



# HWA HONG CORPORATION LIMITED

64th Annual General Meeting  
27 April 2017, 10am  
M Hotel Singapore

# OUR FY2016 OPERATING PERFORMANCE

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<b>SGDm</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Change</b>
Revenues	13.1	11.2	(14.3)%
Gross profit	8.5	7.0	(18.1)%
Net profit after tax	6.8	6.5	(3.4)%
Earnings per share (cts)	1.04	1.00	(3.8)%
Book value per share	31.57	29.77	(5.7%)



# OUR FINANCIAL HIGHLIGHTS (FY2016)

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Gearing		Payout		Market valuation <sup>1</sup>	
Total debt/Eq.	41%	Payout ratio	100%	P/BV (cost <sup>2</sup> )	1.01
Total debt	69m	NPAT	6.5m	P/BV (FMV <sup>3</sup> )	0.63
Net assets	194m	Dividend	6.5m	Market cap.	196m
		Dividend yield	3.3%	PER	30.0x

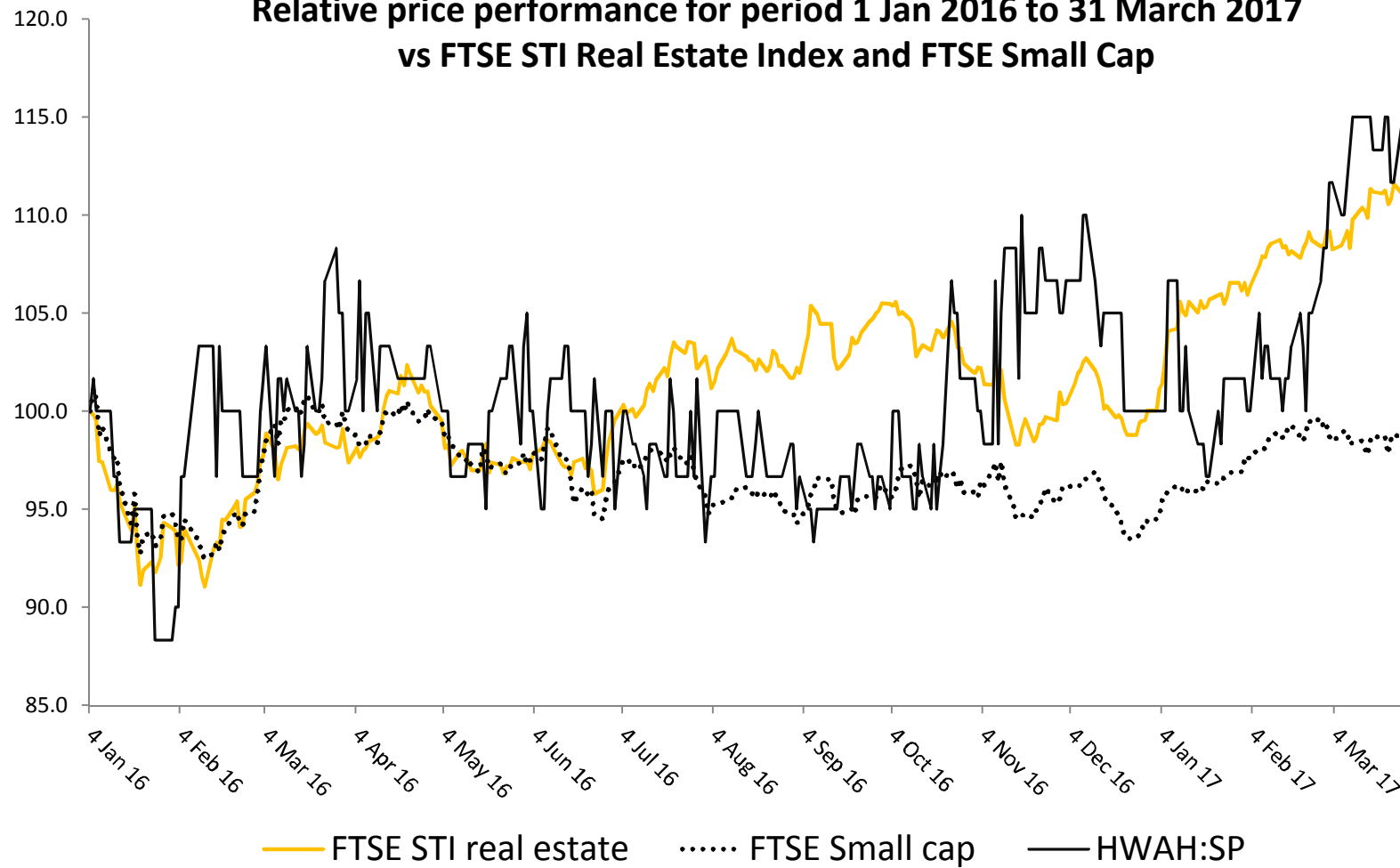
Notes:

1. Based on market price of S\$0.30
2. Based on cost model accounting for Investment Properties
3. Based on fair market value of c.S\$238m for Investment Properties, excluding any tax effects and realignment of associates and JVs to the fair value model



