
ACQUISITION OF INTEREST IN COMMERCIAL PROPERTY LOCATED AT HERBAL HILL, CLERKENWELL, LONDON EC1 UNITED KINGDOM

The Board of Directors of Hwa Hong Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Singapore Warehouse Company (Private) Ltd. (“**SWC**”) has, on 8 April 2016, acquired 500 shares of nominal value GBP0.01 each in the share capital of Capital Herbal Limited (“**CHL**”), representing 50% of the total issued and paid-up share capital of CHL of GBP10.00, for an aggregate consideration of GBP5.00 (the “**Shares Acquisition**”). The remaining 500 shares in CHL (representing 50% of the total issued and paid-up share capital of CHL) are owned by Langland Estates Ltd. (UK) (“**Langland**”) as to 50 shares and DR Trust (US) (“**DR Trust**”) as to 450 shares. CHL is a company incorporated in England and Wales, and will act as a nominee company for acquiring and holding the Property (as defined below) in trust for SWC, Langland and DR Trust (collectively, the “**Parties**”) as described below. CHL will be accounted as a subsidiary of the Company.

On 8 April 2016, CHL entered into an agreement with an unrelated third party, CGIS Herbal Hill Ltd., (the “**Agreement**”) to acquire a freehold property located at 3 to 7 Herbal Hill, Clerkenwell, London EC1, United Kingdom (the “**Property**”) for a total cash consideration of GBP24.8 million (equivalent to approximately SGD47.37 million¹) (the “**Consideration**”) and upon the terms and conditions of the Agreement (the “**Property Acquisition**”). The Consideration was arrived at following an open market sales process and on a willing-buyer, willing-seller basis, and the Property Acquisition is expected to be completed by 31 May 2016. Pursuant to declarations of trust executed by CHL and the Parties, CHL will hold the benefit of the Agreement and (upon completion of the Agreement) the Property upon trust for the benefit of the Parties as tenants in common in the following shares: (i) SWC as to 50%, (ii) Langland as to 5%, and (iii) DR Trust as to 45% (the “**Ownership Proportion**”).

The Property Acquisition will be funded by a combination of bank loans and loans from the Parties according to the Ownership Proportion. In this connection, SWC will extend a loan of approximately GBP7.5 million (equivalent to approximately SGD14.33 million¹) to CHL for the Property Acquisition (“**SWC’s Commitment**”). SWC’s Commitment will be funded by a combination of bank loans and internal cash sources.

The Property is a freehold commercial property located in the Clerkenwell area of London and is within walking distance of established office locations such the City of London and Holborn. It is close to the Old Street roundabout, a location commonly known as Silicone Roundabout due to its popularity with established and startup technology-related companies. Clerkenwell is a location popular with office occupiers in the architecture, interior design, furniture, technology and media sectors. Occupiers in the area include the WPP group, the Publicis Groupe, AirBnB and brands such as Alexander McQueen and Christian Louboutin. In addition, the area has a variety of boutique residential schemes, boutique hotels and popular restaurants such as Comptoir Gascon, Granger & Co. and Bistrot Loubet.

The Property is served by excellent transport links as it is located approximately 500 meters from Farringdon station, which is served by the London Underground, Thameslink high speed rail and is also a key Crossrail interchange. It is also within walking distance of 3 other London Underground stations, namely Holborn, Chancery Lane and Barbican stations.

¹ Based on exchange rate of GBP1 to SGD1.91.

The Property has a total floor area of approximately 32,935 square feet and comprises 7 floors of office accommodation. The Property is currently fully leased and produces an annual gross rental income of approximately GBP1.10 million (equivalent to approximately SGD2.10 million¹).

The Property Acquisition and the Shares Acquisition (collectively, the “**Property Investment**”) will allow the Group to invest in the Property through CHL and thereby expand its commercial property portfolio in central London. The Property Investment is also in line with the Group’s strategy to seek value-add opportunities in the central London property market for recurrent rental income and long term investment purposes. The Group expects the Property Investment to be accretive to the Group’s earnings per share² at current levels of rent and intends to further enhance the returns from the Property through a refurbishment and re-letting of the Property.

The Property 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.

None of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Property Investment.

BY ORDER OF THE BOARD

Lee Soo Wei
Chief Financial Officer

11 April 2016

¹ Based on exchange rate of GBP1 to SGD1.91.

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.