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UEN No: S99SS0111B
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Issuer: Haw Par Corporation Limited

Stock code: H02

Meeting details:

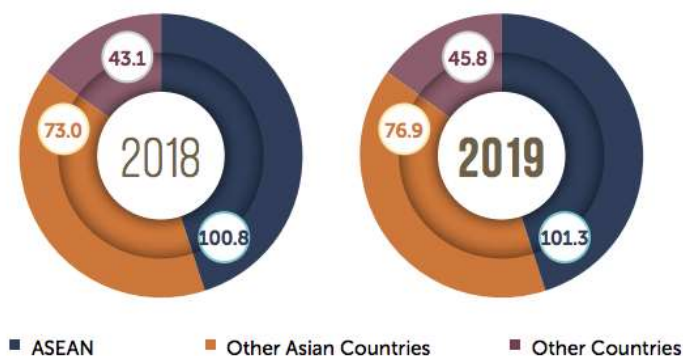
Date: 10 June 2020

Time: 12.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the financial review (pages 32 & 33 of the annual report), revenue from the healthcare segment increased by 3% to \$224.0 million in the financial year ended 31 December 2019, with growth coming mainly from markets out of ASEAN. Full year sales to other Asian countries increased 5% to \$76.9 million, and sales to other countries grew 6% to \$45.8 million.

HEALTHCARE SALES BY REGION (\$MILLION)



(Source: company annual report)

Healthcare's operating profit decreased 3% to \$74.8 million due to higher production costs.

- (i) **Can management help shareholders understand the underlying reasons for the higher production costs?**

The healthcare segment is driving growth through new products and increasing consumer awareness and reach (page 18 – Healthcare operations review).

- (ii) **What is the average time to develop a new product? How does management innovate and decide on the new products to be launched?**
- (iii) **How much of the increase in revenue was generated by the group's new e-commerce channel (JD.com)?**

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.

- (iv) **Can management elaborate further on the succession plans for the healthcare segment?**
- (v) **In addition, what is the impact of the COVID-19 pandemic on the healthcare segment?**

Q2. 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. 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.

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%.

In FY2019, the group had also invested \$2.2 million in improvements for its investment properties.

- (i) **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?**
- (ii) **Has management been able to fill up the vacant spaces at Haw Par Centre since FY2019?**

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.

- (iii) **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?**

Q3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The board comprises eleven directors, including seven independent directors. Three of the directors, namely Mr Sat Pal Khattar, Dr Lee Suan Yew and Mr Hwang Soo Jin, have served as non-executive directors for more than nine years each. Mr Sat Pal Khattar, Dr Lee Suan Yew and Mr Hwang Soo Jin were first appointed on 1 January 1977, 18 December 1995 and 28 October 1986 respectively. Accordingly, the directors have tenures that are more than 43 years, 24 years and 33 years respectively.

- (i) **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?**

The nominating committee (“NC”) has stated that it identifies suitable candidates through personal and professional networks.

- (ii) **Can the NC help shareholders understand how the current search and nomination process supports the board diversity policy?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)