



HWA HONG CORPORATION LIMITED

67th Annual General Meeting

22 May 2020, 10am

Via Live Webcast and Audio

OUR FY2019 OPERATING PERFORMANCE

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<i>SGDm</i>	FY2018	FY2019	Change
Revenues	10.4	14.5	39%
EBITDA	8.2	12.1	47%
Gross profit ("GP")	3.7	10.8	192%
Net profit after tax ("NPAT")	4.4	6.5	48%
Earnings per share (cts)	0.67	0.99	48%
Net assets per share	28.98	29.18	0.7%

- **FY2019 revenue was higher at S\$14.5m (FY2018: S\$10.4m)**
 - Increase in rental revenue by \$0.9 million mainly due to rental income from Garrett Street property
 - Increase in investment revenue by \$3.2 million mainly due to dividend income investment in a Vietnamese property portfolio
- **Large increase in GP (FY2019: S\$10.8m, FY2018: S\$3.7m)**
 - Increase in revenue
 - Net increases in fair value of investment securities for fair value through profit and loss ("FVPL") investment
- **In line with the increase in GP, NPAT increased by 48% from S\$4.4m in FY2018 to S\$6.5m in FY2019**
 - General & administrative expenses decreased from S\$7.5m in FY2018 to S\$6.0m in FY2019
 - Finance costs increased from S\$1.2m in FY2018 to S\$2.3m FY2019
 - Decrease in other income from S\$8.9m in FY2018 to S\$3.6m in FY2019



OUR FY2019 FINANCIAL HIGHLIGHTS

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Gearing		Payout		Market valuation	
Net gearing ratio ¹	42%	Payout ratio	101.01%	P/BV (cost ²)	0.96x
Total debt	S\$79.4m	NPAT	S\$6.5m	P/BV (FMV ³)	0.62x
Net assets	S\$190.5m	Dividend	S\$6.5m	Market cap.	183m
Cash	S\$39.5m	Dividend yield	3.13%	<i>Based on share price of S\$0.28</i>	

➤ Strong balance sheet

- Fair value of commercial and residential properties recorded as S\$257m as compared to book value of S\$153m
 - S\$104m of unrealised fair value reserves not reflected in balance sheet
- Net gearing ratio of 42% declines to 27%, after adjusting for the aforesaid fair value reserves
- Cash and bank balances of S\$39.5m (FY2018: S\$32.4m)

➤ Dividend payout

- Ordinary dividend of 1 cent per share paid in May 2019
- Ordinary dividend of 1 cent per share proposed for approval

Notes:

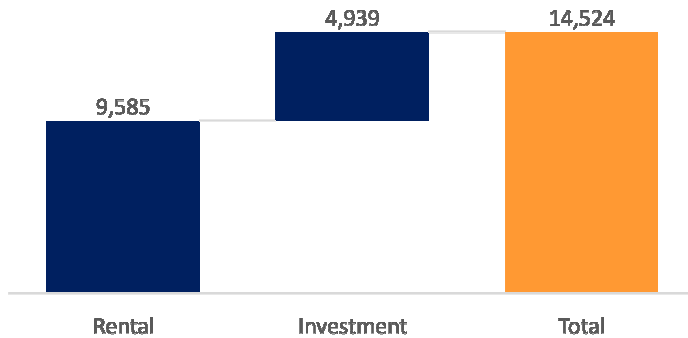
1. Defined as long and short-term bank loans plus bank overdrafts divided by shareholders' equity
2. Based on cost model accounting for Investment Properties
3. Based on fair market value of c.S\$257m for Investment Properties, excluding tax effects and realignment of associates and JVs to the fair value model



