total</b>	<b>16,671</b>	17,244	<b>193,255</b>	194,557

Advances to subsidiaries are unsecured and are repayable on demand. Certain advances to subsidiaries bear interest at a range of 3.05% to 4.35% (2004: 1.60% to 2.30%) per annum. The carrying values of the advances approximate their fair values.

These advances are mainly non-trade in nature, except for royalty income receivable from a subsidiary, which is trade-related and the amount is not material.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***21. Receivables (continued)***(i) Allowance for impairment of receivables:*

	<b>The Group</b>			
	<b>Trade 2005 \$'000</b>	<b>Others 2005 \$'000</b>	<b>Trade 2004 \$'000</b>	<b>Others 2004 \$'000</b>
Balance at 1 January	600	-	627	-
Currency translation differences	-	-	(21)	-
Amounts utilised	-	-	(5)	-
Amounts written back	(209)	-	(7)	-
Charge to consolidated income statement	-	-	6	-
Balance at 31 December	<b>391</b>	-	600	-
Bad debts written off directly to consolidated income statement	<b>157</b>	-	6	-

Impairment loss on receivables recognised as an expense and included in "Sales and marketing" expenses amounted to \$3,000 (2004: \$nil)

*(ii) Other receivables:*

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 \$'000</b>	<b>2004 \$'000</b>	<b>2005 \$'000</b>	<b>2004 \$'000</b>
Sundry receivables, prepayments and deposits	1,360	1,264	63	79
Interest receivable on deposits	38	21	23	-
	<b>1,398</b>	1,285	<b>86</b>	79

The carrying amounts of current, sundry and interest receivables and other receivables approximate their fair values. Interest receivable on deposits is from a bank in which certain directors have interests.

**22. Cash and cash equivalents**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005 \$'000</b>	<b>2004 \$'000</b>	<b>2005 \$'000</b>	<b>2004 \$'000</b>
Short term bank deposits	29,597	34,897	16,508	5,005
Cash at bank and on hand	14,604	12,574	1,834	2,438
	<b>44,201</b>	47,471	<b>18,342</b>	7,443

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***22. Cash and cash equivalents** (continued)

The carrying amounts of cash and cash equivalents approximate their fair values.

Short term bank deposits and cash at bank include \$32,047,000 (2004: \$38,613,000) placed with a bank in which certain directors have interests.

Short term bank deposits have an average maturity of 1 to 3 months (2004: 1 to 3 months) from the end of the financial year. The weighted average effective interest rate of the short term bank deposits at year end is 2.30% (2004: 1.06%).

Cash and cash equivalents included in the consolidated cash flow statement comprised the following balance sheets amounts:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	<b>14,604</b>	12,574
Deposits with banks and financial institutions	<b>29,597</b>	34,897
Bank overdrafts - unsecured (Note 24)	<b>(105)</b>	(156)
	<b>44,096</b>	47,315

**23. Creditors**

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade creditors	<b>4,597</b>	5,828	-	-
Bills payable	<b>1,109</b>	430	-	-
Accrued advertisement and promotion expenses	<b>7,923</b>	5,771	-	-
Accrued interest expenses	-	32	-	-
Accrued construction costs	<b>1,079</b>	232	-	-
Sundry accruals	<b>5,536</b>	5,220	<b>1,299</b>	1,371
Other creditors	<b>3,079</b>	2,306	<b>169</b>	229
Rental deposits	<b>2,195</b>	2,279	-	-
Unclaimed dividends	<b>1,657</b>	1,594	<b>1,657</b>	1,566
Advances from subsidiaries	-	-	<b>227,148</b>	215,871
	<b>27,175</b>	23,692	<b>230,273</b>	219,037

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***23. Creditors (continued)**

The carrying values of the advances approximate their fair values. The carrying amounts of creditors approximate their fair values.

Trade creditors include \$1,339,000 (2004: \$1,718,000) payable to the minority shareholder of Haw Par Elder (India) Private Limited, a subsidiary of the Group.

Advances from subsidiaries are unsecured and are repayable on demand. Certain advances from subsidiaries bear interest at a range of 1.91% to 2.13% (2004: 0.66% to 1.31%) per annum.

These advances are mainly non-trade in nature.

**24. Loans and borrowings**

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Term loans (unsecured)	-	4,596	-	-
Bank overdrafts (unsecured)	<b>105</b>	156	-	-
	<b>105</b>	4,752	-	-

**(a) Interest rate risks**

The weighted average effective interest rates of the loans and borrowings at the balance sheet date are as follows:

	2005			2004		
	SGD %	MYR %	Others %	SGD %	MYR %	Others %
<b>The Group</b>						
Term loans	-	-	-	-	5.3	1.6
Bank overdrafts	-	<b>6.0</b>	-	-	7.0	-

**(b) Carrying amounts and fair values**

The carrying amounts of loans and borrowings approximate their fair values.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***25. Deferred income taxation**

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, determined after appropriate offsetting, are shown on the balance sheets as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred income tax assets				
– to be recovered within 12 months	<b>(215)</b>	(210)	<b>(7)</b>	(27)
Deferred income tax liabilities				
– to be settled within 12 months	<b>1,011</b>	241	<b>7</b>	8
– to be settled after more than 12 months	<b>37,794</b>	6,289	<b>141</b>	4,049
	<b>38,805</b>	6,530	<b>148</b>	4,057
	<b>38,590</b>	6,320	<b>141</b>	4,030

The movement in the deferred income tax account is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At beginning of financial year	<b>6,320</b>	10,817	<b>4,030</b>	6,674
Effect of changes in accounting policies	<b>33,731</b>	–	–	–
Currency translation differences	<b>(385)</b>	149	–	–
Effect of changes in tax rates (Note 9)	–	(965)	–	(607)
Tax charged to equity (Note 10)	<b>2,926</b>	–	–	–
Tax credited to consolidated income statement	<b>(4,002)</b>	(3,681)	<b>(3,889)</b>	(2,037)
At end of financial year	<b>38,590</b>	6,320	<b>141</b>	4,030

The effect of changes in accounting policies affecting deferred income taxation at beginning of the financial year is set out in Note 3.7 (a).

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***25. Deferred income taxation (continued)**

Deferred income taxation taken to equity (Note 10) during the financial year is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Fair value reserve (Note 10)	<b>2,926</b>	-	-	-

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 \$31.9 million (2004: \$35.9 million). These tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those corporations in their respective countries of incorporation. These tax losses have no expiry date.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

**The Group***Deferred income tax liabilities*

	Fair value	Accelerated	Accrued	Provision	Total
	gains	tax	interest	for tax on	
	\$'000	\$'000	receivable	unremitted	\$'000
		depreciation	on deposits	income	
			and		
			debentures		
			\$'000	\$'000	\$'000
At 1 January	-	1,769	843	3,918	6,530
Currency translation differences	-	(385)	-	-	(385)
Effect of changes in					
accounting policies	36,657	-	-	-	36,657
Credited to consolidated					
income statement	-	(79)	-	(3,918)	(3,997)
At 31 December 2005	<b>36,657</b>	<b>1,305</b>	<b>843</b>	<b>-</b>	<b>38,805</b>

*Deferred income tax assets*

	Provisions
	\$'000
At 1 January 2005	(210)
Credited to consolidated income statement	(5)
At 31 December 2005	<b>(215)</b>

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***25. Deferred income taxation (continued)****The Company***Deferred income tax liabilities*

	<b>Accelerated tax depreciation \$'000</b>	<b>Provision for tax on unremitted income \$'000</b>	<b>Total \$'000</b>
At 1 January 2005	139	3,918	4,057
Charged/(credited) to income statement	9	(3,918)	(3,909)
At 31 December 2005	148	–	148

