



**HAW PAR CORPORATION LIMITED**

(Company Registration Number: 196900437M)

(Incorporated in the Republic of Singapore)

**ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2023 (the “AGM”)  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS  
RECEIVED FROM SHAREHOLDERS AND  
SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

Haw Par Corporation Limited (the “**Company**”) refers to the announcement on 3 April 2023 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 received.

The Appendix sets out the Company’s responses to the substantial and relevant questions received from shareholders as well as questions from the Securities Investors Association (Singapore) (SIAS) that are relevant to the AGM resolutions and the business of the Company. Where questions overlap or are closely related, they have been consolidated and rephrased for clarity.

By Order of the Board

Chiew Kun Long, Alvin  
Company Secretary  
20 April 2023

Haw Par Corporation Limited – 54th Annual General Meeting

Responses to Substantial and Relevant Questions

TOPIC	No	Question	Response
Healthcare	1.	Project Wolbachia will likely eliminate demand for Tiger Balm mosquito repellents. How will the Company mitigate this risk?	<p>Tackling the Dengue situation calls for a multi-prong approach to keep our Singapore population safe. Tiger Balm is part of these control measures, and we support the National Environment Agency's efforts.</p> <p>Tiger Balm mosquito repellent products are sold in many markets other than in Singapore and it is used as a repellent against mosquitoes in general.</p>
Healthcare	2.	What is the estimated total capital expenditure required to set up the new plant?	As at 31 December 2022, approximately S\$33mil has been capitalised on the balance sheet in relation to the new plant. Further spending is required for production equipment as the plant progressively obtains the necessary approvals.
Healthcare	3.	In 2022, what is the utilisation rate of the production capacity? How transformational is the new plant in terms of manufacturing capabilities and capacity?	<p>In 2022, the overall utilisation rate of our manufacturing facilities has increased from 2021 but has not recovered to pre-pandemic levels. Product mix will also impact overall utilisation rate.</p> <p>The new plant is part of the Group's expansion plan to cater for future demand for Tiger Balm products. The plant also serves as a strategic alternate manufacturing site which will reinforce our operational resilience and agility.</p>
Healthcare	4.	Could management provide further details on the group's digital strategy for Tiger Balm?	The pandemic has accelerated the Group's e-commerce presence, created new retail channels and unlocked sales growth. We have intensified our digital marketing efforts in tandem with the uptake in online shopping by our consumers.

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			<p>To support the trend of increased usage of digital and social media and further enhance our engagement with consumers online, we rolled out a Global Social Media Playbook to guide brand consistency and content strategy.</p> <p>We will continue to refine our communications to provide a seamless blend of online and offline Tiger Balm experiences across multiple channels preferred by the post-Covid consumer.</p> <p>Our strategy is supported by a community of Tiger Balm ambassadors who showcase our repertoire of products that meet the lifestyle needs of their highly engaged fans and animate the brand.</p>
<b>Healthcare</b>	5.	<p>Two external customers contributed approximately \$60.5 million in revenue, compared to \$46.4 million in 2021.</p> <p>(a) Has the board or management assessed the risks associated with customer concentration and the current distribution strategy?</p> <p>(b) This revenue was generated from the sale of healthcare products to distributors in the same group of companies. To mitigate customer concentration risk, would it be timely for the board to review and consider alternative distribution strategies, such as direct distribution or direct-to-consumer via e-commerce? The group could leverage its well-established modern supply chain</p>	<p>These two customers are our distributors. They are established market leaders in pharmaceutical distribution for certain regions. Given our alliances with multinational partners built over decades, we are equipped to manage our distributorship arrangements across our markets. Our agreements with our distributor partners are signed at the market level and not at the regional level, giving us flexibility in managing distributorships. We believe this arrangement has worked well for us.</p> <p>The Healthcare segment principally manufactures and distribute topical analgesic products under the “Tiger Balm” and “Kwan Loong” brand. It is the appropriate business model, considering the size and scale of our operations, that the Healthcare segment deals directly with local markets’ distributors who have in-depth knowledge of specific markets’ intrinsic attributes, geography and economies of scale to cater to individual markets’ specific needs.</p>