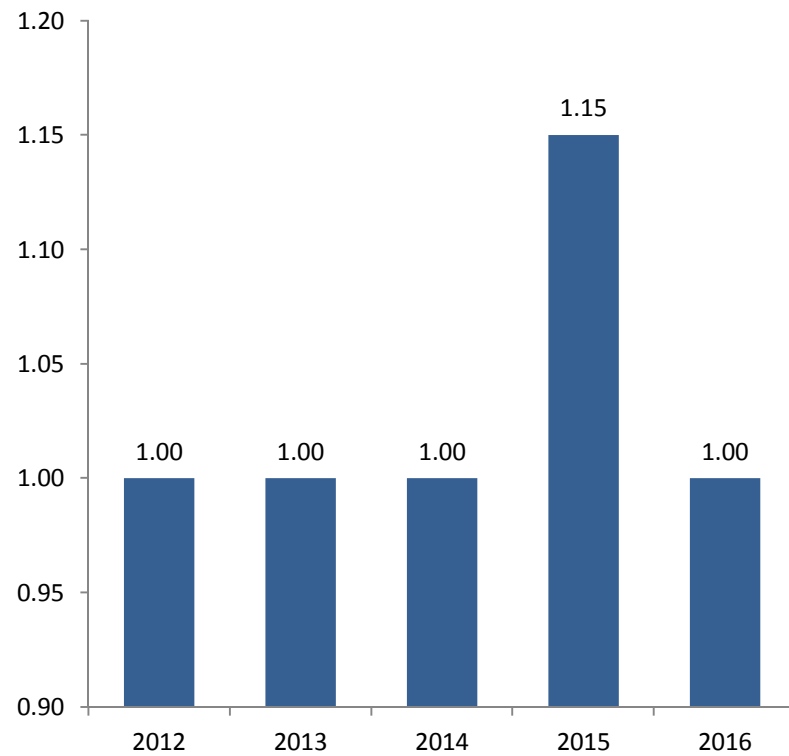
# OUR SHARE PRICE PERFORMANCE

Relative price performance for period 1 Jan 2016 to 31 March 2017  
vs FTSE STI Real Estate Index and FTSE Small Cap

