



HWA HONG CORPORATION LIMITED

65th Annual General Meeting
25 April 2018, 10am
Grand Copthorne Waterfront Singapore

OUR FY2017 OPERATING PERFORMANCE

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SGDm	FY2016	FY2017	Change
Revenues	11.2	14.5	29%
Gross profit	7.0	10.0	43%
Net profit after tax	6.5	7.4	14%
Earnings per share (cts)	1.00	1.13	13%
Book value per share	29.77	30.19	1.4%

- FY2017 revenue was higher at S\$14.5m (FY2016: S\$11.2m)
 - *Overall increase in rental income*
 - *Higher gains from investment segment*
- FY2017 NPAT was higher at S\$7.4m (FY2016: S\$6.5m)
 - *Higher revenue*
 - *Higher gains on disposals of investment properties comprising 3 residential units in London, 1 residential unit in Singapore and 1 office property in Manchester*
 - *Lower impairment losses in FY2017*



OUR FY2017 FINANCIAL HIGHLIGHTS

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Gearing		Payout		Market valuation ¹	
Gearing ratio	33%	Payout ratio	88.5%	P/BV (cost ²)	1.06
Total debt	53.2m	NPAT	7.4m	P/BV (FMV ³)	0.67
Net assets	197.1m	Dividend	6.5m	Market cap.	209m
Cash	50.7m	Dividend yield	3.13%		

- Stronger balance sheet
 - *Gearing declined to 33% (FY2016: 41%)*
 - *Cash and bank balances of S\$50.7m (FY2016: S\$36.9m)*
- Dividend payout increase
 - *Ordinary dividend per share consistent with previous years*
 - *Special dividend of 0.10 cent per share and Ordinary dividend of 1 cent per share proposed for approval*

Notes:

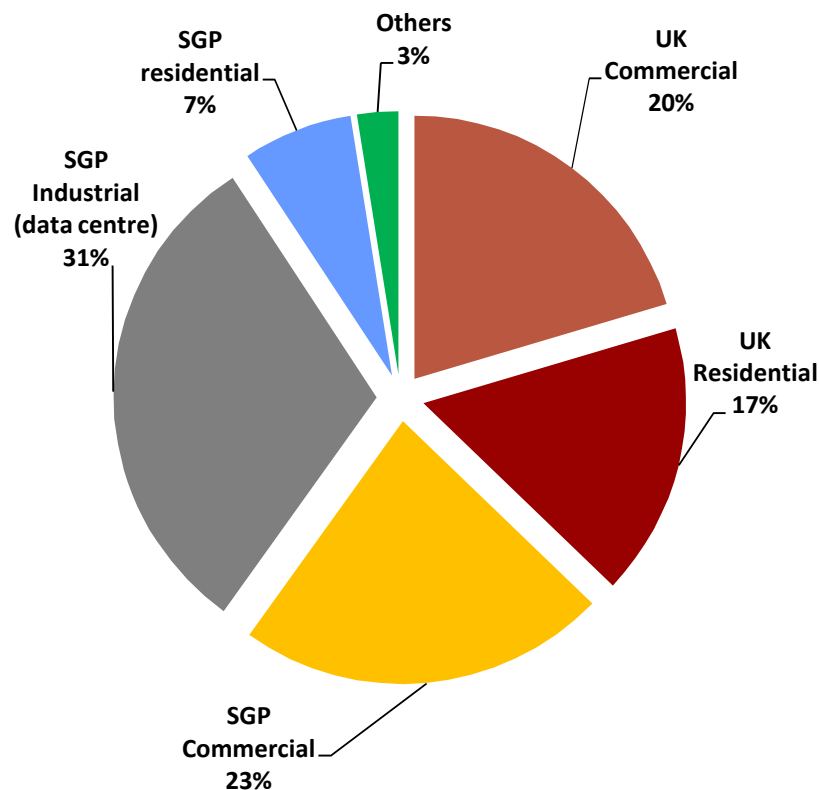
1. Based on market price of S\$0.32
2. Based on cost model accounting for Investment Properties
3. Based on fair market value of c.S\$226m for Investment Properties, excluding tax effects and realignment of associates and JVs to the fair value model



