



AWARD OF TWO FREEHOLD SITES AT JALAN BESAR FOR S\$13.8 MILLION

1. INTRODUCTION**1.1 Award of Subject Sites**

The Board of Directors of Hwa Hong Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Global Trade Investment Management Pte Ltd (“**GTI**”), an indirect wholly-owned subsidiary of the Company, has on 26 June 2018 exercised an option to purchase (the “**Option**”) two (2) commercial freehold sites comprised in Lots 2706N and Lots 2847M at Jalan Besar, Singapore (the “**Subject Sites**”) from City Developments Limited (“**CDL**”), for a total purchase consideration of S\$13.8 million (the “**Consideration**”) and on the terms and subject to the conditions of the Option (the “**Acquisition**”).

The Option had been granted to GTI or its nominee on 12 June 2018 following a public expression of interest exercise (the “**EOI Exercise**”) undertaken by Jones Lang LaSalle Property Consultants Pte. Ltd. (“**JLL**”) on behalf of CDL. The EOI Exercise was launched on 23 April 2018 and closed on 30 May 2018.

1.2 Chapter 9 of the Listing Manual

As at the date of this Announcement, Hong Leong Investment Holdings Pte. Ltd. (“**HLIH**”), holds an aggregate deemed interest in 123,648,000 shares in the Company (the “**Shares**”), representing approximately 18.94% of the total issued Shares, and each of Kwek Holdings Pte Ltd (“**KH**”) and Davos Investment Holdings Private Limited (“**Davos**”) is deemed to have an interest in the Shares held by HLIH in the Company. HLIH, KH and Davos are therefore regarded as controlling shareholders of the Company under the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). HLIH has deemed interests in approximately 48.42% of the total issued shares in CDL, and each of KH and Davos is deemed to have an interest in the shares held by HLIH in CDL. CDL is thus regarded as an “associate” of HLIH, KH and Davos under the Listing Manual.

Accordingly, CDL (being an associate of the controlling shareholders of the Company) is an “interested person” for the purposes of Chapter 9 of the Listing Manual, and the Acquisition constitutes an “interested person transaction” under Chapter 9 of the Listing Manual.

However, the Acquisition, which was awarded by way of a public tender via the EOI Exercise (as further described below), falls within the exception under Rule 916(5) of the Listing Manual. Please refer to paragraph 5 for further details.

2. INFORMATION ON THE SUBJECT SITES

The Subject Sites are located in the vibrant Jalan Besar area, a popular location for businesses in the creative industry, and have a freehold tenure. They are located close to City Square Mall and Little India and are served by excellent transport links, being within walking distance of Farrer Park and Jalan Besar MRT stations and a short drive to the central business district. They are also located close to the Beach Road / Ophir-Rochor precinct, one of the key growth areas identified by the Urban Redevelopment Authority of Singapore, and Kampong Bugis, a new waterside residential precinct with approximately 4,000 planned new residential dwelling units.

The Subject Sites have a combined site area of approximately 300.1 square meters (approximately 3,230 square feet) and are zoned "Commercial" with a gross plot ratio of 3.0.

3. PRINCIPAL TERMS OF THE ACQUISITION

3.1 EOI Exercise

On 23 April 2018, JLL launched the EOI Exercise by inviting submissions for the purchase of the Subject Sites. The EOI Exercise was advertised by JLL in local newspapers and was open to all to participate. Interested parties were invited to submit their expressions of interest to JLL in sealed envelopes on a confidential basis by the closing date of 3.00 p.m. on 30 May 2018.

Multiple expressions of interest were received by JLL on behalf of CDL for the EOI Exercise and based on its informal offer of S\$13.8 million for the Subject Sites, GTI's expression of interest was selected under the EOI Exercise and GTI was granted the Option on 12 June 2018.

3.2 Consideration

The Consideration of S\$13.8 million is based on the expression of interest submitted by GTI as part of the public tender process under the EOI Exercise. In arriving at the Consideration, the Group took into consideration, *inter alia*, (i) current transacted prices of commercial shophouses in the immediate area and other comparable areas; (ii) asking prices for commercial shophouses in the immediate area and other comparable areas; (iii) current rents of commercial shophouses in the immediate area and other comparable areas; (iv) asking rents of commercial shophouses in the immediate area and other comparable areas; (v) the total estimated development costs of development projects of similar size in similar locations; and (vi) the indicative price of S\$13.5 million for the Subject Sites as set out in the information memorandum provided by JLL in connection with the EOI Exercise.