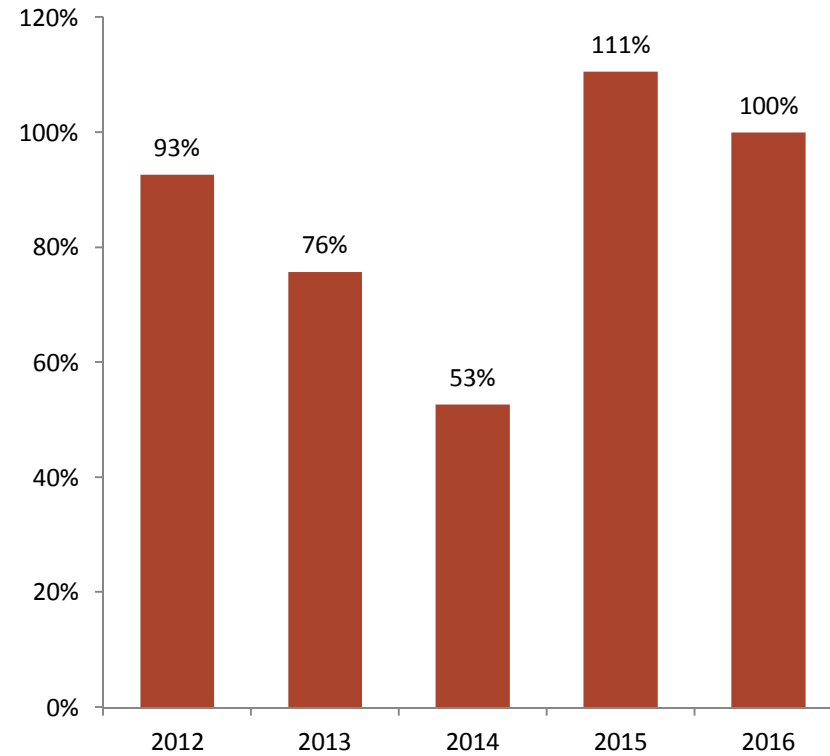


# OUR DIVIDEND HISTORY

### Dividend per share



### Payout ratio

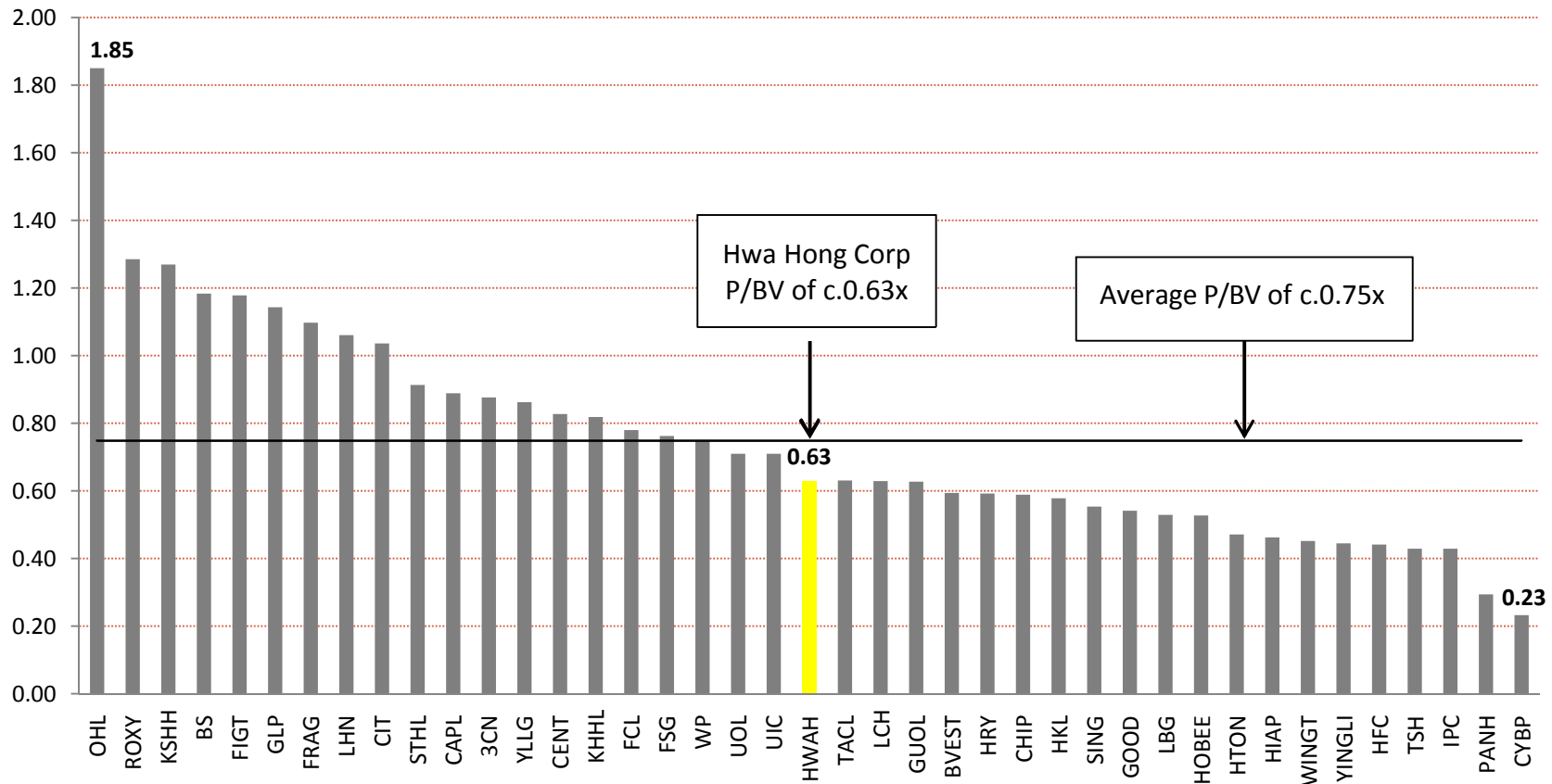


Following our special dividends between 2007 and 2011, the Group has maintained a steady stream of dividend payments per annum



# SECTOR COMPARISON

Price to book ratio for SGX-ST & Catalist listed property companies



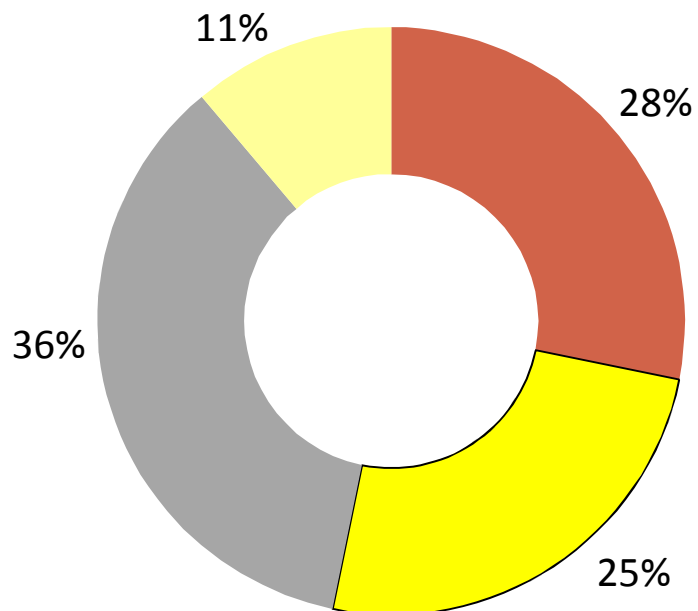
**Note:** Based on P/BV of Hwa Hong Corp calculated using fair market value of properties of c.S\$238m, (excluding any tax effects)



# OUR BUSINESS AS AT 31 DEC 2016

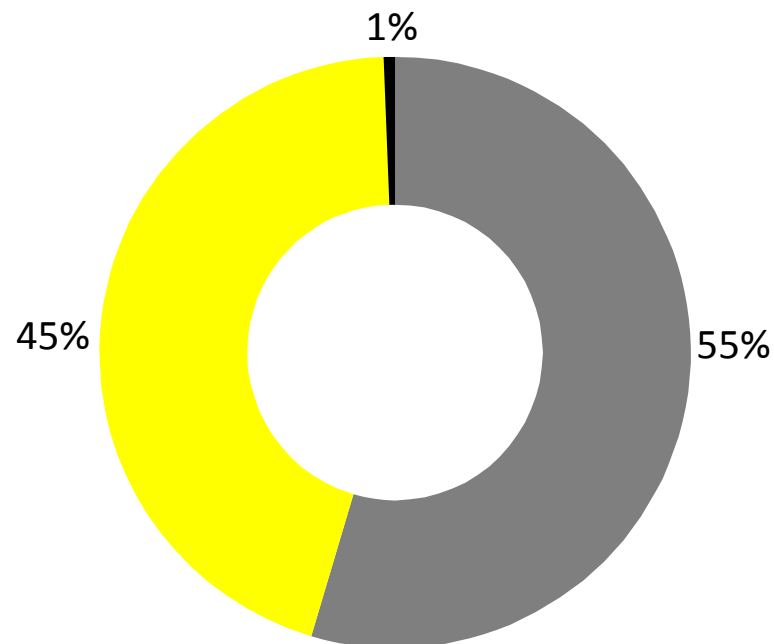
## MAJOR ASSETS ALLOCATION

### Real estate portfolio (by property type)



■ Industrial      ■ Residential  
■ Office & retail      ■ Others

### Real estate portfolio (by geography)



■ Singapore      ■ UK      ■ Others

**Note:**

1. Based on 31 Dec 2016 valuations except for Kilmuir House which was based on investment cost (excluding any tax effects)
2. Orchard Medical was based on selling price of c.\$3,200psf (excluding any tax effects)
3. Includes our share of the net asset values of associates and JVs, based on fair market value (excluding any tax effects)