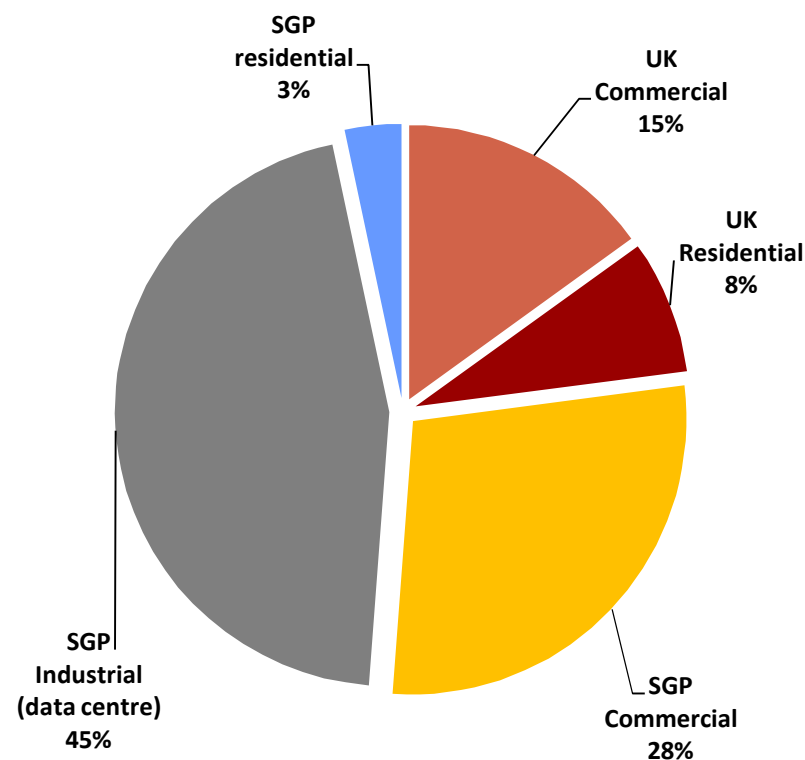
OUR BUSINESS AS AT 31 DEC 2017

ALLOCATION OF ASSETS

Real estate portfolio (by value)



Real estate portfolio (by floor area)



Note:

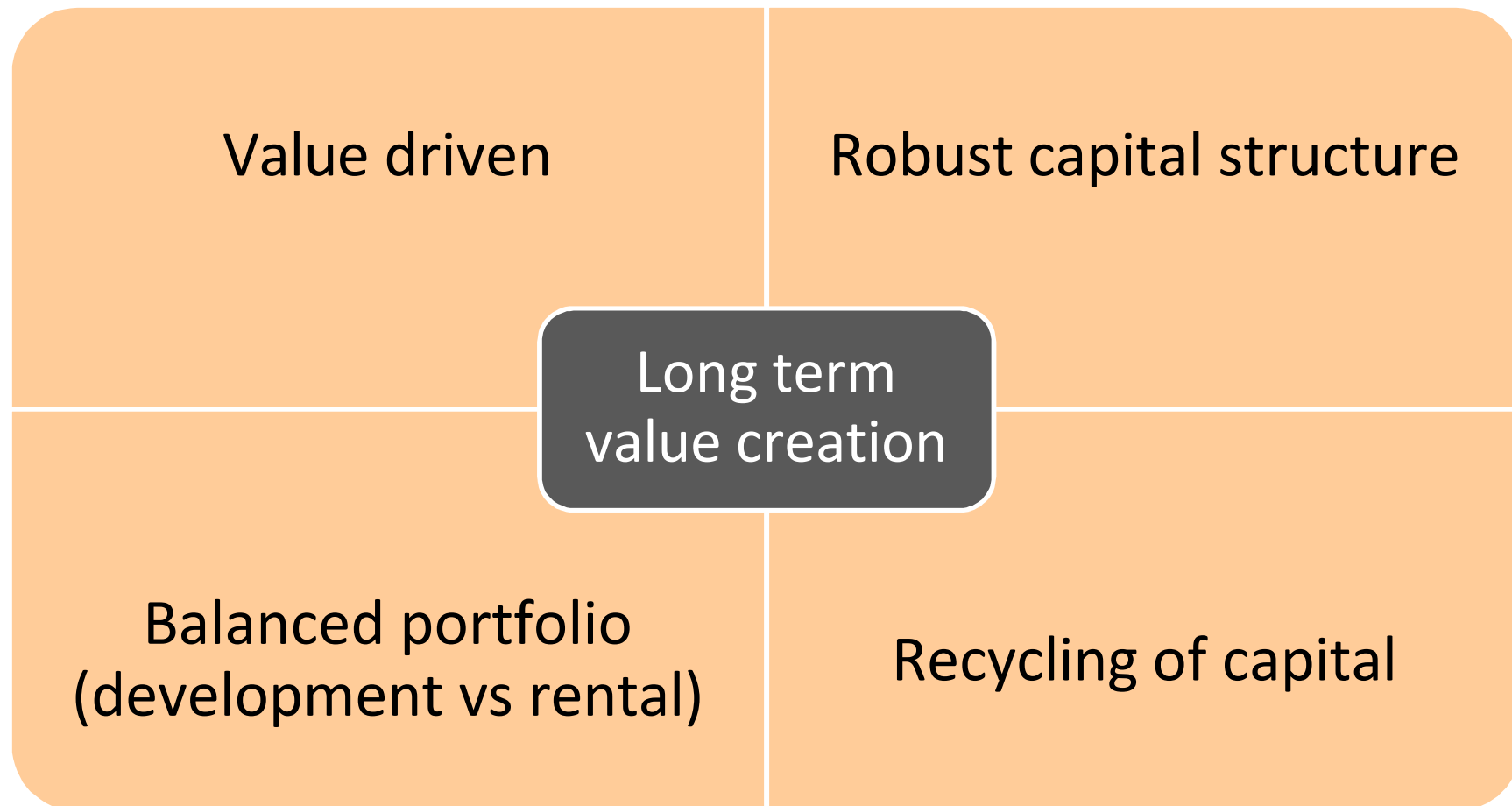
1. Based on 31 Dec 2017 valuations except for Kilmuir House which was based on investment cost (excluding any tax effects)
2. Orchard Medical was based on selling price of c.S\$4,100psf (excluding any tax effects)
3. Includes our share of the net asset values of associates and JVs, based on fair market value (excluding any tax effects)