*Deferred income tax assets*

	<b>Provisions \$'000</b>
At 1 January 2005	(27)
Charged to income statement	20
At 31 December 2005	(7)

**26. Share capital**

	<b>The Group and The Company</b>	
	<b>2005 \$'000</b>	<b>2004 \$'000</b>
(a) Authorised:		
300,000,000 ordinary shares of \$1.00 each	<b>300,000</b>	300,000
(b) Issued and fully paid:		
207,200,345 (2004: 206,949,345) ordinary shares of \$1.00 each		
Balance at beginning of financial year	<b>206,949</b>	206,516
Issued 251,000 (2004: 433,000) ordinary shares of \$1.00 each by virtue of exercise of share options (Note 30(c))	<b>251</b>	433
Balance at end of financial year	<b>207,200</b>	206,949

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.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***27. Related party transactions**

In addition to other related party information disclosed in the financial statements, the following transactions have been carried out between the Group and its related parties on commercial terms and at market rates during the financial year:

- (a) A bank in which certain directors have interests:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income earned from short term bank deposits	<b>407</b>	263
Interest expenses paid on bank loans and overdrafts	<b>(13)</b>	(933)
Fund management fees	<b>(1)</b>	(19)

- (b) Other related parties:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Purchase of stocks from Elder Health Care Limited	<b>2,574</b>	2,989

Elder Health Care Limited is a minority shareholder of Haw Par Elder (India) Private Limited.

- (c) Share options granted to key management

The aggregate number of shares comprised in options granted to the key management of the Group during the financial year is 221,000 (2004: 224,000). The share options have been granted on the same terms and conditions as those offered to the other employees of the Company (Note 30 (c)). The aggregate number of shares comprised in options granted to the key management of the Group outstanding as at the end of the financial year is 638,000 (2004: 598,000).

- (d) Key management's remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company do not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Key management of the Group:		
– directors of the Company	<b>1,425</b>	1,353
– directors of the subsidiaries	<b>1,018</b>	841
– others	<b>1,183</b>	1,163
	<b>3,626</b>	3,357

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***27. Related party transactions** (continued)

## (d) Key management's remuneration (continued)

Comprising the following:

	The Group	
	2005 \$'000	2004 \$'000
Salaries and other short-term employee benefits	3,375	3,129
Post-employment benefits - contribution to CPF	106	145
Share options granted	145	83
	<b>3,626</b>	<b>3,357</b>

**28. Contingent liabilities**

Contingent liabilities relating to guarantees and claims are:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
In respect of guarantees given to banks in connection with facilities granted to subsidiaries	-	-	289	4,932
In respect of other guarantees and claims	468	541	-	-
	<b>468</b>	<b>541</b>	<b>289</b>	<b>4,932</b>

**29. Commitments**

## (a) Capital commitments

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Capital commitments authorised and contracted but not provided for in the consolidated financial statements	812	101	-	-
Capital commitments authorised but not contracted and not provided for in the consolidated financial statements	514	199	-	-
	<b>1,326</b>	<b>300</b>	<b>-</b>	<b>-</b>

The capital commitments above relate to property, plant and equipment.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***29. Commitments** (continued)

## (b) Operating lease commitments

*As a lessee*

The Group leases certain offices, warehouses, and other premises under non-cancellable lease arrangements. Certain premises are further sub-leased to third parties under non-cancellable sub-lease agreements.

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease rental expense	<b>2,073</b>	2,271
Sub-lease rental income recognised in consolidated income statement	<b>(316)</b>	(348)

Future minimum rentals payable under non-cancellable leases as of 31 December are as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	<b>467</b>	1,367
Between one year and five years	<b>1,682</b>	2,378
After five years	<b>3,779</b>	3,574
	<b>5,928</b>	7,319

*As a lessor*

The Group owns certain investment properties, which are tenanted under non-cancellable lease arrangements.

Future minimum rentals receivable under non-cancellable leases as of 31 December are as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	<b>8,022</b>	8,181
Between one year and five years	<b>6,804</b>	6,596
	<b>14,826</b>	14,777

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***30. Employee benefits**

	<b>2005</b>	<b>2004</b>
(a) Number of employees at 31 December:		
– Group	<b>442</b>	470
– Company	<b>28</b>	27
	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
(b) Staff costs (including Executive Directors):		
– salaries, bonuses and other costs	<b>15,679</b>	15,093
– employer's contribution to Central Provident Fund and other defined contribution plans	<b>1,080</b>	1,214

Key management remuneration is disclosed in Note (27(d)).

- (c) The Company operates The Haw Par Corporation Group Executives' Share Option Scheme ("ESOS") and the Haw Par Corporation Group 2002 Share Option Scheme ("2002 Scheme"). The ESOS had expired on 17 April 2001 and has been replaced by the 2002 Scheme that has been approved by members of the Company on 22 May 2002. Options already granted under the ESOS remain exercisable until the end of the relevant options periods.

Both the ESOS and the 2002 Scheme grant non-transferable options to selected employees. The 2002 Scheme was extended to include the participation by the non-executive directors and the maximum life-span of exercising the options was also extended from 5 years to 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 under the 2002 Scheme.

The exercise price is equivalent to the average of the last dealt price for the share for five consecutive market days immediately before the offer date ("market price") at the time of grant and can be set at discounts of up to 20% to the market price under the 2002 Scheme.

During the year, 348,000 (2004: 339,000) shares options have been granted to qualifying employees on 19 May 2005 (2004: 18 May 2004), of which 36,000 (2004: 24,000) have been subsequently cancelled. The fair value of the options granted using the Trinomial valuation model is \$240,000 (2004: \$234,000). The significant inputs into the model are exercise price of \$5.11 (2004: \$4.80) at the grant date, standard deviation of expected share price returns of 19% (2004: 23%), 5-year option life and annual risk-free interest rate of 1.70% (2004: 0.60%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***30. Employee benefits (continued)**

Information with respect to share options granted under the Company's ESOS and the 2002 Scheme is as follows:

	<b>2005</b>	<b>2004</b>
<b>Under ESOS:</b>		
Outstanding at beginning of the year	<b>72,000</b>	240,000
Exercised	<b>(72,000)</b>	(168,000)
Outstanding at end of the year	<b>-</b>	72,000
Exercisable at end of the year	<b>-</b>	72,000
<b>Under 2002 Scheme:</b>		
Outstanding at beginning of the year	<b>683,000</b>	633,000
Granted	<b>348,000</b>	339,000
Cancelled	<b>(36,000)</b>	(24,000)
Exercised	<b>(179,000)</b>	(265,000)
Outstanding at end of the year	<b>816,000</b>	683,000
Exercisable at end of the year	<b>504,000</b>	368,000

**Details of share options granted during the financial year:**

Expiry date	<b>18.5.2010</b>	17.5.2009
Exercise price (set at prevailing market price)	<b>\$5.11</b>	\$4.80
Aggregate proceeds if shares are issued (\$'000)	<b>1,778</b>	1,627

**Details of share options exercised during the financial year:**

<b>Exercise period</b>	<b>Exercise price</b>	<b>Number exercised</b>	
		<b>2005</b>	<b>2004</b>
16.4.2000 - 15.1.2004	\$2.39	-	24,000
28.4.2001 - 27.1.2005	\$2.65	-	68,000
03.4.2002 - 02.1.2006	\$3.75	<b>72,000</b>	76,000
07.6.2003 - 06.6.2007	\$4.24	<b>34,000</b>	175,000
20.6.2004 - 19.6.2008	\$3.96	<b>114,000</b>	90,000
18.5.2005 - 17.5.2009	\$4.80	<b>31,000</b>	-
Total number of shares issued		<b>251,000</b>	433,000
Aggregate proceeds of shares issued (\$'000)		<b>1,015</b>	1,621

