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

- **EXTENSION OF FUNDING TO CO-INVESTOR TO FUND ITS COMMITMENT IN RESPECT OF ITS 45% INTEREST IN THE PROPERTY**
  - **COMPLETION OF THE PROPERTY ACQUISITION**
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**1. Introduction**

1.1 The Board of Directors of Hwa Hong Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement on 11 April 2016 (the “**Previous Announcement**”) in relation to:

- (a) the acquisition by its wholly-owned subsidiary, Singapore Warehouse Company (Private) Ltd. (“**SWC**”), of 500 shares of nominal value of GBP0.01 each in the share capital of Capital Herbal Limited (“**CHL**”), representing approximately 50% of the total issued and paid-up share capital of CHL; and
- (b) the proposed acquisition by CHL (as a nominee company) of the freehold property located at 3 to 7 Herbal Hill, Clerkenwell, London EC1 United Kingdom (the “**Property**”) for a cash consideration of GBP24.8 million (equivalent to approximately SGD47.37 million<sup>1</sup>) from CGIS Herbal Hill Ltd upon the terms and conditions of the agreement dated 8 April 2016 between CHL and CGIS Herbal Hill Ltd (the “**Property Agreement**”) (the “**Property Acquisition**”).

Unless otherwise defined, capitalised terms in this Announcement shall bear the same meanings ascribed to them in the Previous Announcement.

As stated in the Previous Announcement, CHL was to hold the benefit of the Property Agreement and (upon completion of the Property Agreement) the Property upon trust for the benefit for SWC, DR Trust (US) (“**DR Trust**”) and Languard Estates Ltd. (UK) (“**Languard**”) (collectively, the “**Parties**”) in the following shares: (i) SWC as to 50%, (ii) DR Trust as to 45%, and (ii) Languard as to 5% (the “**Ownership Proportion**”). DR Trust and Languard also own the remaining 45% and 5% of the issued and paid-up share capital of CHL, respectively.

The Property Acquisition was to be funded by a combination of (i) bank loans and (ii) loans from the Parties according to the Ownership Proportion (the “**Funding Commitment**”).

1.2 The Company wishes to announce that:

- (a) completion of the Property Acquisition under the Property Agreement has taken place on 3 June 2016. 50% beneficial ownership of the Property is held by CHL on trust for SWC and SWC has as at the date of this announcement extended a loan of approximately GBP7.23 million (equivalent to approximately SGD14.39 million<sup>1</sup>) to CHL for the Property Acquisition in accordance with SWC’s 50% share of the Funding Commitment; and

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<sup>1</sup> Based on exchange rate of GBP1 to SGD1.99.

(b) in addition, SWC has on 3 June 2016 entered into an agreement with DR Trust and CHL (the "**Funding Agreement**") pursuant to which SWC has agreed to loan GBP5.39 million (equivalent to approximately SGD10.73 million<sup>1</sup>) to DR Trust (the "**DR Trust Loan**") for the purpose of applying the monies towards payment of DR Trust's 45% share of the Funding Commitment for the Property Acquisition, upon the terms and conditions of the Funding Agreement. Pursuant to the Funding Agreement, SWC has extended the DR Trust Loan to DR Trust on 3 June 2016, and DR Trust has applied the DR Trust Loan for the aforesaid purpose on the same day.

1.3 DR Trust is a private family trust. The trust is registered and incorporated in New York State, USA.

## 2. **Salient Terms of the Funding Agreement**

2.1 Under the Funding Agreement, the parties have agreed that the DR Trust Loan is granted by SWC to DR Trust on the following basis:

(a) DR Trust will have the right to repay the DR Trust Loan (only in its entirety and not in part) at any time during a period of six (6) months from the date of drawdown of the DR Trust Loan (the "**Loan Period**"), but not before the date that is two (2) months from the date of the Funding Agreement. DR Trust will be liable to pay interest on the DR Trust Loan on a quarterly basis at an annual rate of 8% per annum during the Loan Period.

(b) During the Loan Period (or until repayment of the DR Trust Loan (including accrued interest), whichever is the earlier), DR Trust's 45% shareholding in CHL ("**DR Trust's Shares**") will be registered in SWC's name and held on trust for DR Trust, and CHL will hold the 45% beneficial ownership of the Property, on the following terms:

(i) upon repayment of the DR Trust Loan (including accrued interest) in full, parties agree to:

(A) transfer the DR Trust's Shares held by SWC to DR Trust, whereupon DR Trust will become the full legal and beneficial owner of the DR Trust's Shares; and

(B) transfer the 45% beneficial ownership of the Property to DR Trust. CHL will thereafter hold the 45% beneficial interest in the Property on trust for DR Trust; and

(ii) in the event the DR Trust Loan (including accrued interest) is not repaid in full at the expiry of the Loan Period, or if there is a breach under the Funding Agreement, the parties agree that:

(C) the legal and beneficial ownership of the DR Trust's Shares shall be transferred to SWC; and

(D) the 45% beneficial interest in the Property shall be transferred to SWC and CHL will thereafter hold the 45% beneficial interest in the Property on trust for SWC.

- 2.2 In addition, pursuant to a supplemental agreement dated 3 June 2016 (the “**Supplemental Agreement**”) between SWC, DR Trust, Capital Eagle Limited (“**CEL**”) and Eagle House LLC (“**Eagle House**”), it was agreed that the following documents will be held as security for the performance of DR Trust’s obligations under the terms of the DR Trust Loan:
- (a) the share certificate relating to shares in CEL issued by CEL in the name of Eagle House; and
  - (b) the declaration of trust dated 1 December 2015 between CEL and Eagle House in relation to Eagle House’s beneficial interest in the property at 2 to 28 (even) and 20 and 32 Procter Street, Holborn, London WC1 6NX, United Kingdom which is held in the name of CEL.
- 2.3 The Supplemental Agreement provides that in the event the full amount of the DR Trust Loan is not repaid to SWC under the terms of the Funding Agreement, DR Trust and Eagle House shall procure the transfer to SWC of (a) such number of CEL shares specified in the above-mentioned share certificate that are of equivalent value to the outstanding amount of the DR Trust Loan, and (b) the corresponding benefit and beneficial interest of the above-mentioned declaration of trust, provided that the value transferred shall not exceed the amount outstanding under the terms of the Funding Agreement.

### **3. Financial Impact**

Based on the assumption that the DR Trust Loan (together with accrued interest) is repaid by the end of the Loan Period, the Funding Agreement is not expected to have a material impact on the consolidated earnings per share and consolidated net tangible assets of the Group for the current financial year ending 31 December 2016.

### **4. Interest(s) of Directors and Controlling Shareholders**

None of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Funding Agreement.

### **BY ORDER OF THE BOARD**

Lee Soo Wei  
Chief Financial Officer

6 June 2016