OUR BUSINESS

OUR REAL ESTATE STRATEGY

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RECENT ACQUISITION (2018)

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Property name	Loman Street
Location	Southbank, Southwark, London
Description	5 storey commercial office building
Lease data	Short leases
Tenure	Freehold
Floor area (NIA)	Current floor area of 19,786sf with a potential for up to 7,000sf of additional lettable space
Rental data	Leased at £26psf with market rents at c.£45psf
Acquisition price	£14.85 million
Group's interest	50%
Remarks	<ul style="list-style-type: none">• Value add play• Addition of up to 4,000sf depending on planning• Expected capital expenditure of c.£150psf



RECENT ACQUISITION (2018)

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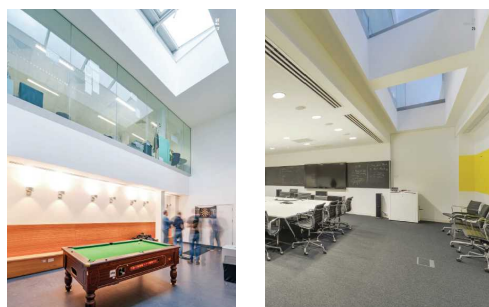


Property name	20 Midtown
Location	Holborn, London
Description	5 storey commercial office building fully refurbished in 1H2017
Lease data	WALE of c.9 years
Tenure	Freehold
Floor area (NIA)	30,533sf
Rental data	Average stabilised rent of c.£50psf (post-rent free)
Valuation	£34.1 million for 100% interest
Group's interest	100% (after acquisition)
Remarks	<ul style="list-style-type: none">• Our interest has increased from 70% to 100%• Historical cost as at 31 Dec 2017 of £29.6m• Property has been revalued to £34.1m with a provisional gain of £3.0m (approximately SGD5.5 m, subject to a purchase price allocation exercise)



RECENT DIVESTMENT (2018)

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Property name	Herbal Hill
Location	Farringdon, London
Description	5 storey commercial office building
Lease data	Leases expiring June 2019 (WALE of 1.08 years)
Tenure	Freehold
Floor area (NIA)	33,773 sq ft
Rental data	£35psf
Exit valuation	£29.4 million (acquired in 2016 for £26.5m)
Group's interest	Nil after acquisition, 50% prior to divestment

Remarks

- Divestment in order to reduce the refurbishment and leasing and redevelopment risk in our London office property portfolio as the building would require additional capital expenditure in 2019
- Total gain of c.£0.6m (approximately SGD1.1m) on disposal
- Capital recycled into acquisition of 30% in 20 Midtown which has a longer WALE