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***30. Employee benefits (continued)**

Terms of share options outstanding as at 31 December 2005:

<b>Exercise period</b>	<b>Exercise price</b>	<b>Number outstanding</b>	<b>Number exercisable</b>
<b>Under 2002 Scheme:</b>			
07.6.2003 - 06.6.2007	\$4.24	<b>104,000</b>	<b>104,000</b>
20.6.2005 - 19.6.2008	\$3.96	<b>116,000</b>	<b>116,000</b>
18.5.2005 - 17.5.2009	\$4.80	<b>284,000</b>	<b>284,000</b>
19.5.2006 - 18.5.2010	\$5.11	<b>312,000</b>	<b>-</b>
Total number of shares		<b>816,000</b>	<b>504,000</b>

**31. Financial risk management**

Financial risk management objectives and policies

*(a) Price risk*

The Group is exposed to price risk, including primarily changes in interest rates, currency exchange rates and market prices of securities, and uses certain derivatives and other measures to manage such risks.

*(1) Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's operations are financed by a mixture of retained profits and bank borrowings. Cash surpluses arising from operations, which are not redeployed as working capital, are invested in bank deposits and/or investments managed by professional fund managers.

The Group's earnings are affected by changes in interest rates due to the impact those changes have on its interest income from bank deposits and interest-bearing non-equity investments, and its interest expense from bank borrowings.

As at balance sheet date, except for minimal bank overdrafts, the Group has fully repaid its other bank borrowings.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **31. Financial risk management** (continued)

Financial risk management objectives and policies (continued)

(a) *Price risk* (continued)

(2) *Foreign currency risk*

The Group has foreign currency exposures, which arise from sales or purchases by subsidiaries in currencies other than their functional currency. Besides, the Group is also exposed to translational risks arising from its foreign currency denominated assets which are not significant.

The Group manages its foreign currency exposures by a policy of matching, as far as possible, by receipts and payments in each individual currency. The surplus of convertible currencies are either further matched with future foreign currency requirements or exchanged for Singapore dollars. The Group also has available forward contract facilities to hedge future foreign exchange exposure.

The foreign currency exposure of the Group's net investment in overseas subsidiaries is managed under the guidance of the Investment Committee. Certain assets are hedged through foreign currency loans and options to mitigate the exposure risk, where appropriate.

(3) *Market price risk*

The Group has substantial investments carried at fair value of \$1,113.4 million (2004: carried at cost of \$394.4 million) held in various forms of securities as of 31 December 2005 and have been accounted for in accordance with the accounting policy stated in Note 2(j).

The market price risk associated with these investments is the potential loss in fair value resulting from the decrease in market prices of securities.

The Group's investments are managed under the guidance of the Investment Committee.

(b) *Liquidity risk*

As at 31 December 2005, the Group has available cash and short term deposits totalling \$44.2 million (2004: \$47.5 million). In addition, the Group has available credit facilities of about \$282.1 million (2004: \$320.7 million).

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

## notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2005

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### 31. Financial risk management (continued)

Financial risk management objectives and policies (continued)

(c) *Credit risk*

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of 31 December 2005 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheets.

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.

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

### 32. New accounting standards and FRS interpretations and amendments

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Group's assessment of those standards and interpretations that are relevant to the Group is set out below.

(a) *FRS 21 The Effects of Changes in Foreign Exchange Rates*

The amendments to FRS 21 are effective for accounting periods beginning on or after 1 January 2006 and early adoption is recommended. The Group, as noted in Note 2(a), has early adopted this revised standard.

(b) *FRS 40 Investment Property*

The Group will adopt FRS 40 on 1 January 2007, which is the effective date of the standard.

Currently, investment properties are accounted for under FRS 25 Accounting for Investments as set out in Note 2(g). Under FRS 40, changes in fair values of investment properties are required to be included in the consolidated income statement. On transition to FRS 40 on 1 January 2007, the asset revaluation reserve within equity as at 31 December 2006 will be adjusted against the opening retained earnings at 1 January 2007; and correspondingly, for the comparative figures, the asset revaluation reserve within equity as at 31 December 2005 of \$22.5million will be adjusted against the opening retained earnings at 1 January 2006.

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **33. Segmental reporting**

#### *Primary reporting format – Business segments*

At 31 December 2005, the Group is organised into the following main business segments:

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

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets consist primarily of available-for-sale financial assets, investment properties, property, plant and equipment, intangible assets, inventories, receivables, bank deposits and cash and bank balances. Segment liabilities comprise operating liabilities and exclude tax assets and tax liabilities. Capital expenditure comprises additions to investment properties and property, plant and equipment.

#### *Secondary reporting format – geographical segments*

The Group's four business segments operate in three main geographical areas. In Singapore, where the Company is headquartered, the areas of operations are principally manufacturing, marketing and trading of healthcare products, provision of leisure-related services and property rental and investment in securities. The main activities in other Asia countries and Other countries relate mainly to the manufacturing, marketing and trading of healthcare products.

Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***33. Segmental reporting (continued)***(a) Primary reporting format – Business segments*

	<b>Healthcare products \$'000</b>	<b>Leisure products and services \$'000</b>	<b>Property rental \$'000</b>	<b>Corporate and investments \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Revenue and expenses</b>						
<b>2005</b>						
Sales to external customers	76,191	34,543	9,670	–	–	120,404
Inter-segment sales	–	–	267	–	(267)	–
Other income	61	305	723	59,132	–	60,221
Inter-segment other income	–	–	–	25,076	(25,076)	–
<b>Total revenue</b>	<b>76,252</b>	<b>34,848</b>	<b>10,660</b>	<b>84,208</b>	<b>(25,343)</b>	<b>180,625</b>
Segment results	17,058	17,132	5,495	82,936	(23,840)	98,781
Unallocated expenses						(4,576)
Profit from operations						94,205
Finance costs						(92)
Share of results of associated companies						309
Taxation						(14,384)
Minority interests						(378)
<b>Earnings for the financial year</b>						<b>79,660</b>
<b>Revenue and expenses</b>						
<b>2004</b>						
Sales to external customers	69,112	34,413	9,854	–	–	113,379
Inter-segment sales	–	–	272	–	(272)	–
Other income	–	153	649	56,251	–	57,053
Inter-segment other income	–	–	–	25,985	(25,985)	–
<b>Total revenue</b>	<b>69,112</b>	<b>34,566</b>	<b>10,775</b>	<b>82,236</b>	<b>(26,257)</b>	<b>170,432</b>
Segment results	15,617	16,333	5,743	79,729	(24,895)	92,527
Unallocated expenses						(4,642)
Profit from operations						87,885
Finance costs						(1,208)
Share of results of associated companies						163
Taxation						(12,371)
Minority interests						(1,215)
<b>Earnings for the financial year</b>						<b>73,254</b>

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***33. Segmental reporting** (continued)*(a) Primary reporting format – Business segments* (continued)