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		infrastructure and use social media effectively (especially given that the brand has built up a following of Tiger Balm ambassadors) to complement traditional distribution and sales channels.	On the e-commerce front, we have partnered our distributors and retailers to connect with local consumers via social media and expand the product range carried on local retailers' online shopping sites and e-commerce platforms.
<b>Healthcare</b>	6.	Why did Healthcare segment assets decrease significantly from \$180,868k in 2021 to \$123,524k in 2022 despite the significant PPE addition of \$23,219k in 2022?	Cash were held under "Healthcare" segment and allocated to that segment in 2021 to cater for the construction of the new plant. During FY2022, as the construction neared completion and near-term progress expenditure became more certain, funds not immediately required were deployed to "Investments" for yield enhancement.
<b>Properties</b>	7.	Are there plans to redevelop those properties which are underperforming?	Save for our office building in Kuala Lumpur, the Group's investment properties are generally well occupied. For now, the Malaysia property is cash flow positive. Plans for redevelopment will be considered at an opportune time.
<b>Financials</b>	8.	Why did general and administrative expenses increase significantly from \$10,602k in 2021 to \$19,020k in 2022?	<p>The increase in general and administrative expenses is due mainly to foreign currency exchange loss in 2022 as compared to foreign currency exchange gains in 2021, as well as general increase in employee cost.</p> <p>The exchange losses during the year were mainly attributed to the weakening of USD and EUR against SGD.</p>
<b>Investments</b>	9.	How frequently does the Board review the Group's strategic investments, and how does the Board determine which investments qualify as strategic?	Comprehensive information including information on strategic, financial, key operational and compliance matters is provided to Directors on a monthly and quarterly basis to enable them to make informed decisions. Board meetings are held every quarter to review the Group's financial performance including the Group's strategic investments.

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			Our strategic investments portfolio consists of real estate and financial institution securities which are proxies of the Singapore economy and the Group will continue to be invested in them to provide shareholders with a stable return.
<b>Investments</b>	10.	Has the Board established a risk management framework for the Group's strategic investments?	Our existing risk management framework applies to all risks relevant to the Group, including the Group's strategic investments.
<b>Investments</b>	11.	What are the underlying assets held as "other long term investments" and how does the group select these investments?	In 2022, the Group invested in certain foreign currency denominated listed equity securities for dividend yield and long-term capital appreciation.
<b>Investments</b>	12.	There is an outstanding borrowing of \$28.5m, why is there a need to borrow given the strong financial status of the Company and the high interest cost environment?  When are the borrowings due?	Management made a strategic decision to partially hedge the foreign currency exposure of the long term investments that were purchased in 2022 and the foreign currency denominated borrowing of S\$28.5m is used to achieve this objective.  The borrowings are short-term in nature to allow us to be reactive to interest rate volatility.
<b>Investments</b>	13.	A substantial part of the Asset Value of the Company is held in Singapore Treasuries. How is the allocation of this capital decided? Can management share its rationale for investing in short-term treasury bills? What is management's outlook on interest rates?  At the end of the reporting period, the group had cash and cash equivalents of \$333.8	The relatively short tenure, current attractive yields and risk-free nature of the Singapore Government Treasury bills are in line with the Group's treasury strategy. In addition, income from Treasury bills is taxed at lower rate of 10%.  The Group retains adequate capital for strategic long-term growth and ability to react quickly to seize growth opportunities.

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		<p>million. Given the substantial opportunity costs of holding significant amounts of cash, is the group considering further reducing its cash holdings?</p> <p>Are buybacks, exceptional dividend or increase of ordinary dividend compared to other external investment opportunities when deciding to allocate/not allocate this capital? Would you consider reinforcing investments in already owned companies (e.g. UOB, UOL) or would you consider investing in other companies whether in the same sectors Haw Par is active in or in other sectors?</p>	<p>The Company seeks to provide shareholders with a stable and efficient form of capital distribution relative to earnings. It has been paying ordinary dividend consistently. In 2019, a special dividend of 85 cents per share was given to mark our 50th Anniversary.</p> <p>Our shareholdings in UOB and UOL are strategic investments that are evaluated on a regular basis under the guidance of the Investment Committee.</p> <p>The Group takes a long-term view of our investments. In 2022, we also invested in certain foreign currency denominated listed equity securities for dividend yield and long-term capital appreciation. With this, the Group is well-placed in its strategic direction to further expand its portfolio of operating businesses and drive growth through alliances with multinational partners and acquisitions of complementary brands and compelling business platforms.</p>
<b>Board Matters</b>	14.	Do you intend to increase the diversification of the profiles of directors in the medium to long term?	The Board considers its present board to be of appropriate size and diversity mix. The board members reflect a wide range of age and background having been drawn from different industries with diverse skills and core competencies. The Board will seek suitable gender diversity as and when opportunity arises in the coming years. All Board appointments will always be made based on merit.
<b>Board Matters / Dividends</b>	15.	The fees for board of directors had increased substantially, can the BODs and management also take into consideration the minority shareholders desire for higher dividend given the high inflationary	Management conducted a review of the Company's current non-executive directors' ("NED") fee structure against companies with similar market capitalisation and have subsequently proposed to adjust the base fees for each NED. The increase is intended to commensurate with the increasing

