



**HAW PAR CORPORATION LIMITED**

(Company Registration Number: 196900437M)

(Incorporated in the Republic of Singapore)

**ANNUAL GENERAL MEETING (AGM) TO BE HELD ON 10 JUNE 2020  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS  
RAISED BY SHAREHOLDERS**

Haw Par Corporation Limited (**Haw Par** or the **Company**) refers to the announcement of 20 May 2020 on the notice of AGM, the invitation to the shareholders to submit questions in advance of the AGM. The Company thanks shareholders for the questions submitted.

The Appendix sets out the Company's responses to the questions received from the shareholders that are relevant to the AGM resolutions and the business of the Company.

By Order of the Board

Lee Kay Swee  
Company Secretary  
3 June 2020

Appendix

TOPIC	No.	Question	Response
Healthcare	1.	<p>Healthcare's operating profit decreased 3% to \$74.8 million due to higher production costs.</p> <p>Can management help shareholders understand the underlying reasons for the higher production costs?</p>	<p>Higher production costs are mainly due to higher cost of raw materials. Cost of raw materials appears to have stabilised.</p>
Healthcare	2.	<p>The Healthcare segment is driving growth through new products and increasing consumer awareness and reach (Annual Report 2019 page 18 – Healthcare operations review).</p> <p>What is the average time to develop a new product? How does management innovate and decide on the new products to be launched?</p>	<p>Product development is an important part of the business and we pay particular attention to the introduction of new products in markets.</p> <p>It takes an average time of 2 to 3 years to develop a new product. However, the duration varies as strict regulatory requirements may lengthen the time needed for entry of new products to certain markets.</p>
Healthcare	3.	<p>What are the 5 largest markets by country? How much of Tiger Balm sales are from Hong Kong?</p>	<p>Information on Tiger Balm's sales by region can be found in page 33 of our Annual Report 2019. Haw Par's focus is on other Asia and the ASEAN countries. For confidentiality reasons, the Company is unable to disclose the sales of individual countries.</p>
Healthcare	4.	<p>Can management share how much of Healthcare division sales is derived from tourism related industry?</p>	<p>Tourist trade is an important part of our business.</p>
Healthcare	5.	<p>How much of the increase in revenue was generated by the Group's new ecommerce channel (JD.com)?</p>	<p>This is not a significant part of the business.</p>
Property	6.	<p>The Group has the bulk of its capital allocated to its strategic investments which have a fair value of \$2.57 billion as at 31 December 2019.</p> <p>In the Group's Property division, the Group holds three leasehold industrial/commercial buildings in Singapore, and a 32-storey freehold office building in Kuala Lumpur, Malaysia. The valuation of investment properties adds up to \$217.7 million as at 31 December 2019.</p>	

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Property (continue from Question No. 6)		<p>Rental income decreased from \$17.0 million to \$15.5 million. As disclosed on page 25, the occupancy rates at Haw Par Technocentre and Haw Par Glass Tower were almost 100% while the occupancy rate of Haw Par Centre was at about 60%.</p> <p>In FY2019, the Group had also invested \$2.2 million in improvements for its investment properties.</p> <p>Can management elaborate further on the strategic direction of its Property division? Specifically, are there plans to scale up the portfolio into a more meaningful contributor of revenue and profit for the Group?</p>	Property investment is not the Group's area of focus. Nonetheless, the Group continues to invest in improvements for its investment properties to remain competitive.
Property	7.	Has management been able to fill up the vacant spaces at Haw Par Centre since FY2019?	Occupancy at Haw Par Centre has improved before the Circuit Breaker period.
Property	8.	Similarly, even with the improvement of the frontage and lobby, the occupancy rate at Menara Haw Par has fluctuated between 65% and 68% in the last 4 years. What were management's efforts to improve the occupancy rate at Menara Haw Par? What is the strategic value of the building to the Group?	Improvements have been done periodically to maintain Menara Haw Par's competitiveness with newer office buildings amid the oversupply situation in the Kuala Lumpur office market. The property continues to contribute positive cash flow from operations to the Group.
Investments	9.	Can you give us a breakdown of your investment business which is the largest asset in Haw Par?	Strategic investments are mainly in equity securities of United Overseas Bank Limited and UOL Group Limited. More information can be found in our Annual Report 2019 pages 24 and 89.
Investments	10.	Does the management intend to acquire additional listed investments to diversify the strategic investment portfolio?	The Group takes a long term view on our investments. We have invested in other investments to diversify our investment portfolio.
Dividends	11.	What is the current dividend policy of the Group? Are there plans to increase the dividend payout?	The Company had been paying dividend consistently and has improved the dividend payout over the years. We have just given out a special dividend of 85 cents one year ago to mark our 50 <sup>th</sup> Anniversary.