OUR UK DEVELOPMENT PIPELINE

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Property name	Kilmuir House	Allen House
Location	Eaton Square / Belgravia	High Street Kensington
Type	Residential	Residential
Status	Planning	Planning
Tenure	Leasehold	Freehold
No. of units	Current: 49 residential units and 2 ground floor retail units Potential scheme: > 65 residential units	Current: 45 New Scheme: 44 – 46
Floor area (NIA)	Current: c.35,225sf (residential) & c.4,150 (retail) Potential scheme: c.73,000sf	Current: c.35,700sf New scheme: 43,000sf - 48,000sf
No. of floors	9 storey	7 storey
Investors	Hwa Hong (25%), Amcorp Properties Bhd (50%) Minorities (25%)	Hwa Hong (c.20%), various HK family offices and individuals (c.70%)
Development manager/partner	Native Land	GreenOak
Est. market value (new schemes)	> £3,000psf in the area	> £2,000psf in the area
Remarks	<ul style="list-style-type: none"> Undergoing site amalgamation, lease negotiations and planning Hwa Hong has veto rights as to certain reserved matters 	<ul style="list-style-type: none"> Assessing viability Hwa Hong has advisory board seat



Private and Confidential

OUR BUSINESS – 2017 ACTIVITIES

OUR REAL ESTATE STRATEGY

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OUR STRATEGIC OBJECTIVES	ACTIONS TAKEN IN 2017
Invest where we see long term value	<ul style="list-style-type: none">• Loman Street acquisition• 20 Midtown ownership increased to 100%• In Singapore, a number of offers to purchase development sites were submitted
Unlock value from portfolio over time	<ul style="list-style-type: none">• Manchester site sold above expected price• Hornton St refurbishment ongoing, with a unit sold in 2017• Herbal Hill exit disposal
Optimise income from assets	<ul style="list-style-type: none">• Leasing of 20 Midtown completed• Scotts Spazio loan facility repaid• Potential asset enhancement for Neo Bankside asset



OUR BUSINESS – 2017 ACTIVITIES

OUR REAL ESTATE STRATEGY

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OUR STRATEGIC OBJECTIVES	ACTIONS TAKEN IN 2017
Recycle capital	<ul style="list-style-type: none">• 20 Midtown acquisition and Herbal Hill divestment• Loman Street acquisition• Re-leveraged Neo Bankside portfolio to release equity
Maintain strong, & efficient balance sheet	<ul style="list-style-type: none">• Gearing has reduced from 41% to 33%• Debt capacity and cash balances have increased
Develop additional overseas markets	<ul style="list-style-type: none">• Investment in the Australian retirement housing market through private equity fund• Investment in Vietnam through private equity fund



OUR BUSINESS – LOOKING AHEAD

OUR REAL ESTATE STRATEGY

OUR STRATEGIC OBJECTIVES	PRIORITIES FOR 2018	RISK FACTORS TO OUR STRATEGY
Invest where we see long term value	<ul style="list-style-type: none"> • Singapore: Increase focus and continue to look for value, not necessarily in the residential segment • UK: Selectively invest by looking beyond near term issues such as Brexit 	<ul style="list-style-type: none"> • Ability to find opportunities which meet our criteria • Competition for assets, especially in Singapore
Execute residential development and commercial value-add pipeline	<ul style="list-style-type: none"> • Kilmuir House • Allen House • Loman Street 	<ul style="list-style-type: none"> • Execution risks • Market risks
Continue to develop overseas markets through partnership	<ul style="list-style-type: none"> • With limited resources, we will continue to look selectively into other markets in partnership with credible partners 	<ul style="list-style-type: none"> • Partnership risk • Country risks (emerging markets)



OUR BUSINESS – LOOKING AHEAD

OUR REAL ESTATE STRATEGY

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OUR STRATEGIC OBJECTIVES	PRIORITIES FOR 2018	RISK FACTORS TO OUR STRATEGY
Recycle capital	<ul style="list-style-type: none">• Review status of mature assets• Where capital is available, redeploy capital into new investments	<ul style="list-style-type: none">• Market for exit/disposal of assets not attractive• Competition for assets eroding potential returns / overpaying for assets
Maintain strong, & efficient balance sheet	<ul style="list-style-type: none">• Hedge currency and interest rate risks• Ensure sustainable LTVs and interest cover	<ul style="list-style-type: none">• Spike in interest rates and and/or credit spreads• GBP/SGD volatility• Decline in collateral values





HWA HONG CORPORATION LIMITED

Thank you