



SUBSCRIPTION OF S\$42 MILLION IN PRINCIPAL AMOUNT OF MEZZANINE NOTES DUE 2010 OF SARDINIA PROPERTIES PTE. LTD.

ANNOUNCEMENT**1. Introduction**

The Board of Directors (the “**Directors**”) of Hwa Hong Corporation Limited (“**Hwa Hong**” or the “**Company**”) wishes to announce that its wholly-owned subsidiary, Singapore Warehouse Company (Private) Ltd. (“**SWC**”), has entered into a subscription agreement dated 17 July 2007 (“**Subscription Agreement**”) with, *inter alia*, Sardinia Properties Pte. Ltd. (the “**Issuer**”) whereby SWC has agreed to subscribe for S\$42,000,000 in principal amount of Secured Fixed Rate Senior Notes Due 2010 to be issued by the Issuer (the “**Mezzanine Notes**”) at the issue price of 100% of the principal amount of the Mezzanine Notes, upon the terms and conditions of the Subscription Agreement. Completion of the subscription and issue of the Mezzanine Notes has taken place today.

The Issuer is in the business of property development and has entered into an agreement to purchase the whole of the freehold property at 37 Scotts Road, Singapore 228229 (the “**Property**”) for the purpose of developing a new 56-unit high-end condominium on the Property. The Issuer is financing the acquisition and development of the Property through bank borrowings (the “**Bank Loan**”), the issue of the Mezzanine Notes and the issue of S\$32,000,000 in principal amount of Secured Fixed Rate Junior Notes Due 2010 (the “**Junior Notes**”). The Junior Notes were issued to the holders thereof together with 32 redeemable preference shares in the capital of the Issuer at an issue price of S\$1.00 each.

2. Principal Terms of the Mezzanine Notes

The Mezzanine Notes have been issued to SWC on 17 July 2007 and the maturity date of the Mezzanine Notes is 17 July 2010 (the “**Maturity Date**”) (subject to optional redemption at the Issuer’s option on any date from 17 April 2010 up to the Maturity Date). The Mezzanine Notes (i) have a coupon rate of 15 per cent. per annum payable quarterly on 17 October 2007, 17 January 2008 and 17 April 2008 in respect of the period from 17 July 2007 up to (but excluding) 17 April 2008 and (ii) bear compound interest at the rate of 15 per cent. per annum (computed on a quarterly basis) in respect of the period from 17 April 2008 up to the Maturity Date, which interest shall be payable in one lump sum on the Maturity Date. In addition, SWC has an option under certain circumstances to convert the Mezzanine Notes into preference shares in the capital of the Issuer.

The Issuer's payment obligations under the Mezzanine Notes rank after the Bank Loan but in priority to the Junior Notes. The Issuer has deposited a sum of S\$4.725 million into an interest reserve account to be used for payment of the first three interest payments on the Mezzanine Notes. The Issuer will not redeem or purchase the Mezzanine Notes or make any other interest payment thereon which is funded from the sale proceeds from the sale of the Property unless the Bank Loan has been repaid in full.

The Mezzanine Notes and the Junior Notes are secured by the following securities executed by the Issuer in favour of the trustee acting for the holders of the Mezzanine Notes and the Junior Notes (the "**Notes Trustee**"): (i) an assignment of construction contracts and guarantees issued in favour of the Issuer in relation to the development of the Property, (ii) an assignment of insurances effected over the Property, (iii) an assignment of proceeds from the sale and lease of the Property and/or any of the residential units in the development, (iv) a debenture creating fixed and floating charges over the assets of the Issuer, and (v) a legal mortgage over the Property (collectively, the "**Notes Security**"). The security given by the Issuer to secure the Bank Loan ranks ahead of the Notes Security. Pursuant to the agreements entered into in relation to the Mezzanine Notes and the Junior Notes, monies arising from any enforcement of the Notes Security will be held and applied by the Notes Trustee for the Mezzanine Notes in priority to the Junior Notes.

3. Financial Effects of the Subscription of the Mezzanine Notes

Based on the audited consolidated accounts of the Hwa Hong Group for the financial year ended 31 December 2006, and assuming that the subscription of the Mezzanine Notes had been completed as at 1 January 2006, the subscription of the Mezzanine Notes would have increased the net tangible assets per share from 71.42 cents to 72.20 cents and the earnings per share from 3.58 cents to 4.35 cents.

4. Interests of Directors and Controlling Shareholders in Subscription of the Mezzanine Notes

None of the Directors nor, so far as the Directors are aware, any of the controlling shareholders of the Company has any interest, direct or indirect in the subscription of the Mezzanine Notes.

BY ORDER OF THE BOARD

Ong Bee Leem
Company Secretary

17 July 2007