# RECENT ACQUISITIONS (2016)

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<b>Property name</b>	Kilmuir House
<b>Location</b>	Eaton Terrace, Belgravia
<b>Type</b>	8 storey residential with retail on ground floor
<b>Launched/Status</b>	Currently being refurbished for lease
<b>Tenure</b>	37 years (target extension to 125 years)
<b>Land area</b>	19,166 sq ft
<b>Floor area (NIA)</b>	35,231 sq ft
<b>No. of units</b>	49 units
<b>Unit types</b>	2 bedroom apartments
<b>Acquisition price</b>	£45m (£1,277psf)
<b>Group's interest</b>	25% effective interest (with veto rights on key decisions)
<b>Remarks</b>	<ul style="list-style-type: none"><li>• Possible amalgamation of neighbours to enlarge site</li><li>• Potential redevelopment of site under consideration</li><li>• Rare 8 storey block in prime Belgravia</li></ul>





# RECENT ACQUISITIONS (2016)

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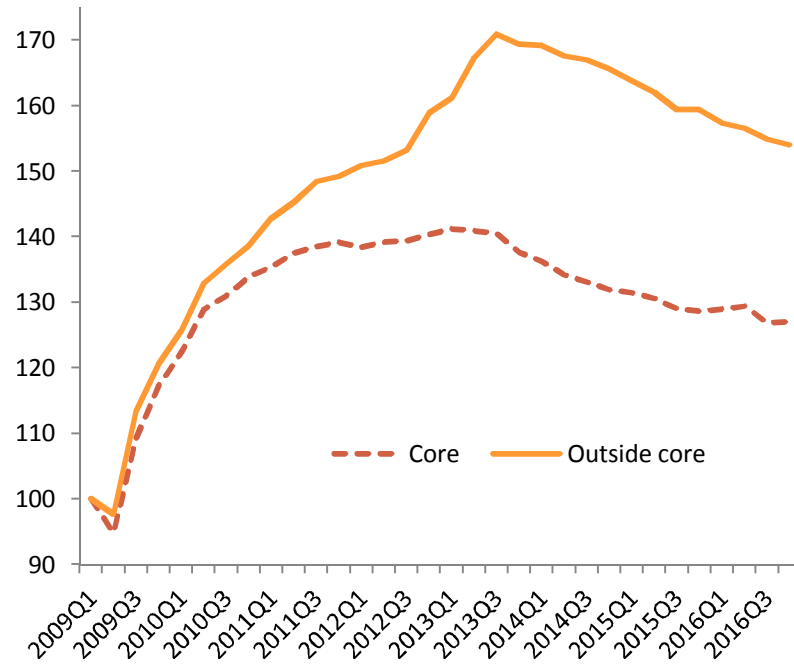
<b>Property name</b>	Herbal Hill
<b>Location</b>	3 Herbal Hill, Clerkenwell
<b>Type</b>	Commercial
<b>Launched/Status</b>	Fully tenanted till June 2019
<b>Tenure</b>	Freehold
<b>Land area</b>	N.A.
<b>Floor area (NIA)</b>	33,773 sq ft
<b>No. of floors</b>	Four floors with basement
<b>Rent / yield</b>	£35psf (c.36% below market) / c.4.1% with reversionary yield of c.6.0%
<b>Acquisition price</b>	£26.5m (valuation £28.5m)
<b>Group's interest</b>	50%
<b>Remarks</b>	<ul style="list-style-type: none"><li>• Property under-rented at 36% below market rent</li><li>• Current cap rate for area is sub-5%</li><li>• Located within 5 min walk to Farringdon Crossrail</li><li>• Area is popular with TMT companies</li><li>• The group has invested in this area since early 2000s</li></ul>