The Consideration will be funded by a combination of internal resources and bank facilities.

3.3 Other Key Terms of the Acquisition

GTI has on 26 June 2018 paid S\$1.38 million, being 10% of the Consideration payable upon exercise of the Option. GTI shall pay S\$12.42 million, being the remaining 90% of the Consideration on completion of the Acquisition, which shall take place within ten (10) weeks of the exercise date of the Option.

4. RATIONALE AND BENEFIT OF THE ACQUISITION

The Group intends to develop the Subject Sites into one (1) or two (2) commercial buildings with a maximum total gross floor area of approximately 900.3 square meters (approximately 9,691 square feet). The Acquisition will allow the Group to invest in the Subject Sites and thereby expand its commercial property portfolio in Singapore. The Acquisition is also in line with the Group's strategy to seek development opportunities in Singapore to strengthen its recurrent future rental income and for capital appreciation.

5. REQUIREMENTS UNDER CHAPTER 9 OF THE LISTING MANUAL

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2017, the net tangible assets (“NTA”) of the Group as at 31 December 2017 was S\$197.1 million. As the Consideration represents approximately 7% of the Group’s latest audited NTA and is in excess of 5% of the Group’s NTA, the Acquisition would be subject to the approval of independent shareholders of the Company under Rule 906(1) of the Listing Manual, unless an exception under Rule 916 of the Listing Manual is applicable.

Under Rule 916(5) of the Listing Manual, shareholders’ approval is not required for the receipt of a contract which was awarded by way of public tender by an interested person if: (i) the bidder entity at risk announces the prices of all the bids submitted; and (ii) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awardee (or if the awardee is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

As mentioned above, the Acquisition was awarded by way of a public tender via the EOI Exercise. Based on information provided by JLL, the variance amongst the top three (3) informal offers was approximately 15%.

The members of the Board are completely different from the board of directors of CDL which is listed on the Main Board of the SGX-ST, and they are not accustomed to act on the instructions of CDL or its associates. In addition, the members of the audit and risk committee of the Company (the “**Audit and Risk Committee**”) are completely different from the members of the audit committee of CDL.

As the Acquisition falls within the exception under Rule 916(5) of the Listing Manual, no shareholders’ approval is required for the Acquisition.

6. AUDIT AND RISK COMMITTEE STATEMENT

The Audit and Risk Committee has reviewed the terms and conditions of the Acquisition and considered relevant circumstances of the Acquisition, including but not limited to:

- (a) the fact that the Option was granted to GTI through the public EOI Exercise, whereby all expressions of interest were submitted in sealed envelopes on a confidential basis to JLL, and the identities of the parties that submitted the expressions of interest were only made known to CDL after the close of the EOI Exercise;
- (b) the fact that the Consideration was based on an appraisal by the Group’s management team after taking into account, *inter alia*, comparable transactions, rents and development costs; and
- (c) the fact that GTI’s informal offer of S\$13.8 million for the Subject Sites was the highest offer received under the EOI Exercise.

The Audit and Risk Committee is of the view that the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

7. OTHER INTERESTED PERSON TRANSACTIONS ENTERED DURING THE CURRENT FINANCIAL YEAR ENDING 31 DECEMBER 2018

There are no interested person transactions (other than the Acquisition) which exceed S\$100,000 during the financial period from 1 January 2018 to 26 June 2018.

8. FINANCIAL EFFECTS

The Acquisition is in the ordinary course of business and is not expected to have any material impact on the NTA and earnings per share of the Group for the financial year ending 31 December 2018.

9. INTEREST(S) OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors or, so far as the Directors are aware, the controlling shareholders of the Company has any direct or indirect interest in the Acquisition.

BY ORDER OF THE BOARD

Lee Soo Wei
Chief Financial Officer

26 June 2018