	<b>Healthcare products \$'000</b>	<b>Leisure products and services \$'000</b>	<b>Property rental \$'000</b>	<b>Corporate and investments \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Assets and liabilities</b>						
<b>2005</b>						
Segment assets	44,137	32,162	133,642	1,147,925	(799)	1,357,067
Inter-segment income generating assets	–	–	–	334,019	(334,019)	–
Investment in associated company	–	–	–	36,696	–	36,696
<b>Total assets</b>	<b>44,137</b>	<b>32,162</b>	<b>133,642</b>	<b>1,518,640</b>	<b>(334,818)</b>	<b>1,393,763</b>
Tax recoverable						1,655
Total assets per balance sheet						<b>1,395,418</b>
Segment liabilities	16,835	3,704	3,470	3,271	–	27,280
Taxation						9,735
Deferred income taxation						38,590
Total liabilities per balance sheet						<b>75,605</b>
<b>Assets and liabilities</b>						
<b>2004</b>						
Segment assets	41,130	30,365	126,994	438,725	(861)	636,353
Inter-segment income generating assets	–	–	–	337,900	(337,900)	–
Investment in associated company	–	–	–	1,448	–	1,448
<b>Total assets</b>	<b>41,130</b>	<b>30,365</b>	<b>126,994</b>	<b>778,073</b>	<b>(338,761)</b>	<b>637,801</b>
Tax recoverable						3,916
Total assets per balance sheet						<b>641,717</b>
Segment liabilities	13,645	3,912	6,440	4,447	–	28,444
Taxation						7,344
Deferred income taxation						6,320
Total liabilities per balance sheet						<b>42,108</b>

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***33. Segmental reporting** (continued)*(a) Primary reporting format – Business segments (continued)*

	<b>Healthcare products \$'000</b>	<b>Leisure products and services \$'000</b>	<b>Property rental \$'000</b>	<b>Corporate and investments \$'000</b>	<b>Eliminations \$'000</b>	<b>Consolidated \$'000</b>
<b>Other segment information</b>						
<b>2005</b>						
Capital expenditure	691	991	1,582	117	–	3,381
Depreciation	1,082	2,055	763	211	–	4,111
Amortisation	–	–	–	–	–	–
<b>Other segment information</b>						
<b>2004</b>						
Capital expenditure	1,017	886	161	152	–	2,216
Depreciation	961	2,323	850	204	–	4,338
Amortisation	–	–	–	787	–	787

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***33. Segmental reporting** (continued)*(b) Second reporting format – Geographical segments*

	Singapore \$'000	Other Asian countries \$'000	Other countries \$'000	Eliminations \$'000	Consolidated \$'000
<b>2005</b>					
Sales to external customers	51,385	42,658	26,361	–	120,404
Other income	59,949	272	–	–	60,221
Total revenue	111,334	42,930	26,361	–	180,625
Segment assets	1,334,076	59,687	–	–	1,393,763
Inter-segment income generating assets	34,474	–	–	(34,474)	–
Total segment assets	1,368,550	59,687	–	(34,474)	1,393,763
Capital expenditure	2,938	443	–	–	3,381
<b>2004</b>					
Sales to external customers	49,599	40,350	23,430	–	113,379
Other income	56,759	294	–	–	57,053
Total revenue	106,358	40,644	23,430	–	170,432
Segment assets	564,301	73,500	–	–	637,801
Inter-segment income generating assets	53,476	–	–	(53,476)	–
Total segment assets	617,777	73,500	–	(53,476)	637,801
Capital expenditure	1,895	321	–	–	2,216

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***34. Subsidiary and associated companies**

Subsidiaries	Country of incorporation	Principal activities	Cost to Company		Effective equity interest held by Group	
			2005 \$'000	2004 \$'000	2005 %	2004 %
<b>Leisure products and services</b>						
Haw Par Leisure Pte Ltd	Singapore	Investment holding	<b>58,391</b>	58,391	<b>100.0</b>	100.0
* Sports Services Ltd	Singapore	Investment holding	-	-	<b>100.0</b>	100.0
* Sovereign Marketing Pte Ltd	Singapore	Investment holding	-	-	<b>100.0</b>	100.0
* Underwater World International Pte Ltd	Singapore	Investment holding	-	-	<b>100.0</b>	100.0
* Underwater World Singapore Pte Ltd	Singapore	Owning and operating oceanariums	-	-	<b>100.0</b>	100.0
* Haw Par Recreation (Malaysia) Sdn. Bhd. +	Malaysia	Dormant	-	-	<b>100.0</b>	100.0
* S.M. Sports Sdn. Bhd.	Malaysia	Liquidated during the year	-	-	-	100.0
* Haw Par Recreational Investment Pte. Ltd.	Singapore	Dormant	-	-	<b>100.0</b>	100.0
* Haw Par Eng Aun Tong (Singapore) Pte Ltd	Singapore	Dormant	-	-	<b>100.0</b>	100.0
Underwater World Attractions Pte Ltd	Singapore	Investment holding	<b>200</b>	200	<b>100.0</b>	100.0
* Underwater World (Thailand) Ltd. +	Thailand	Investment holding	-	-	<b>49.0**</b>	49.0**
* Underwater World Pattaya Ltd +	Thailand	Owning and operating oceanariums	-	-	<b>46.6**</b>	46.6**

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***34. Subsidiary and associated companies (continued)**

Subsidiaries	Country of incorporation	Principal activities	Cost to Company		Effective equity interest held by Group	
			2005 \$'000	2004 \$'000	2005 %	2004 %
<b>Healthcare products</b>						
Haw Par Healthcare Limited	Singapore	Manufacturing, marketing and distributing healthcare products under licence	<b>56,575</b>	56,575	<b>100.0</b>	100.0
* Drug Houses of Australia (Asia) Private Limited	Singapore	Manufacturing, marketing and distributing pharmaceutical products	–	–	<b>100.0</b>	100.0
* Tiger Balm (Malaysia) Sdn. Bhd. +	Malaysia	Manufacturing, marketing and distributing pharmaceutical products	–	–	<b>100.0</b>	100.0
* Haw Par Tiger Balm (Thailand) Limited +	Thailand	Marketing and distributing pharmaceutical products	–	–	<b>49.0**</b>	49.0**
* Haw Par Tiger Balm (Philippines), Inc. ++	Philippines	Marketing and distributing pharmaceutical products	–	–	<b>100.0</b>	100.0
* HPH Property Sdn. Bhd. +	Malaysia	Dormant	–	–	<b>100.0</b>	100.0
* PT. Haw Par Healthcare ++	Indonesia	Import, export and distribution of pharmaceutical, health and consumer products	–	–	<b>100.0</b>	100.0
* Tiger Medicals (Taiwan) Limited ++	Taiwan	Marketing and distributing pharmaceutical products	–	–	<b>100.0</b>	100.0
* Xiamen Tiger Medicals Co., Ltd. ++	The People's Republic of China	Manufacturing, marketing and distributing pharmaceutical products	–	–	<b>100.0</b>	100.0
* PT Haw Par Healthcare Indonesia @	Indonesia	Under voluntary liquidation	–	–	<b>100.0</b>	100.0
* Tiger Balm Kabushiki Kaisha #	Japan	Liquidated during the year	–	–	–	60.0

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***34. Subsidiary and associated companies (continued)**

Subsidiaries	Country of incorporation	Principal activities	Cost to Company		Effective equity interest held by Group	
			2005 \$'000	2004 \$'000	2005 %	2004 %
* Haw Par Elder (India) Private Limited +	India	Marketing and distributing pharmaceutical products	-	-	<b>67.4</b>	67.4
* Drug Houses of Australia, Far East Sdn. Bhd. +	Malaysia	Dormant	-	-	<b>100.0</b>	100.0
* Kwan Loong Industries Sdn. Bhd. +	Malaysia	Dormant	-	-	<b>100.0</b>	100.0
* Kwan Loong Oils (HK) Limited +	Hong Kong	Dormant	-	-	<b>100.0</b>	100.0
<b>Property</b>						
Haw Par Properties (Singapore) Private Limited	Singapore	Property development including owning and letting properties	<b>2,561</b>	2,561	<b>100.0</b>	100.0
Haw Par Centre Private Ltd	Singapore	Owning and letting properties	-	-	<b>100.0</b>	100.0
* Sovereign Sports Limited +	Hong Kong	Owning and letting properties	-	-	<b>100.0</b>	100.0
Haw Par Land (Malaysia) Sdn. Bhd. +	Malaysia	Owning and letting properties	<b>217</b>	217	<b>100.0</b>	100.0
Setron Limited	Singapore	Property development including owning and letting properties	<b>40,746</b>	40,746	<b>100.0</b>	100.0
Haw Par Realty Private Limited	Singapore	Dormant	<b>2,827</b>	2,827	<b>100.0</b>	100.0