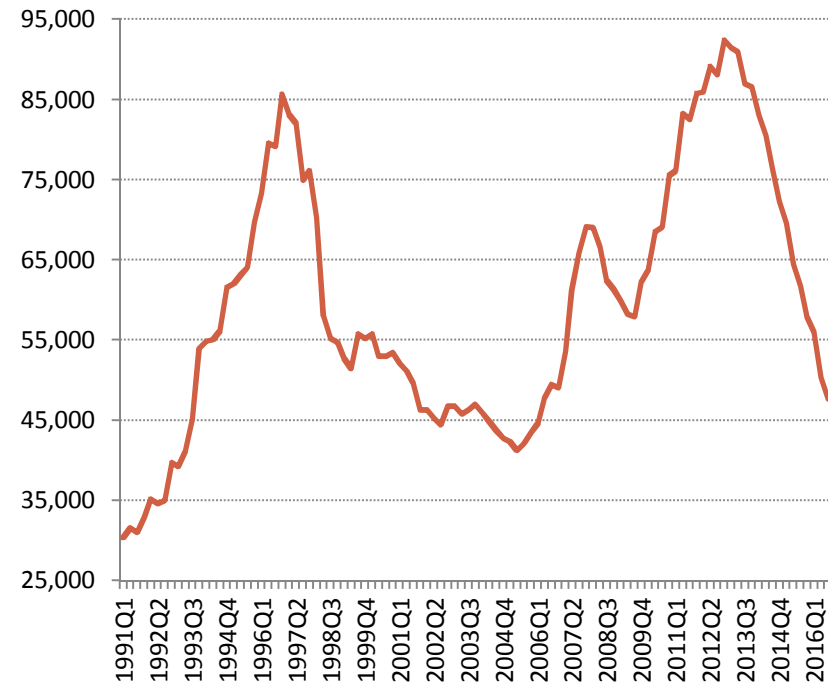
# MARKET COMMENTARY 2016

## SINGAPORE RESIDENTIAL PROPERTY MARKET

### URA Property Price Index of Non-Landed Residential Properties



### Supply of non-landed residential properties in pipeline



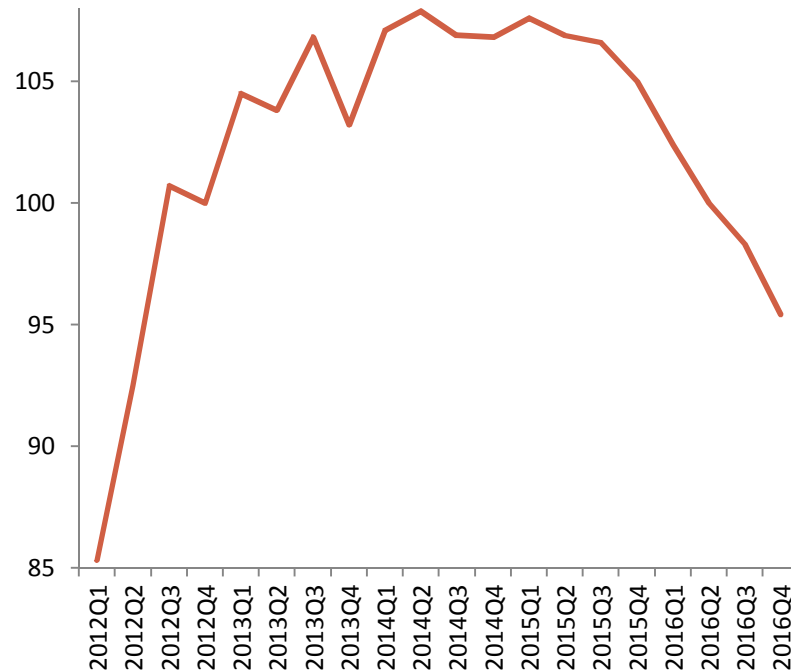
- Price declines have slowed - signs of stabilisation
- Government measures still in place but changes have been made
- Supply (planned and under-construction) has decline significantly



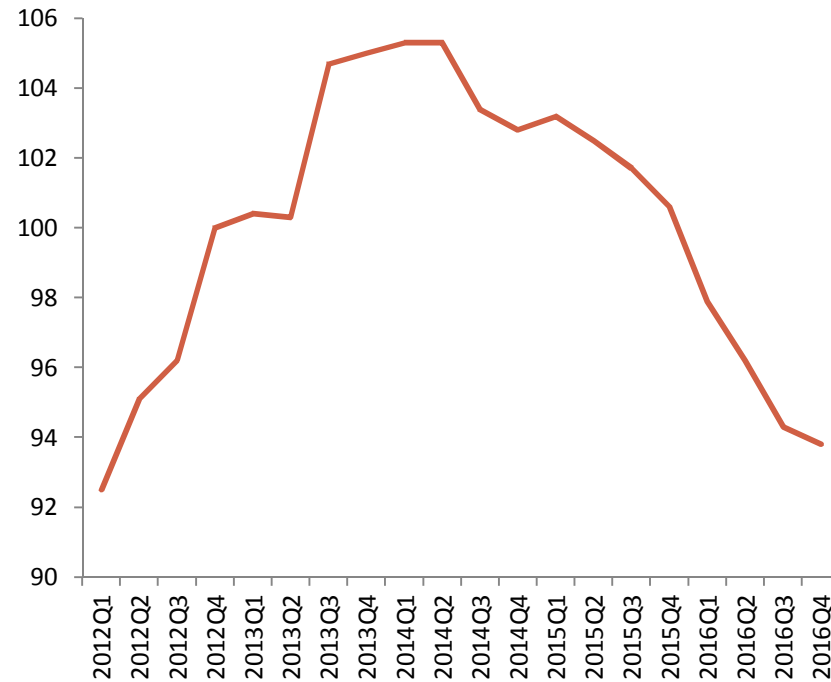
# MARKET COMMENTARY 2016

## SINGAPORE INDUSTRIAL PROPERTY MARKET

### Property Price Index of Industrial Property



### Rental Index of Private Sector Industrial Property



- Industrial market continues to be weak
- Government measures and weak economy have affected strata sales market
- Weak local economy affecting prices and rents

(source: URA)

