
SUBSCRIPTION AND SHAREHOLDERS AGREEMENT IN CONNECTION WITH ACQUISITION OF A RESIDENTIAL PROPERTY IN LONDON

1. Introduction

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 wholly-owned subsidiary, Singapore Warehouse Company (Private) Ltd. (“SWCPL”), has on 11 March 2016 entered into a subscription and shareholders agreement with NL Kilmuir (Jersey) Limited (“NLKJL”) (“Clan Kilmuir SSA”) to subscribe for new ordinary shares in the capital of Clan Kilmuir (Jersey) Limited (“Clan Kilmuir”), a newly formed holding company limited by shares and incorporated in Jersey, and to regulate their relationship as shareholders of Clan Kilmuir (which is also a party to the Clan Kilmuir SSA).

Concurrently, Clan Kilmuir has entered into a separate subscription and shareholders agreement with Amcorp Kilmuir Limited (“AKL”) (“KHJL SSA”) to subscribe for new shares in the capital of Kilmuir House (Jersey) Limited (“KHJL”), a newly formed company limited by shares and incorporated in Jersey, for the purposes of acquiring a 38-year leasehold residential property located at Kilmuir House, Ebury Street, London SW1W 9JL, United Kingdom (the “Property”).

2. Clan Kilmuir SSA and SWCPL’s Funding Commitment under the Clan Kilmuir SSA

Clan Kilmuir was incorporated in Jersey on 15 December 2015 as a private limited company and is principally a holding company to facilitate the trading and development business of a subsidiary. Pursuant to the Clan Kilmuir SSA, SWCPL has agreed to subscribe for 1,900,000 B ordinary shares of GBP1.00 each in the capital of Clan Kilmuir for a consideration of GBP1,900,000, and NLKJL has agreed to subscribe for 1,900,000 A ordinary shares of GBP1.00 each in the capital of Clan Kilmuir for a consideration of GBP1,900,000, upon the terms and conditions of the Clan Kilmuir SSA.

The shareholders of NLKJL are Montrose Land & Development Limited, Mohammad Al-Saad and Tarras Park Properties Limited.

The shares held by NLKJL and SWCPL each represent 50% of the total issued share capital of Clan Kilmuir. Under the Clan Kilmuir SSA, the A ordinary shares held by NLKJL carry 50.1% of the total voting rights, while the B ordinary shares held by SWCPL carry 49.9% of the total voting rights. The Clan Kilmuir SSA also sets out provisions on certain shareholders reserved matters which may only be carried out if approved by shareholders holding at least 75% of the total voting rights.

Each of NLKJL and SWCPL is entitled to appoint two members on the board of Clan Kilmuir.

Upon completion of the subscription of shares in Clan Kilmuir, which is scheduled to take place the same day as the signing of the Clan Kilmuir SSA, Clan Kilmuir will be an associated company of SWCPL and the Company.

SWCPL's and NLKJL's respective base funding commitments under the Clan Kilmuir SSA are GBP6.5 million (approximately SGD12.76 million¹) each, and may be increased by GBP3.5 million (approximately SGD6.87 million¹) each to GBP10 million (approximately SGD19.63 million¹) each pursuant to the terms of the Clan Kilmuir SSA. SWCPL's commitment is intended to be funded by internal resources and bank funding.

3. KHJL SSA

KHJL was incorporated in Jersey on 15 December 2015 as a private limited company and its principal activities are those of a trading and development business. Pursuant to the KHJL SSA, Clan Kilmuir has agreed to subscribe for 3,800,000 A ordinary shares of GBP1.00 each in the capital of KHJL for a consideration of GBP3,800,000, and AKL has agreed to subscribe for 3,800,000 B ordinary shares of GBP1.00 each in the capital of KHJL for a consideration of GBP3,800,000, upon the terms and conditions of the KHJL SSA. The two classes of shares are labelled A and B shares in order to distinguish the shares held by the respective parties. The rights attaching to the share classes are otherwise the same.

The day-to-day management of KHJL shall be undertaken by the board of KHJL acting by unanimous decision. Each of Clan Kilmuir and AKL is entitled to appoint up to two members on the board of KHJL. Clan Kilmuir and AKL may appoint up to two independent Jersey resident directors.

Clan Kilmuir's and KHJL's respective base funding commitment under the KHJL SSA are GBP13 million (approximately SGD25.52 million¹) each, and may be increased by GBP7 million (approximately SGD13.74 million¹) each to GBP20 million (approximately SGD39.26 million¹) each pursuant to the terms of the KHJL SSA.

1. Assuming an exchange rate of GBP1.00:SGD1.963

AKL is an indirect wholly owned subsidiary of Amcorp Properties Berhad (“Amcorp Properties”), a company listed on the main market of Bursa Malaysia Securities Berhad. The principal activities of Amcorp Properties are in property development and investment and in engineering services in Malaysia and overseas.

4. Acquisition of the Property by KHJL

In conjunction with the entry into the Clan Kilmuir SSA and KHJL SSA, KHJL’s subsidiary, Kilmuir House (UK) Limited has on 11 March 2016 entered into an agreement with the Mayor’s Office for Policing and Crime (the “Seller”) (the “Acquisition Agreement”) to purchase the Property for an aggregate net consideration of GBP45 million (approximately SGD88.34 million¹) (the “Consideration”) and upon the terms and conditions of the Acquisition Agreement (the “Acquisition”). The Consideration was arrived at based on a willing-buyer, willing-seller basis, taking into account, *inter alia*, the location of the Property, the leasehold nature of the Property and capital values of similar properties in the area.

The Acquisition is expected to be completed on 14 March 2016. Upon completion, KHJL will grant to the Seller an underlease of the residential apartments at the Property expiring on 30 April 2016. The Acquisition Agreement provides for deferred payment of 90 per cent. of the Consideration upon the expiry of the underlease granted to the Seller.

The Property will be acquired free from all encumbrances and upon the terms and subject to the conditions contained in the Acquisition Agreement.

5. Rationale for the Investment and information on the Property

The Investment will allow the Group to invest in the Property through KHJL and thereby expand its property portfolio in prime central London. The Investment is also in-line with the Group’s strategy to seek value-add opportunities in the central London property market.

The Property is located at Ebury Street, London SW1W 9JL, United Kingdom, within the London borough of the City of Westminster. Specifically, the Property is located in Belgravia, within walking distance of the prestigious residential neighbourhoods of Sloane Square and Eaton Square and key shopping and lifestyle areas such as Sloane Street, Kings Road and Knightsbridge. The Property is also located close to key transport nodes and is within walking distance of London Victoria Station and Sloane Square London Underground Station.

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The Property extends over a 19,166 square feet site and has a triple frontage bordered by Eaton Terrace, Ebury Street and South Eaton Place. It comprises (i) 49 two-bedroom apartments with a total net internal area of approximately 35,225 square feet arranged over eight upper storeys with an average apartment size of 719 square feet each; and (ii) commercial space on the ground floor with a gross internal area of approximately 4,150 square feet. In addition, the Property has 14 off-street surface car park spaces within its demise.

KHJL expects to consider a number of options including redevelopment and repositioning the Property into an income-generating asset through a comprehensive refurbishment and leasing programme.

The landlord of the Property is Grosvenor Estate Belgravia.

6. Financial Effects

The Investment is not expected to have a material impact on the consolidated earnings per share and consolidated net tangible assets of the Group for the financial year ending 31 December 2016.

7. Interest of the directors and shareholders

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

BY ORDER OF THE BOARD

Lee Soo Wei
Chief Financial Officer

14 March 2016