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***34. Subsidiary and associated companies (continued)**

Subsidiaries	Country of incorporation	Principal activities	Cost to Company		Effective equity interest held by Group	
			2005 \$'000	2004 \$'000	2005 %	2004 %
<b>Corporate office/Investment</b>						
Haw Par Equities Pte Ltd	Singapore	Investment holding and dealing in securities	<b>10,000</b>	10,000	<b>100.0</b>	100.0
Haw Par Securities (Private) Limited	Singapore	Investment holding and dealing in securities	<b>4,449</b>	4,449	<b>100.0</b>	100.0
Pickwick Securities Private Limited	Singapore	Investment holding	<b>21,000</b>	21,000	<b>100.0</b>	100.0
Haw Par Investment Holdings Private Limited	Singapore	Investment holding	<b>33,000</b>	33,000	<b>100.0</b>	100.0
* Haw Par International Limited +	Hong Kong	Investment holding and dealing in securities	-	-	<b>100.0</b>	100.0
* Haw Par Brothers International (H.K.) Limited +	Hong Kong	Investment holding	-	-	<b>100.0</b>	100.0
Haw Par Hong Kong Limited +	Hong Kong	Investment holding	<b>5</b>	5	<b>100.0</b>	100.0
* Haw Par (Channel Islands) Limited +	Channel Islands	Dormant	-	-	<b>100.0</b>	100.0
* Haw Par Tiger Balm (Hong Kong) Limited +	Hong Kong	Dormant	-	-	<b>100.0</b>	100.0
Haw Par Capital Pte Ltd	Singapore	Investment holding	<b>20,000</b>	20,000	<b>100.0</b>	100.0
Straits Maritime Leasing Private Limited	Singapore	Investment holding and dealing in securities	<b>84,567</b>	84,567	<b>100.0</b>	100.0
Edco Equity Pte Ltd	Singapore	Dormant	-	-	<b>100.0</b>	100.0

**notes to the FINANCIAL STATEMENTS***For the financial year ended 31 December 2005***34. Subsidiary and associated companies (continued)**

Subsidiaries	Country of incorporation	Principal activities	Cost to Company		Effective equity interest held by Group	
			2005 \$'000	2004 \$'000	2005 %	2004 %
M & G Maritime Services Pte Ltd	Singapore	Investment holding and dealing in securities	–	–	100.0	100.0
U S E Enterprises Pte Ltd	Singapore	Investment holding	5,691	5,691	100.0	100.0
Haw Par Trading Pte Ltd	Singapore	Investment holding and dealing in securities	6,380	6,380	100.0	100.0
Haw Par Countertrade Pte Ltd	Singapore	Dormant	500	500	100.0	100.0
Haw Par Pharmaceutical Holdings Pte. Ltd (formerly known as Haw Par Industries Private Limited)	Singapore	Investment holding	492	492	100.0	100.0
Haw Par Management (Phil.), Inc. ++	Philippines	Dormant	6	6	100.0	100.0
			<b>347,607</b>	<b>347,607</b>		
Associated companies	Country of incorporation	Principal activities	Cost to Company		Effective equity interest held by Group	
			2005 \$'000	2004 \$'000	2005 %	2004 %
UIC Technologies Pte Ltd	Singapore	Investment holding	4,818	4,818	40.0	40.0
* Hua Han Bio-Pharmaceutical Holdings Limited ++	Cayman Islands	Investment holding	–	–	21.1	–
			<b>4,818</b>	<b>4,818</b>		

## *n*otes to the FINANCIAL STATEMENTS

*For the financial year ended 31 December 2005*

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### **34. Subsidiary and associated companies (continued)**

#### Notes

- (i) Companies indicated with a (\*) are indirectly held by Haw Par Corporation Limited.
- (ii) Companies indicated with a (+) are audited by firms of PricewaterhouseCoopers outside Singapore.
- (iii) Companies indicated with a (++) are audited by other firms. These foreign- incorporated companies are not considered as significant foreign-incorporated subsidiaries and associates under the Singapore Exchange Listing Manual.
- (iv) The Group considers companies indicated with a (\*\*) as subsidiaries as the Group has the power to cast the majority of the votes at the board meetings.
- (v) All the above subsidiaries and associated companies operate in their respective countries of incorporation except Haw Par (Channel Islands) Limited and Hua Han Bio-Pharmaceutical Holdings Limited which operate in Hong Kong.
- (vi) No audit was performed on the company indicated with a (@) as it was under voluntary liquidation during the financial year.
- (vii) Company indicated with a (#) is not required to be audited under the laws of its country of incorporation.

### **35. Comparative figures**

Besides the changes arising from adoption of new/revised FRS and interpretations, certain comparative figures have been reclassified as well as restated so as to provide a proper comparison with current year's presentation.

### **36. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Haw Par Corporation Limited on 22 February 2006.

*calendar of* FINANCIAL EVENTS

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Announcement of 2005 1st quarter results	11 May 2005
Announcement of 2005 2nd quarter results	3 August 2005
Payment of 2005 first and interim dividend	31 August 2005
Announcement of 2005 3rd quarter results	9 November 2005
Announcement of 2005 full-year results	22 February 2006
Notice of Annual General Meeting	30 March 2006
Despatch of 2005 Summary Financial Report	30 March 2006
Despatch of 2005 Annual Report	11 April 2006
37th Annual General Meeting	26 April 2006
Proposed 2005 second and final dividend	
Books closure dates	15 to 16 May 2006
Payment date	31 May 2006

*m*anagement LISTING**Corporate Office****Wee Ee Lim**

President &  
Chief Executive Officer

**Chng Hwee Hong**

Executive Director

**Han Ah Kuan**

Executive Director

**Ong Sian Hin**

Group Financial Controller &  
Group Company Secretary

**Teo Thin Yien**

Group Internal Audit Manager

**Tarn Sien Hao**

General Manager  
(Corporate Development)

**Angeline Ng**

Human Resource Manager

**Evelynne Teo**

Legal Counsel

**Jezamine Lee**

Corporate Communications  
Manager

**Healthcare****Han Ah Kuan**

Director & General Manager,  
Haw Par Healthcare Limited

**Goh Bee Leong**

Director & General Manager,  
Drug Houses of Australia (Asia)  
Private Limited

**Jasmin Hong**

Deputy General Manager  
(Marketing),  
Haw Par Healthcare Limited

**William Lee**

Deputy General Manager  
(Manufacturing),  
Drug Houses of Australia (Asia)  
Private Limited