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		environment when proposing dividend for the next reporting year?	<p>work and responsibilities for each NED in light of the smaller board size and to be in line with market rate. The NED rate was last adjusted in 2019.</p> <p>Furthermore, in conjunction with the increase in base fee, we have proposed to increase and relate the board committee fees as a percentage/ratio of base fee, as guided by the ranges recommended by the Singapore Institute of Directors (“SID”). The last time board committee fees were revised was in 2014. Changes in base fee structure and the Board Committee fee structure can be found on Page 43 of the Annual Report in the Corporate Governance section.</p> <p>For FY2022, together with the interim dividend paid in September 2022, the Company has declared 45% of its FY2022 earnings as dividends. The Company notes the desire for higher dividend.</p>
<b>Board Matters</b>	16.	Does the board, especially the independent directors, oversee the functioning of the investment committee? Do the independent directors provide any input to the investment committee?	Minutes of meeting of Board Committees, including the Investment Committee, are shared to all Board members. The chairmen of the Board Committees will brief the Board during Board meetings on matters discussed in the board committee meetings. Independent Directors have participated in discussions and shared their views during the Board meetings on the matters discussed in investment committee meetings.
<b>Others</b>	17.	In this news article on 26 Feb 2021, the CEO (Wee Ee Lim) stated that “Over the decades, Haw Par has built up a strong balance sheet and cash position through prudent management - we could have used the financial resources accumulated to add another significant leg for the Group to grow our business, though not for lack of trying,” he noted. “But valuations in a low-interest rate	The Group has been and continues to be on the look-out for good investment targets to acquire or take stakes in preferably healthcare and leisure related businesses which can leverage on the Group’s network and expertise. Management believes that growth from current operating businesses and acquisition of quality synergistic operational businesses will improve shareholder value. The Group also looks beyond its existing

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		<p>environment have been very high, and patience is important during these times.”                      “Whatever it is, we’re not stopping. We continue to channel energies towards this area, and with the economic downturn due to COVID-19, there may be more opportunities for acquisitions, and we may succeed,” he added.                      “We’re keeping our powder dry so that we can strike when we need to - I have some years to go, and I want to build at least another leg for Haw Par for the next generation.”</p> <p>Since 26 Feb 2021, valuations have declined because of interest rate hikes. Has this presented attractive acquisition opportunities for the Company?</p> <p>Reference:<a href="https://www.sgx.com/research-education/market-dialogues/20210226-haw-par-corporation-distinguished-brand-heritage">https://www.sgx.com/research-education/market-dialogues/20210226-haw-par-corporation-distinguished-brand-heritage</a></p>	<p>operating space for prospective investment opportunities that emerge from time to time.</p> <p>It is always a constant challenge to strike a balance but the cash on hand will enable us to take advantage of any opportunities.</p>
	18.	<p>Could the Audit and Risk Committee (“ARC”) provide shareholders with an understanding of the typical length of an internal audit cycle?</p>	<p>Internal audits are carried out throughout the year in accordance with the annual audit plan approved by the ARC with, in general, a 2-year rotation cycle for various functions and locations. Significant operating units are subject to internal audit annually. Individual internal audits are typically scheduled to last for up to three months, including planning, fieldwork, discussion with management, compiling the audit report and follow-up.</p>
	19.	<p>What guidance or input did the ARC provide to the Internal Audit department regarding the scope of the internal audit reviews?</p>	<p>The ARC reviews and approves the Internal Audit Charter annually. At the beginning of each year, ARC also reviews and approves the annual internal audit plan. Audit reviews are carried out on all significant business units in the Group. Summary of findings and recommendations of each</p>



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			<p>internal audit will be discussed during each ARC meeting. The ARC ensures that the Internal Audit (“IA”) function is adequately resourced and has appropriate standing within the Group. Additionally, the ARC reviews the adequacy, effectiveness, independence, scope and results of the IA function.</p>
	20.	<p>What was the scope of the internal audit conducted for FY2022, and what were the key findings and recommendations made by the internal auditor?</p>	<p>For FY2022, internal audits were performed in Singapore, Malaysia and Thailand. The scope of the audit encompassed evaluating the adequacy and effectiveness of the internal controls in financial and operational areas, compliance with relevant laws and regulations, risk management practices and information technology systems. The IA function also carried out an internal review of the sustainability reporting process for 2022 Sustainability Report.</p> <p>There were no significant findings arising from these audits.</p>
	21.	<p>Can the ARC confirm that all foreign operating entities were included in the internal audit?</p>	<p>All foreign operating entities are subject to biennial internal audits. The Internal Auditors were on-site to conduct the audits of foreign operating entities.</p>
	22.	<p>What is the level of oversight by the ARC on the actions taken by management to follow up on the recommendations?</p>	<p>The IA function conducts a quarterly review of all outstanding recommendations arising from internal audits as part of a formal follow-up process. The implementation status of these recommendations will be reported to the ARC. This continuing oversight by the ARC ensures that areas of concern, if any, are being addressed timely.</p>