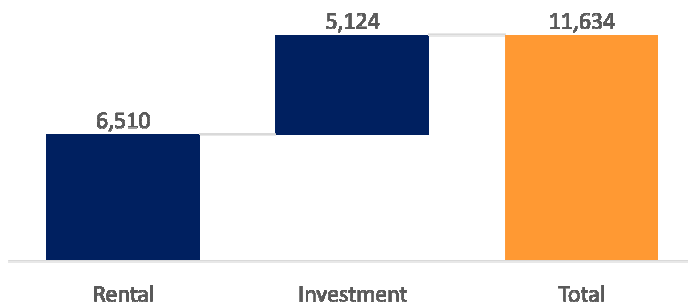
OUR BUSINESS IN FY2019

SEGMENTAL PBT AND PORTFOLIO ALLOCATION

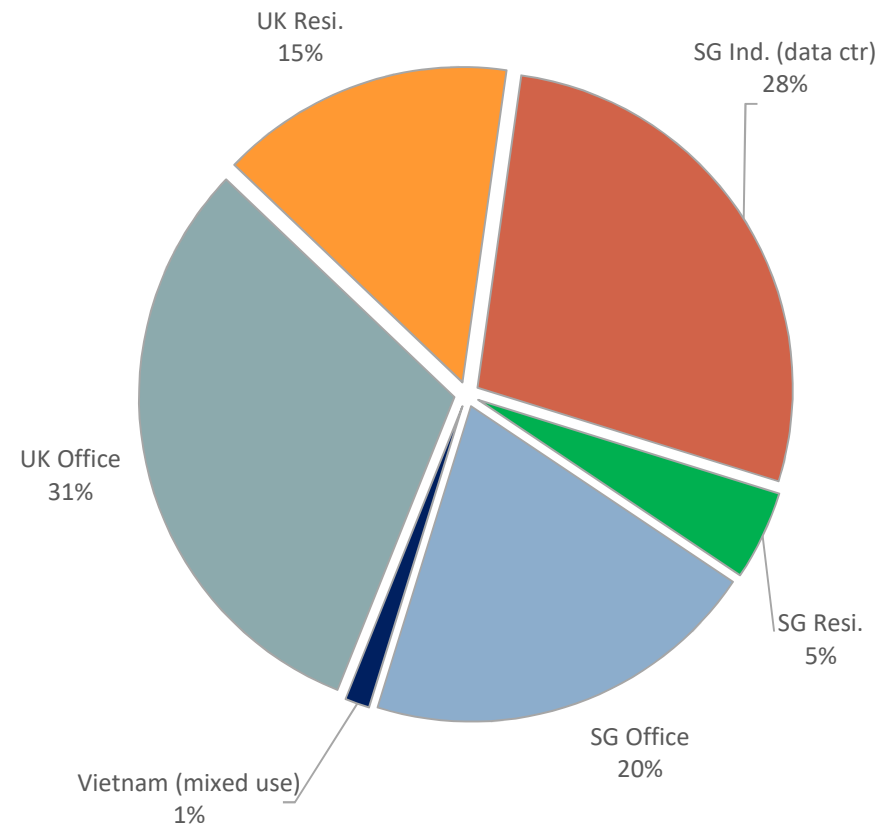
Segmental revenue (S\$'000)



Segmental PBT (S\$'000)



Portfolio Allocation



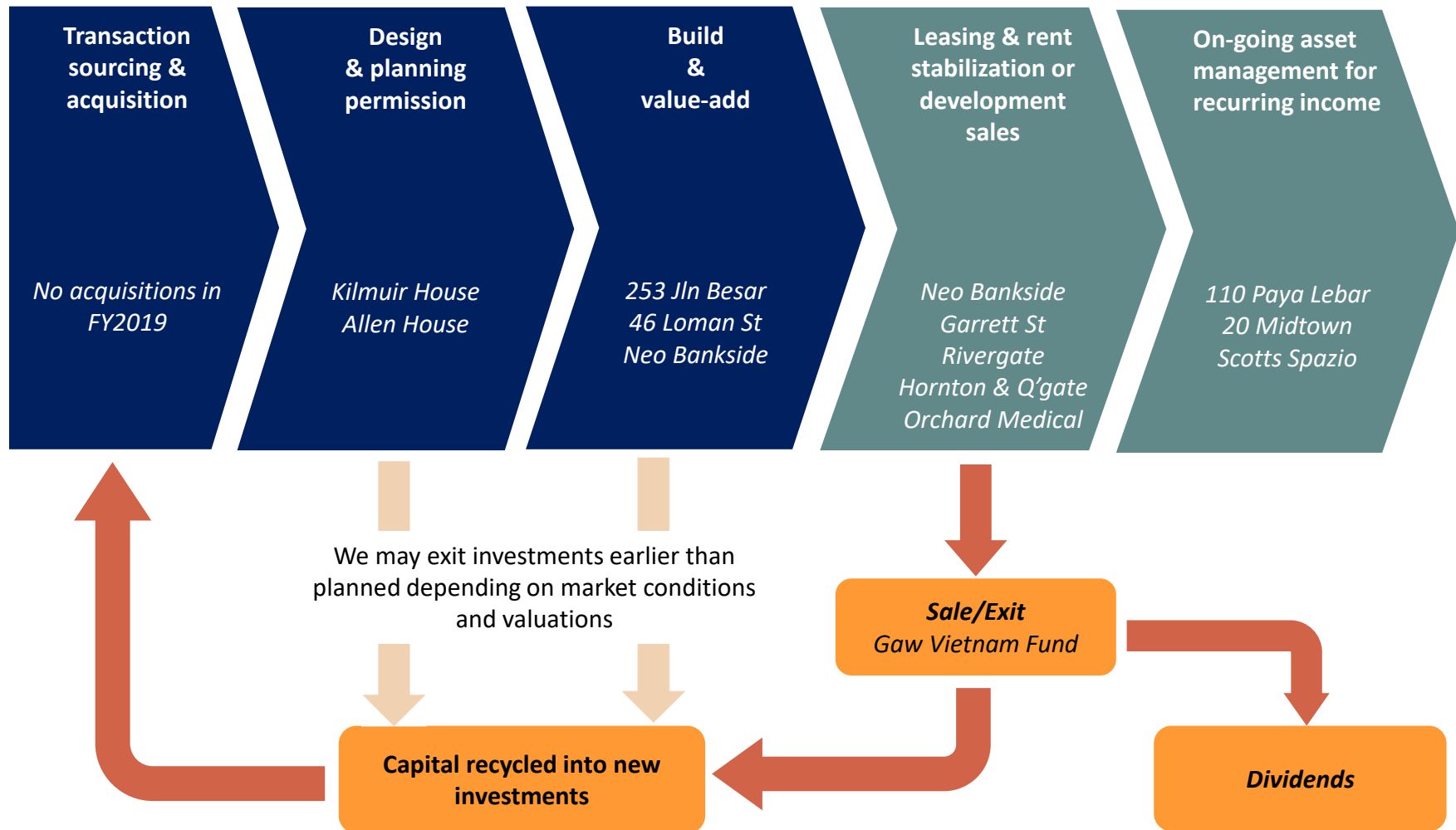
Note:

1. Based on 31 Dec 2019 valuations (excl. any tax effects)
2. Orchard Medical and Orchard Towers was based on selling price of c.S\$4,000psf and c.S\$2,500, respectively (excl. 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 IN 2019

OUR PORTFOLIO LIFE CYCLE



OUR BUSINESS IN 2019

KEY DEVELOPMENTS IN 2019

DESIGN & PLANNING	BUILD & VALUE-ADD	LEASE STABILISATION & SALES/EXITS
<p>Kilmuir House</p> <ul style="list-style-type: none"> • Planning submission targeted for 2H2020 • Advanced negotiations with neighbour to enlarge development site <p>Allen House</p> <ul style="list-style-type: none"> • Obtained enhanced planning in 4Q2019 • Assessing various exit options 	<p>253 Jln Besar</p> <ul style="list-style-type: none"> • Construction underway • Completion expected 1Q2021 <p>46 Loman St</p> <ul style="list-style-type: none"> • Refurbishment works underway • 27% increase in lettable • Targeted completion in 1H2021 <p>Neo Bankside</p> <ul style="list-style-type: none"> • Addition of extra floor • 35% increase in lettable • Targeted completion in 1H2021 	<p>20 Garrett St</p> <ul style="list-style-type: none"> • Rent review negotiations underway <p>Rivergate</p> <ul style="list-style-type: none"> • Sale of 1 unit (\$\$2.3m gain) <p>Orchard medical</p> <ul style="list-style-type: none"> • Sale of 1 unit (\$\$1.3m PBT contribution) <p>Gaw Vietnam Fund</p> <ul style="list-style-type: none"> • Realised returns from sale



LOOKING AHEAD INTO 2020/2021

FOCUS ON NAVIGATING OUR WAY THROUGH THE COVID-19 CRISIS

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KEY RISKS & CONCERNS

- **Economic impact** of COVID-19 on supply chains, trade and demand
- **US-China trade row** worsening with COVID-19 as a catalyst
- COVID-19 **impact on the global financial system**, bank lending and asset prices
- Longer term impact of **record sovereign debt levels** following governments' responses to pandemic
- **BREXIT** not resolved, only put on the back burner because of COVID-19
- Longer term **impact on demand for office space** as working from home becomes widely adopted

PRIORITIES FOR 2020

- ✓ Control costs and capital expenditures
- ✓ Conserve cash and preserve balance sheet capacity and flexibility
- ✓ Manage property vacancy rates through pro-active tenant engagement
- ✓ Focus on execution of respective project business plans
- ✓ Look out for potential opportunities and prepare for a potential rebound in the global economy
- ✓ Continue business development efforts to develop new business and new markets



OUR BUSINESS – POTENTIAL COVID-19 IMPACT

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OUR REAL ESTATE STRATEGY

Property values

Possible impact on valuations

Key determinants will be rents and cap rates post-crisis

Rent rebates & holidays

Singapore:
Government tax rebates passed on to tenants

London:
Rent holidays and monthly payment schemes to assist tenants

Yields & cap rates

As yet unknown due to lockdown and lack of sales and leasing transactions

Vacancy rates & defaults

Possible impact on valuations arising from tenant defaults and longer vacancy periods for empty properties

Project delays

Delays to projects due to lockdown

- **Potential impact on our property business**
 - **decline in rental income**
 - **decline in property values**
- **Too early to tell as most countries have only come out of the lock down**
- **Impact will depend on shape of the economic recovery**



SHAREHOLDER COMMUNICATION (Q&A)

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1. What is the impact of Covid-19 on the rental income of its properties in London and Singapore for FY2020?
2. What is the impact on the Group's UK business post Brexit?
3. Any plans to expand on the income stream of the Group beyond rental income?
4. Are Allen House and Kilmuir House generating any meaningful revenue for the Company?
5. What is the longer-term plan for the medical suites at Lucky Plaza? Is it generating meaningful rental revenue for the company and what is the sales like for these units?



SHAREHOLDER COMMUNICATION (Q&A)

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6. Hwa Hong's HQ building at south bridge road has a short leasehold left on it. What's the longer-term plan for this asset?
7. What is the plan and timeline for development of the land at 253 Jalan Besar?
8. What are the latest developments on the real estate management company (Jaguar) set up more than a year ago? Have there been any significant deals or progress that is generating meaningful revenue for the Company?





HWA HONG CORPORATION LIMITED

Thank you