**Law Lan Hua**

Group Finance Manager,  
Haw Par Healthcare Limited

**Kow Mui Lick**

Quality Control Manager,  
Drug Houses of Australia (Asia)  
Private Limited

**Leck Ser Meng**

Procurement Manager,  
Haw Par Healthcare Limited

**Khor Tseh Jieng**

Legal Counsel,  
Haw Par Healthcare Limited

**Tai Voon San**

Plant Manager,  
Tiger Balm (Malaysia) Sdn Bhd

**Benson Lim Kok Chong**

Plant Manager,  
Xiamen Tiger Medicals Co Ltd

**Leisure****Chng Hwee Hong**

Director,  
Haw Par Leisure Pte Ltd

**Kwek Meng Tiam**

Director & General Manager,  
Underwater World Singapore Pte Ltd

**Jeffrey Mahon**

Curatorial Director,  
Underwater World Singapore Pte Ltd

**Betty Khoo**

Finance & Administration Manager,  
Underwater World Singapore Pte Ltd

**Susan Ang**

Assistant Director (Sales & Marketing),  
Underwater World Singapore Pte Ltd

**David Hong**

Director & General Manager,  
Underwater World Pattaya Ltd

**Thanormwan Pummarin**

Finance & Administration Manager,  
Underwater World Pattaya Ltd

**Wiboon Raksaree**

Assistant Curator,  
Underwater World Pattaya Ltd

**Chow Poh Soon**

General Manager,  
Chengdu Haw Par Oceanarium Co Ltd

**Property****Wong Fook Yuen**

Director & Property Manager,  
Haw Par Properties (Singapore) Pte Ltd

## 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

#### Drug Houses of Australia (Asia) Private Limited

2 Chia Ping Road #09-00  
 Haw Par Tiger Balm Building  
 Singapore 619968  
 Tel : 6265 2777  
 Fax : 6265 4703  
 Website : www.dha.com.sg

#### Tiger Balm (Malaysia) Sdn Bhd

PLO 95 No.6  
 Jalan Firma 1/1  
 Tebrau Industrial Estate  
 81100 Johor Bahru  
 Malaysia  
 Tel : 07 354 9616  
 Fax : 07 354 9630

#### Xiamen Tiger Medicals Co., Ltd

2/F No 17 Building,  
 Yi Bin Road,  
 Taiwan Industrial Estate,  
 Huli District, Zipcode 361006,  
 Xiamen  
 China  
 Tel : 86 592 562 0201  
 Fax : 86 592 562 0202

#### PT. Haw Par Healthcare

Plaza DM, 11th Floor  
 Suite 11-05  
 Jl Jend Sudirman Kav.25  
 Jakarta 12920  
 Indonesia

#### Haw Par Tiger Balm (Thailand) Limited

280 Charoenkrung  
 Kwaeng Samphanthawong,  
 Khet Samphanthawong,  
 Bangkok 10100  
 Thailand

#### Haw Par Tiger Balm (Philippines), Inc.

3rd Floor IDC Building  
 E Rodriguez Jr Avenue  
 Bo. Ugong Norte  
 Libis, Quezon City  
 Philippines

#### Haw Par Elder (India) Private Limited

C-9, Dalia Industrial Estate  
 Off Veera Desai Road  
 Andheri (W)  
 Mumbai 400058  
 India

#### Tiger Medicals (Taiwan) Ltd

5F, No. 410 Sec 5  
 Zhong Xiao E. Road  
 Taipei City 11061  
 Taiwan  
 ROC

## group OFFICES

### Leisure

#### Haw Par Leisure Pte Ltd

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

#### Underwater World Singapore Pte Ltd

80 Siloso Road, Sentosa  
Singapore 098969  
Tel : 6275 0030  
Fax : 6275 0036  
Email : [uwspl@underwaterworld.com.sg](mailto:uwspl@underwaterworld.com.sg)  
Website : [www.underwaterworld.com.sg](http://www.underwaterworld.com.sg)

#### Haw Par Recreation (M) Sdn Bhd

9th Floor, Menara Haw Par  
Lot 242 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Tel : 03-2070 4799  
Fax : 03-2070 2788

#### Underwater World Pattaya Ltd

22/22 Moo 11,  
Sukhumvit Road,  
Nongprue, Banglamung,  
Chonburi 20260  
Thailand  
Tel : 66-3875 6879  
Fax : 66-3875 6977

### Property & Investments

#### Haw Par Properties (Singapore) Private Limited

#### Haw Par Securities (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  
Lot 242, Jalan Sultan Ismail  
50250, Kuala Lumpur  
Malaysia  
Tel : 03-2070 1855  
Fax : 03-2070 6078

#### Haw Par International Limited

Units 1607-1614  
16F Cosco Tower  
183 Queen's Road  
Tel : 852-2820 9178  
Fax : 852-2810 5506

## major products and SERVICES

### Healthcare Products

#### Tiger Brand Products

Tiger Balm,  
Tiger Balm Soft,  
Tiger Balm Medicated Plaster,  
Tiger Indomethacin Plaster,  
Tiger Balm Muscle Rub,  
Tiger Balm Liniment,  
Balashin Sai,  
Tiger Balm Headache Cure,  
Tiger Mosquito Repellent,  
Tiger Balm Arthritis Rub,  
Tiger Balm Joint Rub,  
Tiger Balm Muscle Spray,  
Tiger Balm Refresher,  
Tiger Balm Neck & Shoulder Rub

#### Kwan Loong Brand Products

Kwan Loong Medicated Oil,  
Kwan Loong Refresher

### Ethical Products

#### Analgesics & Antipyretics

Bifen, Dhamol, Pacofen, Picapan,  
Difenac, Napan, Soden

#### Anti-Spasmodics

Dhacopan

#### Antacids & Anti-Ulcerants

Cementin, Dhalumag, Famotin,  
Magsil, Ulcertec, Zendhin

#### Anti-Diarrhoeals

Dhamotil, Kaolin & Pectin,  
Loperamil

#### Anti-Asthmatics

Dhatalin, Dhatifen, Zenmolin

#### Antibiotics

Aroxin, Cloxcin, Dhacillin,  
DHA-Clarithromycin, Dhatracin,  
Dhatrin, Erythro, Trizine,  
Wanmycin

#### Anti-Fungals

Grisuvin, DHA-Ketozone

#### Anti-Virals

Zoral

#### Gout Preparation

Allopurinol

#### Anti-Diabetics

Glibenclamide, Glipizide,  
Metformin, Tolbutamide

#### Anti-Platelet

Tipidin

#### Anti-Hyperlipidaemic

DHA-Simvastatin

#### Anti-Hypertensives

Cardium, Hypernol, Inpanol

#### Diuretics

Frusemide, Hydrochlorothiazide

#### Anti-Thyroid

Propylthiouracil

#### Anti-Parkinsonism

Cardopar

#### Anti-Emetics

Dhaperazine, Dimenate,  
Doridone, Metoclopramide

#### Anti-Histamines &

#### Anti-Allergics

Allertyn, Chlormine,  
Chlorpheniramine, Rhiniramine

#### Anti-Infectives with

#### Corticosteroids

Conazole

#### Corticosteroid Creams/ Oral Preparations

Betasone, Dermacort,  
Dhabesol, Dhacort, Dhasolone

#### Dermatologicals

Regro (hair growth lotion),  
Dhalgesic Rub, Kleencare

#### Cold Preparations

Fedac, Dhacold, Paradrine

#### Cough Preparations

Colinctus, Decofam,  
Decosyn, Dhacodine,  
Dhasedyl, Dhasedyl DM,  
Fedac Compound, Procodin,  
Phenexpect, Phenexpect CD,  
Promethazine, Vasican

#### Vitamins, Minerals & Supplements

Calcium Lactate, DHA-Cal  
500+D, DHA-Ginkgo Biloba,  
Energyn-T, Ferrous Fumarate,  
Folic Acid, Glucosamine  
Sulphate, Natural Vitamin E,  
Vitamin B Complex, Vitamin B  
Forte, Vitamin C, Vorange

