



ACQUISITION OF INTEREST IN COMMERCIAL PROPERTY LOCATED AT GARRETT STREET, LONDON, EC1Y 0TW, UNITED KINGDOM

The Board of Directors of Hwa Hong Corporation Limited (the “**Company**” or “**HHC**” and together with its subsidiaries, the “**Group**”) wishes to announce that its indirectly wholly-owned subsidiary, Vantagepro Investment Limited has, acquired an interest in 7,139 shares of nominal value GBP0.01 each in the share capital of Garrett Property Holdings Ltd (“**GPH**”), representing approximately 71.39% of the total issued and paid-up share capital of GPH of GBP100.00, for an aggregate consideration of GBP71.39, being the nominal value of the shares (the “**Investment**”). The remaining 2,861 shares in GPH, representing approximately 28.61% of the total issued and paid-up share capital of GPH, are held by unrelated parties including, *inter alia*, Langland Estates Ltd. (UK) and Steptwice Company Ltd.

The principal activity of GPH is that of investment holding and it holds the entire issued share capital of Capital Garrett Ltd (“**CGL**”), whose the principal activity is that of property investment. Both GPH and CGL are companies incorporated in England and Wales.

CGL has entered into agreements with 2 unrelated third parties, namely M & G UK Property Nominee 1 Limited and M & G UK Property Nominee 2 Limited, to acquire a freehold property located at 20 Garrett Street, London EC1Y 0TW, United Kingdom (the “**Property**”) for a total cash consideration of GBP18.50 million (equivalent to approximately SGD32.37 million¹) (the “**Consideration**”) and upon the terms and conditions of the said agreement (the “**Acquisition**”). The Acquisition was an off-market transaction and the Consideration was arrived at after negotiations on a willing-buyer, willing-seller basis. The Acquisition was completed on 21 December 2018 and will be funded by a combination of bank loans and internal cash sources.

The Property is located in the borough of Hackney, approximately 650m from the Old Street Roundabout. The area is commonly referred to as East London Tech City or Silicon Roundabout as it is London’s main technology cluster with more than 1,000 technology companies located in the area (source: www.techcitymap.com). The Old Street area is popular with both start-up technology companies as well as established technology and media companies such as Adobe. Inc and CBS Corporation. The Property is served by good transport links as it is within walking distance of Old Street Underground Station, Barbican Underground Station and Farringdon Underground and Crossrail station.

The Property has a total lettable floor area of approximately 17,500 square feet and comprises office accommodation over 3 floors and a lower ground floor. The Property is currently fully leased until 9 September 2029 with upward only rent reviews on 10 September 2019 and 10 September 2024. In addition, the tenant has a right to terminate the lease on 10 September 2021, 10 September 2024 and 10 September 2026.

¹ Based on exchange rate of GBP1 to S\$1.75.

The Property produces an annual gross rental income of approximately GBP0.61 million, reflecting a low passing rent of approximately GBP35.0 per square foot. The passing rent represents a discount of approximately 30% to current estimated market rents for similar buildings in the area and represents an opportunity for positive rental reversion.

The Investment will allow the Group to invest in the Property through CGL and thereby expand its commercial property portfolio in London. The Investment is also in line with the Group's strategy to seek value-add opportunities in the central London commercial property market for recurrent rental income and capital appreciation. With the Property's low passing rent, the Group intends to maximise the Property's rental income through, *inter alia*, the upcoming rent review process in 2019.

The Group expects the Acquisition to be accretive to the Group's earnings per share² at current levels of rent. The Investment is not expected to have a material impact on the earnings per share and net tangible assets of the Company and the Group for the financial year ending 31 December 2018.

None of the directors or controlling shareholders of the Company has any indirect or direct interest in the Acquisition.

BY ORDER OF THE BOARD

Lee Soo Wei
Chief Financial Officer

21 December 2018

² This statement should not be interpreted to mean that earnings per share of the Group for shareholders of the Company will necessarily match or exceed the historical or published earnings per share of the Group.