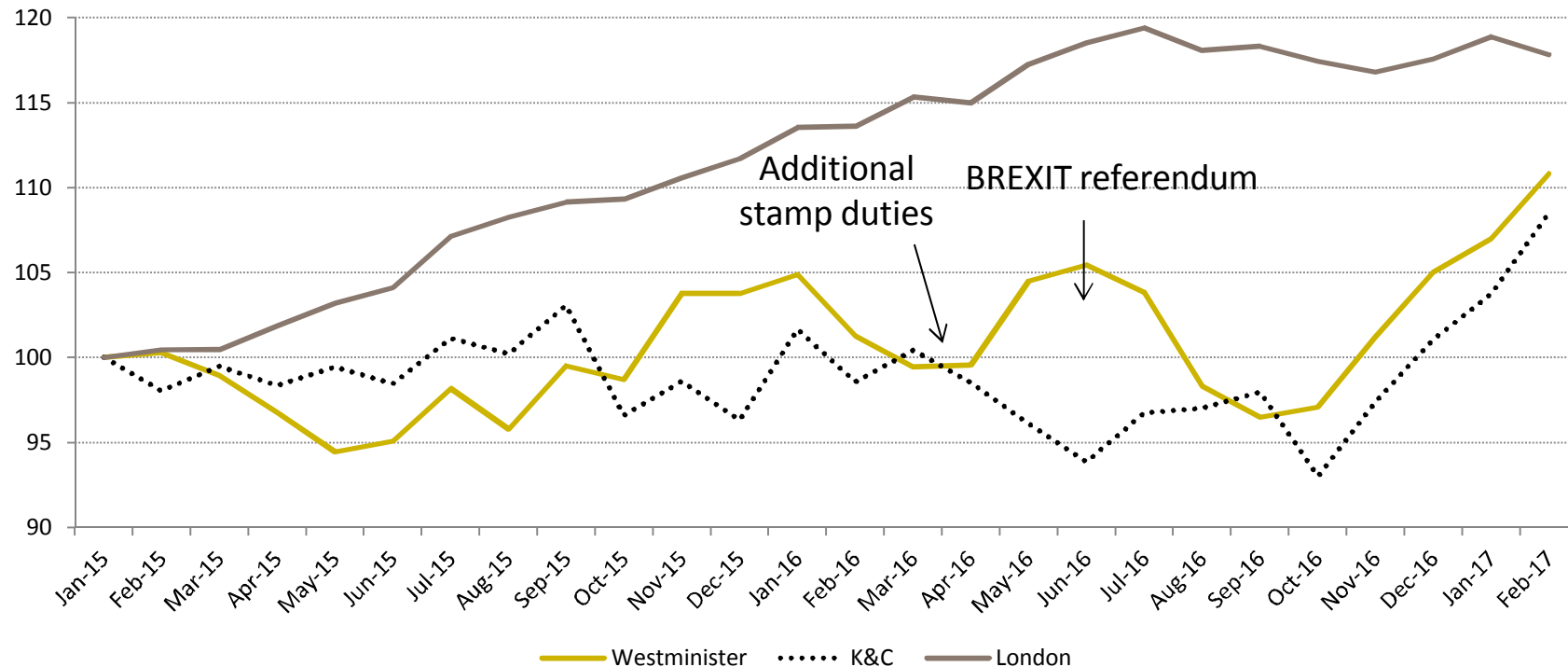


# MARKET COMMENTARY 2016

LONDON RESIDENTIAL PROPERTY MARKET

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## UK House Price Index (Greater London & selected prime areas)



- Signs of price stability and recovery post-BREXIT
- Prices seem to be recovering since 3Q 2016
- Weakening in GBP since BREXIT attracting foreign capital to prime areas

(source: UK Land Registry and Knight Frank Research)



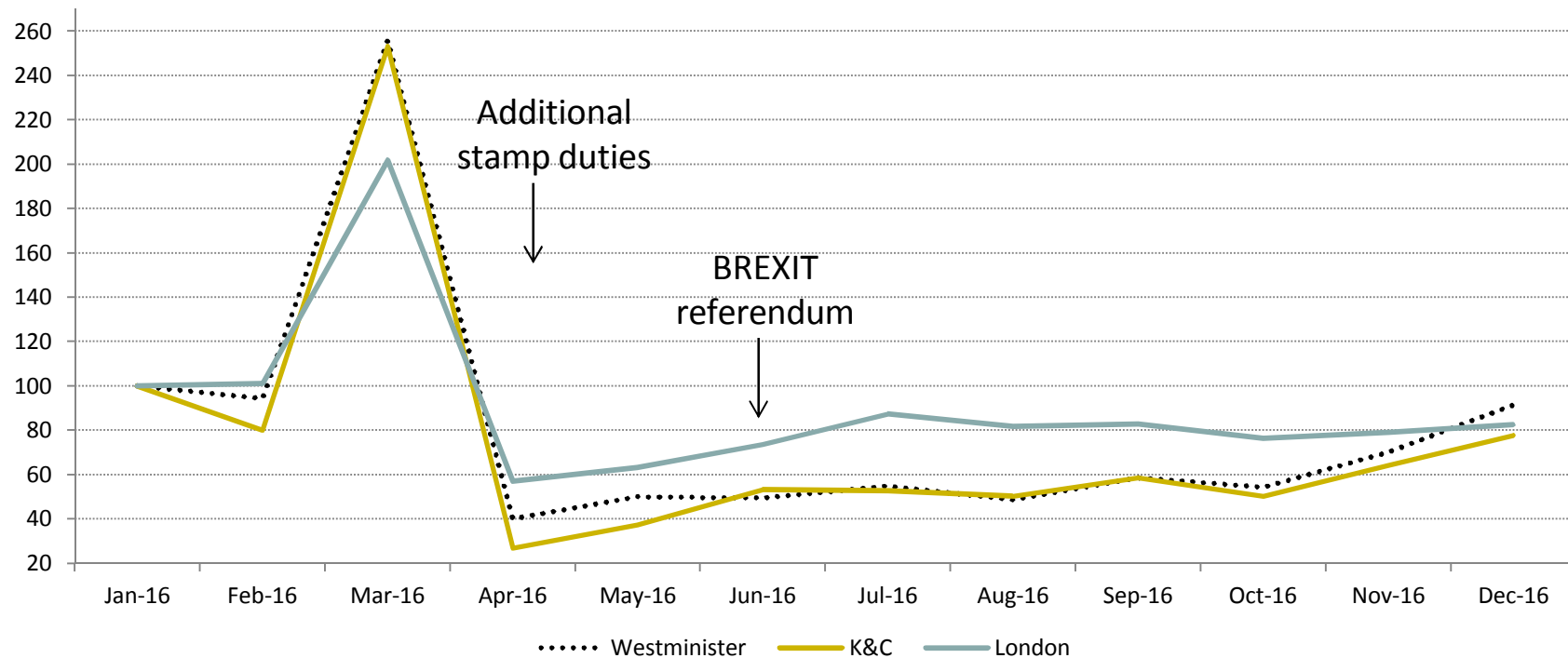
Private and Confidential

# MARKET COMMENTARY 2016

LONDON RESIDENTIAL PROPERTY MARKET

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### UK House Sales Volume Index (Greater London & selected prime areas)