#### Mouth/Throat Preparations

Dequalinium, Glycerin Thymol  
Gargle, Pharynx

#### Laxatives

Dhactulose, Liquid Paraffin

#### Rehydration Salts

Oral Rehydration Salts,  
Repalyte

## major products and SERVICES

### Leisure Facilities

#### Oceanariums

##### Underwater World Singapore\*

##### Dolphin Lagoon

80 Siloso Road,  
Sentosa

Singapore 098969

– aquarium building leasehold

Unexpired term: 12 years

##### Underwater World

##### Pattaya Ltd\*

22/22 Moo 11,

Sukhumvit Road,

Nongprue, Banglamung,

Chonburi 20260

Thailand

– aquarium building leasehold

Unexpired term: 16 years

##### Chengdu Haw Par

##### Oceanarium Co Ltd#

Bridge No.1

Hong Xing Bei Lu

Chenghua District

Chengdu, Sichuan Province

P.R. China

### Properties

#### Haw Par Centre

180 Clemenceau Avenue

Singapore 239922

– commercial building

six-storey leasehold

Unexpired term: 46 years

#### Haw Par Glass Tower

178 Clemenceau Avenue

Singapore 239926

– commercial building

eight-storey leasehold

Unexpired term: 64 years

#### Haw Par Technocentre

401 Commonwealth Drive

Singapore 149598

– industrial building

seven-storey leasehold

Unexpired term: 57 years

#### Haw Par Tiger Balm

##### Building\*

2 Chia Ping Road

Singapore 619968

– industrial building

nine-storey leasehold

Unexpired term: 24 years

#### Menara Haw Par

Lot 242, Jalan Sultan Ismail

50250 Kuala Lumpur,

Malaysia

– commercial building

thirty-two storey freehold

#### Setron Building

10 Dundee Road

Singapore 149455

– industrial building

eight-storey leasehold

Unexpired term: 27 years

#### Westlands Centre

Unit 1405-1407

Westlands Centre

20 Westlands Road

Quarry Bay, Hong Kong

– office & industrial units

999-year lease

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

# Under construction.

*information on SHAREHOLDINGS*

As at 2 March 2006

**ANALYSIS OF SHAREHOLDINGS**

Number of shares issued	: 207,264,345
Class of shares	: Ordinary share
Voting rights	: One vote per share

<b>Range of Shareholdings</b>	<b>No. of Shareholders</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
1 - 999	19,157	77.66	2,365,531	1.14
1,000 - 10,000	4,808	19.49	13,540,374	6.53
10,001 - 1,000,000	688	2.79	30,818,592	14.87
1,000,001 and above	14	0.06	160,539,848	77.46
Total:	24,667	100.00	207,264,345	100.00

**TWENTY LARGEST SHAREHOLDERS**

<b>No.</b>	<b>Name</b>	<b>No. of Shares</b>	<b>%</b>
1	DBS Nominees Pte Ltd	45,847,728	22.12
2	Wee Investments Private Limited	38,590,504	18.62
3	Tye Hua Nominees (Pte) Ltd	20,644,734	9.96
4	Raffles Nominees Pte Ltd	12,449,182	6.01
5	UOB Kay Hian Pte Ltd	11,272,134	5.44
6	United Overseas Bank Nominees Pte Ltd	6,881,913	3.32
7	HSBC (Singapore) Nominees Pte Ltd	5,027,846	2.43
8	Citibank Nominees Singapore Pte Ltd	4,171,938	2.01
9	United Overseas Insurance Limited - SHF	3,993,000	1.93
10	Chip Lian Investments Pte Ltd	3,432,000	1.66
11	Wah Hin & Co Pte Ltd	3,320,596	1.60
12	Overseas Union Enterprise Limited	1,976,195	0.95
13	C. Y. Wee & Co Pte Ltd	1,493,771	0.72
14	Ho Sim Guan	1,461,000	0.70
15	Wee Cho Yaw	972,583	0.47
16	Morph Investments Ltd	830,717	0.40
17	Overseas Union Bank Nominees Pte Ltd	823,517	0.40
18	Philip Securities Pte Ltd	802,725	0.39
19	How Kok Kooi	522,000	0.25
20	OCBC Nominees Singapore Pte Ltd	500,503	0.24
Total:		165,014,586	79.62

**FREE FLOAT**

Based on the information available to the Company as at 2 March 2006, approximately 40% 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.

*information on SHAREHOLDINGS*

As at 2 March 2006

**SUBSTANTIAL SHAREHOLDERS**

Name	Direct Interest	Deemed Interest	Total Interest	%	
	No. of shares	No. of shares	No. of shares		
Wee Cho Yaw	993,067	53,769,963	54,763,030	26.42	(1), (2), (3)
Wee Ee Cheong	117,143	51,109,036	51,226,179	24.71	(1), (2), (4)
Wee Ee Lim	397,448	49,584,405	49,981,853	24.11	(1)
Wee Ee Chao	12,570	49,705,267	49,717,837	23.99	(1), (5)
Wee Investments Private Limited	38,590,504	-	38,590,504	18.62	
United Overseas Bank Limited	-	27,547,757	27,547,757	13.29	(7)
Peter Cundill & Associates (Bermuda) Ltd	-	21,644,000	21,644,000	10.44	(8)
Arnhold and S.Bleichroeder Advisers, LLC	-	21,519,850	21,519,850	10.38	(9)
Supreme Island Corporation	10,986,910	-	10,986,910	5.30	

## Notes:

- (1) Messrs Wee Cho Yaw, Wee Ee Cheong, Wee Ee Lim and Wee Ee Chao are deemed to have an interest 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) Mr Wee Cho Yaw is deemed to have an interest in the shares held by United Overseas Land 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 and KIP Investment Holdings Pte Ltd.
- (6) Kheng Leong Co Pte Ltd, C.Y. Wee & Co Pte Ltd, United Overseas Land Limited, E.C. Wee Pte Ltd, Protheus Investment Holdings Pte Ltd and KIP Investment Holdings Pte Ltd are not substantial shareholders of the Company.
- (7) United Overseas Bank Limited is deemed to have an interest in the 20,644,734 shares held by Tye Hua Nominees (Pte) Limited. It is also deemed to have an interest in the shares held by the following parties who are not substantial shareholders of the Company:
  - a. Overseas Union Bank Nominees Pte Ltd  
- Beneficiary is Overseas Union Facilities (Pte) Ltd
  - b. Overseas Union Enterprise Limited
  - c. United Overseas Insurance Limited - SHF
  - d. Unit Trust Funds managed by UOB Asset Management Ltd
  - e. Overseas Union Insurance Limited  
- Beneficiary is Singapore Insurance Fund  
- Beneficiary is Offshore Insurance Fund
  - f. Client Portfolio managed by UOB Asset Management Ltd
- (8) Peter Cundill & Associates (Bermuda) Ltd holds the shares in its capacity as investment counsel on behalf of its advisory accounts. One of the accounts, Mackenzie Cundill Value Fund holds 17,378,000 shares, amounting to a shareholding of 8.38%.
- (9) Arnhold and S.Bleichroeder Advisers, LLC is an U.S. investment adviser, holding the shares on behalf of its clients.

**HAW PAR CORPORATION LIMITED**  
(Company Registration Number: 196900437M)

## *n*otice of ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Company will be held at 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 26 April 2006 at 3.00 p.m. to transact the following business:

### **As Ordinary Business**

**Resolution 1** To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2005 together with the Auditors' Report thereon.

**Resolution 2** To declare a Second and Final Tax-Exempt (One-Tier) Dividend of 13 cents per share for the financial year ended 31 December 2005.