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TOPIC	No.	Question	Response
<b>Board Matters</b>	12.	<p>Mr Han Ah Kuan who is in charge of the Group's Healthcare business will retire as an executive director at the Annual General Meeting and will retain his executive role at Haw Par Healthcare Limited until his actual retirement date on or around 30 June 2020.</p> <p>Can management elaborate further on the succession plans for the Healthcare segment?</p>	<p>Mr Han Ah Kuan's responsibilities will be taken over by various senior management within the Healthcare division.</p>
<b>Board Matters</b>	13.	<p>Has the Company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board, especially the independence of the long-tenured directors?</p>	<p>The Company has evaluated the impact of the 2018 CG Code and the amendments to the Listing Rule on the board. The Company will continue to abide by the requirements of the CG Code and meet the criteria on the independence of directors by the stipulated deadline.</p> <p>The Board will continue to look into appointing new independent directors as the long-tenured members step down.</p>
<b>Board Matters</b>	14.	<p>The Nominating Committee ("NC") has stated that it identifies suitable candidates through personal and professional networks.</p> <p>Can the NC help shareholders understand how the current search and nomination process supports the board diversity policy?</p>	<p>The NC is aware of the importance of diversity of the Board (as regards skills, experience, core competencies, gender and knowledge of the Company) and Board appointments are based on merit and diversity. The NC reviews the composition of the Board as part of its succession planning. The Board has a Diversity Policy.</p>
<b>AGM Resolution</b>	15.	<p>What are the reasons for the need for Resolution 7?</p>	<p>Resolution 7 allows Directors to issue new shares as this will give Directors the flexibility to quickly raise funds should the need arise. However, the Directors have not exercised this right before.</p>
<b>Share Buyback</b>	16.	<p>If there is no plan to increase the dividend payout, can the management consider share buybacks to reduce the outstanding share counts?</p>	<p>The Company had a share buyback exercise previously (more than 10 years ago) and did not put forth a resolution for share buyback mandate in recent years as the Company's shares were traded thinly. We look at share buyback in the same prudent view as we do dividend payout.</p>

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TOPIC	No.	Question	Response
Others	17.	How has Covid-19 affected the Group's operations and outlook for FY2020? What are the management and board doing to mitigate the impact from the Covid-19 pandemic? What are the challenges envisaged in growing the Company once the pandemic is over? How will the new growth strategy address these challenges?	<p>The emergence of Covid-19 has upended business operations across all sectors and countries, causing global economies to spiral into great uncertainty. The lockdown of certain countries and travel restrictions had an adverse knock-on impact on the Group's operating business. It is difficult to forecast the full impact of this pandemic on the Group's financials at this stage as the situation is constantly evolving.</p> <p><u>Healthcare</u> Healthcare sales have been significantly affected since many key markets were on lockdown and the restriction of movement has affected consumer spending.</p> <p>We have not experienced significant disruptions to our supply chain at Healthcare. Cost of raw materials appears to have stabilised despite the global pandemic and we have sufficient stock of raw materials to ensure short to medium-term production is not significantly disrupted.</p> <p><u>Leisure</u> In view of the Emergency Decree and lockdown measures in Thailand, the attraction has been temporarily closed from 1 April 2020 till July 2020. The attraction will open again when restrictions ease. Efforts will be made to attract local visitors when the attraction reopens.</p> <p><u>Property</u> The Group's investment property portfolio comprises commercial and industrial buildings in Singapore and Malaysia. Whilst average occupancy has remained stable, take up of available space has been slow.</p> <p>The Group continues to closely monitor the situation and we believe that our strong fundamentals, prudence and disciplined cost management will put us in good stead to weather the tough times ahead.</p>



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Others	18.	Can some light be shed on whether the Healthcare's manufacturing facilities are still in operations or being forced to shut down in line with various measures adopted during the Covid-19 pandemic?	Some of our manufacturing facilities have been affected or closed temporarily in compliance with various countries' lockdown measures.
Others	19.	How would Covid-19 affect the business of Haw Par especially on the investment sector which has the largest contribution? What would the management and the board of directors do to mitigate the losses as a result of this pandemic?	The investments are strategic in nature and the Company does not trade in them.
Others	20.	Given the adversity facing global businesses, is management looking to deploy its cash hoard of more than S\$450m to grow the Healthcare division or evaluating other strategic investments?	Healthcare is the key area of focus. Apart from organic growth, we are also exploring mergers and acquisitions. The Company will continue to search for suitable businesses, and the current situation may be opportune to acquire a business at an equitable valuation.
Others	21.	Would management consider spinning off the Healthcare business as a standalone company?	We continue to believe spinning off Tiger Balm will not be beneficial for the Company, taking reference from its past experience as a separate listed company. For a long time, the Company was regarded as an investment holding company and a discount factor by the market was applied in view of this. However, the discount factor has been reduced in recent times as the market begins to recognise the Group's growth in its operating businesses and profit generated from operations.
Others	22.	What is the potential growth of the Haw Par's Healthcare business in future? What are the main risks of the Company that keep CEO awake at night?	2020 looks likely to be another volatile year as the Covid-19 outbreak emerges as a threat to the world's economies, coupled with the confluence of political and economic headwinds continue to pose risks to businesses. The fundamentals of Tiger Balm business remain strong. With a range of new products to address every lifestyle need and a vibrant Tiger Balm community built from years of engagement with our consumers, Tiger Balm should be able to weather the challenges ahead, if not regain some growth momentum.