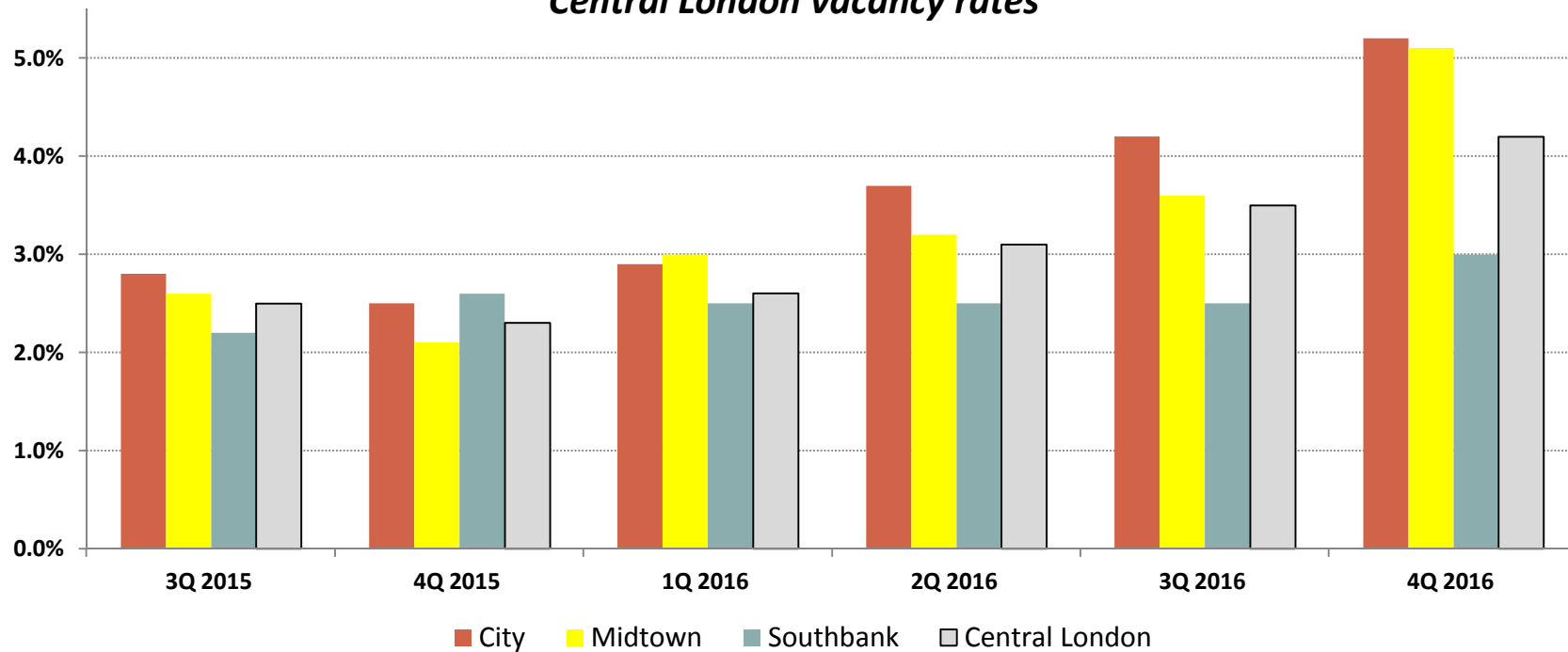
- Signs of recovery in transaction volumes since 2Q 2016
- Additional stamp duties effective in April 2016 were decline in transaction volumes
- Transaction volumes have been rising since 3Q 2016, especially in prime districts

(source: UK Land Registry and Knight Frank Research)



Private and Confidential

### Central London vacancy rates



- Vacancy rates gradually rising, primarily due to recent completions
  - Still below 10 year average
- Strong demand post-BREXIT from Asia and Europe for UK commercial office assets
  - Decline in interest from the Americas and Middle East