To re-appoint the following Directors, who are retiring pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office until the next Annual General Meeting of the Company:

**Resolution 3** Mr Lim Kee Ming

**Resolution 4** Mr Wee Cho Yaw

Mr Wee Cho Yaw will, upon re-appointment, continue as chairman of the Investment Committee and a member of the Nominating Committee and Remuneration Committee of the Company.

**Resolution 5** Dr Lee Suan Yew

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

**Resolution 6** Mr Hwang Soo Jin

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

To re-elect the following Directors, who are retiring by rotation pursuant to Article 98 of the Company's Articles of Association:

**Resolution 7** Mr Wee Ee Chao

**Resolution 8** Mr Chng Hwee Hong

Mr Chng Hwee Hong will, upon re-election, continue as a member of the Investment Committee.

**Resolution 9** To approve Directors' fees of \$223,700 for the financial year ended 31 December 2005 (2004: \$227,000).

**Resolution 10** To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

**HAW PAR CORPORATION LIMITED**  
(Company Registration Number: 196900437M)

## *n*otice of ANNUAL GENERAL MEETING

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### **As Special Business**

To consider and, if thought fit, pass the following ordinary resolutions:

**Resolution 11** “That approval be and is hereby given to the Directors to offer and grant options in accordance with the rules of the Haw Par Corporation Group 2002 Share Option Scheme (“2002 Scheme”), and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the 2002 Scheme provided always that the aggregate number of shares to be issued pursuant to this resolution shall not exceed fifteen per cent (15%) of the issued share capital of the Company from time to time.”

**Resolution 12** “That pursuant to Section 161 of the Companies Act, Cap. 50, the Articles of Association of the Company and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors to issue shares in the Company (whether by way of rights, bonus or otherwise) 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 provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to members of the Company shall not exceed twenty per cent (20%) of the issued share capital of the Company, and for the purposes of this resolution, the issued share capital shall be the Company’s issued share capital at the time this resolution is passed after adjusting for new shares arising from the conversion of share options on issue at the time this resolution is passed, and any subsequent consolidation or subdivision of the Company’s shares.”

### **Notice Of Closure Of Books**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed from 15 to 16 May 2006, both dates inclusive.

Duly completed transfers received in respect of the shares of the Company by the Company’s Share Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315 up to 5.00 p.m. on 11 May 2006 will be registered to determine members’ entitlement to the proposed Second and Final dividend. Members whose securities accounts with The Central Depository (Pte) Ltd which are credited with shares of the Company as at 5.00 p.m. on 11 May 2006 will be entitled to such proposed dividend.

The proposed Second and Final dividend, if approved by members, will be payable on 31 May 2006.

By Order of the Board

**Ong Sian Hin**  
Company Secretary

**Singapore**  
30 March 2006

**HAW PAR CORPORATION LIMITED**  
(Company Registration Number: 196900437M)

## *n*otice of ANNUAL GENERAL MEETING

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### **Notes to Resolutions 2, 3, 4, 5, 6, 7, 8, 11 and 12**

**Resolution 2** Together with the interim tax-exempt (one-tier) dividend of 6 cents per share paid on 31 August 2005 and subject to shareholders' approval on the second and final tax-exempt (one-tier) dividend of 13 cents per share, the total tax-exempt (one-tier) dividend for the financial year ended 31 December 2005 would be 19 cents per share. (2004: 17 cents tax-exempt (one-tier)).

**Resolutions 3 to 8** Further information on the Directors can be found in the Board of Directors section of this Annual Report.

**Resolution 11** is to empower the Directors to allot and issue shares pursuant to the Haw Par Corporation Group 2002 Share Option Scheme ("2002 Scheme") which was approved at the Extraordinary General Meeting of the Company on 22 May 2002. A copy of the Rules of the 2002 Scheme is available for inspection by members during normal business hours at the registered office of the Company at 401 Commonwealth Drive, #03-03 Haw Par Technocentre, Singapore 149598.

**Resolution 12** is to empower the Directors to issue shares in the Company, subject to the limits contained in the resolution. Unless revoked or varied by the Company in general meetings, such authority shall remain in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. The Directors would only issue shares under this resolution where they consider it appropriate and in the interest of the Company to do so.

### **Notes:**

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or two proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
- (2) To be effective, the Proxy Form must be deposited at the registered office of the Company at 401 Commonwealth Drive, #03-03 Haw Par Technocentre, Singapore 149598, not less than 48 hours before the time set for holding the meeting.

# Proxy Form



## HAW PAR CORPORATION LIMITED

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

## THIRTY-SEVENTH ANNUAL GENERAL MEETING

(Before completing this form, please read the notes behind.)

### Important

1. For investors who have used their CPF monies to buy shares of Haw Par Corporation Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPFIS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPFIS investors who wish to vote should contact their CPF Approved Nominees.

Number of shares held

*Scrip-based*

*Scripless*

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

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

being a member/members of the Company, hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)
(a)			

And/or (delete as appropriate)

(b)			
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as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held on Wednesday, 26 April 2006 at 3.00 p.m. and at any adjournment thereof.

**(Please indicate with a "X" in the spaces provided whether you wish your votes to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, your proxy/proxies may vote or abstain as he/they may think fit.)**

NO.	RESOLUTION	FOR	AGAINST
<b>Ordinary Business</b>			
1	Adoption of Financial Statements and Reports of the Directors and Auditors		
2	Declaration of Second and Final Dividend		
3	Re-appointment of Mr Lim Kee Ming		
4	Re-appointment of Mr Wee Cho Yaw		
5	Re-appointment of Dr Lee Suan Yew		
6	Re-appointment of Mr Hwang Soo Jin		
7	Re-election of Mr Wee Ee Chao		
8	Re-election of Mr Chng Hwee Hong		
9	Approval of Directors' fees		
10	Re-appointment of PricewaterhouseCoopers as Auditors		
<b>Special Business</b>			
11	Authority to issue shares (Share Options)		
12	Authority to issue shares (General)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ year

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

**Notes:**

1. Please insert at the top right hand corner of this Proxy Form the number of scrip-based shares in the Company registered in your name in the Register of Members and the number of scripless shares in the Company entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") in respect of the shares in your securities account with CDP. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or two proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. A member is not entitled to appoint more than two proxies to attend and vote on his/her behalf. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The sending of a Proxy Form by a shareholder does not preclude him/her from attending and voting in person at the Annual General Meeting if he/she finds that he/she is able to do so. In such event, the relevant Proxy Form will be deemed to be revoked.
5. To be effective, this Proxy Form must be deposited at the registered office of the Company at 401 Commonwealth Drive, #03-03 Haw Par Technocentre, Singapore 149598, not less than 48 hours before the time set for holding the meeting.
6. This Proxy Form must be signed by the appointor or by his/her attorney. In the case of a corporation, this form must be executed under its common seal or signed by its duly authorised attorney or officer. In the case of joint holders, all holders must sign this form.
7. Any alteration made in this Proxy Form should be initialled by the person who signs it.
8. The Company shall be entitled to reject this Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor is not ascertainable from the instructions of the appointor specified in the form. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have the corresponding number of shares in the Company entered against their names in the Depository Register as at 48 hours before the time set for holding the meeting or the adjourned meeting, as appropriate.
9. Agent banks acting on the requests of the CPFIS investors who wish to attend the Annual General Meeting as observers are requested to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company's Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315, not less than 48 hours before the time set for holding the meeting.



## Haw Par Corporation Limited

(Company Registration Number: 196900437M)

(Incorporated in the Republic of Singapore)

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

Tel: 6337 9102 Fax: 6336 9232 Website: [www.hawpar.com](http://www.hawpar.com)