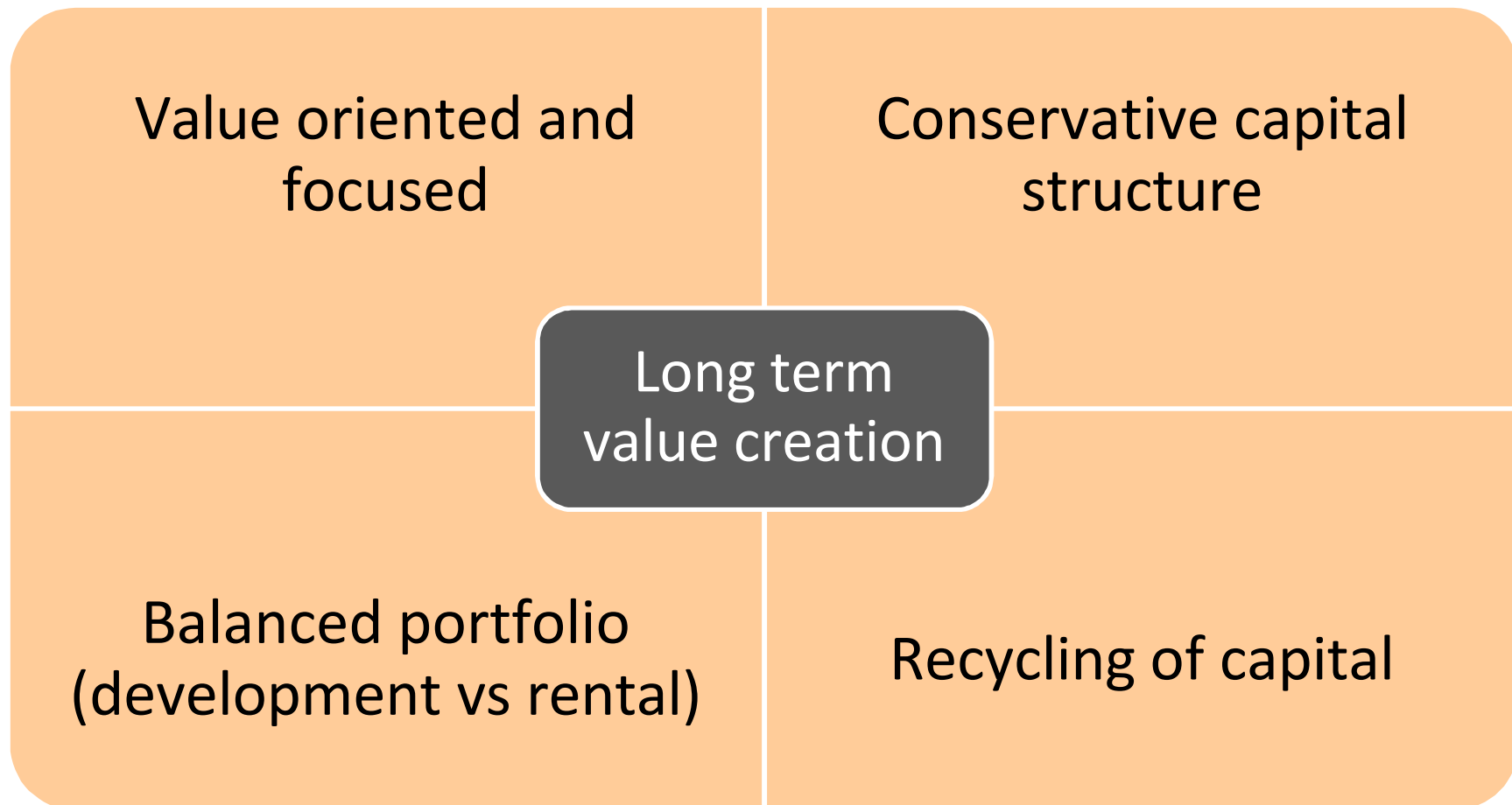
(source: CBRE UK & JLL UK)



# OUR BUSINESS

OUR REAL ESTATE STRATEGY

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# OUR BUSINESS (2017)

OUR REAL ESTATE STRATEGY

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OUR STRATEGIC OBJECTIVES	PRIORITIES FOR 2017	RISK FACTORS TO OUR STRATEGY
Acquire properties with long term value given their location and type of use	<ul style="list-style-type: none"> <li>• UK: Distress opportunities</li> <li>• Singapore: Value-add opportunities</li> <li>• Niche strategy</li> <li>• Focus on location attributes</li> <li>• Employ value-add where possible</li> </ul>	<ul style="list-style-type: none"> <li>• UK market averts a downturn</li> <li>• Competition for assets</li> <li>• Interest rates spike</li> <li>• Foreign exchange volatility</li> </ul>
Unlock value from portfolio over time	<ul style="list-style-type: none"> <li>• Manchester conversion</li> <li>• Sheffield student site</li> <li>• Hornton Street AEI</li> </ul>	<ul style="list-style-type: none"> <li>• Planning risks</li> <li>• Sustained downturn in UK</li> </ul>
Optimise income from assets	<ul style="list-style-type: none"> <li>• 20 Midtown</li> <li>• Kilmuir House</li> <li>• Allen House</li> <li>• Herbal Hill</li> <li>• Scotts Spazio</li> </ul>	<ul style="list-style-type: none"> <li>• Sustained downturn in the UK causing rentals to crash and decline in real estate values</li> <li>• Interest rate increases</li> <li>• Foreign exchange volatility</li> </ul>





# OUR BUSINESS (2017)

OUR REAL ESTATE STRATEGY

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OUR STRATEGIC OBJECTIVES	PRIORITIES FOR 2017	RISK FACTORS TO OUR STRATEGY
Recycle capital	<ul style="list-style-type: none"><li>• Review status of mature assets for disposal</li><li>• Redeploy capital into new investments</li></ul>	<ul style="list-style-type: none"><li>• Market for exit/disposal of assets not attractive</li><li>• Competition for assets eroding potential returns / overpaying for assets</li></ul>
Maintain strong, & efficient balance sheet	<ul style="list-style-type: none"><li>• Hedge currency and interest rate risk</li><li>• Ensure sustainable LTVs and interest cover</li></ul>	<ul style="list-style-type: none"><li>• Spike in interest rates and and/or credit spreads</li><li>• Decline in collateral values</li></ul>
Develop additional overseas markets	<ul style="list-style-type: none"><li>• Develop additional overseas markets</li><li>• SE Asia, Australia</li></ul>	<ul style="list-style-type: none"><li>• New market risk</li><li>• Emerging market risks depending on chosen market</li></ul>



- SIAS initiative to improve the quality of annual general meetings
  - Raise relevant questions
  - To help focus discussions at shareholder meetings
  - Help companies to provide better accountability to shareholders
  - Initiative supported by SGX
- Q&A available on SGX website
- Copies sent to SIAS ([www.sias.org.sg](http://www.sias.org.sg))





**HWA HONG CORPORATION LIMITED**

**Thank you**