

HWA HONG CORPORATION LIMITED
Incorporated in Singapore
(Company Registration No. 195200130C)

RESPONSE TO PRESS STATEMENT ISSUED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON 25 MAY 2022

The Board of Directors (the "**Board**") of Hwa Hong Corporation Limited (the "**Company**") refers to:

- (a) the Company's announcement on 9 May 2022 in relation to its response to the notice of compliance issued by the Singapore Exchange Regulation on 6 May 2022 (the "**SGX-ST NOC**");
- (b) the Company's announcement on 17 May 2022 in relation to the voluntary conditional cash offer ("**SUPL Offer**") by Sanjuro United Pte. Ltd. ("**SUPL**") for the ordinary shares in the Company ("**Response Announcement**"); and
- (c) the press statement released entitled "Hwa Hong Board Should Expedite SGX Regco Directives" by the Securities Investors Association (Singapore) on 25 May 2022 ("**SIAS Statement**").

The Board would like to respond to the SIAS Statement as follows:

Directors who are independent for the purposes of the SUPL Offer under the Code

1. Under The Singapore Code on Take-overs and Mergers ("**Code**"), all of the directors of the Company ("**Directors**") (namely, Mr Ong Mui Eng, Mr Ong Eng Loke, Mr Ong Eng Keong, Dr David Ong and Mr Huang Yuan Chiang) are considered to be independent for the purposes of the SUPL Offer ("**Recommending Directors**"), as they do not have an irreconcilable conflict of interest with respect to the SUPL Offer. The Recommending Directors will make a recommendation in respect of the SUPL Offer to the shareholders of the Company ("**Shareholders**") in the target company circular to be despatched by the Company.
2. Shareholders and investors should note that the concept of independent directors for the purposes of an offer under the Code is different from the concept of independent directors under the listing rules ("**Listing Rules**") of the Singapore Exchange Securities Trading Limited and the 2018 Code of Corporate Governance. Specifically, under the Code, the independence of directors of a target company for the purposes of an offer is to be determined by reference to whether the directors concerned are independent of the offeror group and not by reference to whether they are independent of the substantial shareholders of the target company. For the avoidance of doubt, the Directors are not part of SUPL or the offeror consortium that owns SUPL.

Appointment of IFA to advise on the SUPL Offer

3. Under the Code, it is the responsibility of the Directors who are independent for purposes of the SUPL Offer i.e. the Recommending Directors to decide on the appointment of an independent financial adviser ("**IFA**") to advise the Recommending Directors and the Shareholders on the SUPL Offer in accordance with the Code. There is no requirement under the Code (nor the Listing Rules) that the IFA appointment should be made by directors who are regarded as independent directors under the Listing Rules.
4. Under the offer timetable stipulated by the Code, (i) the formal offer document in relation to the SUPL Offer setting out the terms and conditions of the SUPL Offer ("**SUPL Offer Document**") is to be despatched to Shareholders not earlier than 14 days and not later than 21 days from the date of the announcement of the SUPL Offer; and (ii) a circular containing, *inter alia*, the advice of the IFA and the recommendation of the Recommending Directors in respect of the SUPL Offer will be despatched by the Company to the Shareholders within 14 days from the date of despatch of the SUPL Offer Document.

5. Given that the offer timetable stipulated by the Code has commenced following the announcement of the SUPL Offer, it is not possible for the Company to defer the appointment of the IFA until after the Independent Reviewer (as defined below) has been appointed.

Appointment of independent directors under the Listing Rules

6. The appointment of independent directors as required by the Listing Rules is a separate matter from the SUPL Offer. With regard to the requirements for independent directors under the Listing Rules, the Company would like to clarify the following:
 - (a) In the Company's announcement on 9 May 2022, the Company had disclosed whether the potential candidates considered by the Board during its selection and appointment process for new independent directors, were introduced or nominated by, or has any connections or relationships (including business relationships), with any of the Directors and/or controlling shareholders of the Company.
 - (b) Also as stated in the Company's announcement on 9 May 2022, the Company is required by the SGX-ST NOC to appoint independent professionals ("**Independent Reviewer**") to undertake an independent review (the "**Review**") of, *inter alia*, the terms of reference of the nominating committee of the Board, the Company's internal controls, processes and practices relating to the Board nomination process and to make recommendations on improvements.
 - (c) In addition, prior to the completion of the Review and implementation of all recommendations, the Company is required under the SGX-ST NOC to consult the Independent Reviewer on the proposed appointment of any new directors (including the potential candidates previously identified by the Company). As such, the Board will not proceed with the appointment of any new directors without prior consultation with the Independent Reviewer. The Company would therefore highlight that the Company is permitted by the SGX-ST NOC to appoint new directors (including independent directors as required under the Listing Rules) pending the completion of the Review provided that such appointment is made in consultation with the Independent Reviewer.

The Independent Reviewer's recommendations as to the suitability and independence (if applicable) of any new directors, and the basis of its recommendations, will be disclosed via SGXNET together with the Company's announcement on the appointment of such directors.
 - (d) The Board is taking active steps to appoint the Independent Reviewer expeditiously, with a view to reconstituting the Board (including the Board Committees) as soon as possible so as to be in compliance with the requirements of the Companies Act 1967 of Singapore, the Listing Rules and the 2018 Code of Corporate Governance.
 - (e) The Board recognises the need to safeguard the interests of minority shareholders of the Company and to this end, the Board has on 21 April 2022 passed a resolution suspending the Company's activities in connection with the marketing of, acquisition or disposal of investment properties whether in Singapore or elsewhere and requiring all potential marketing, acquisition and/or disposal of investment properties of the Company and its subsidiaries to be subject to the assessment and approval of the Board.

Appointment of Financial Adviser to solicit potential competing offer

7. As stated in the Response Announcement, Evercore Asia (Singapore) Pte Ltd was appointed as the Company's financial adviser ("**FA**") to assist the Company in maximising shareholder value,

including soliciting other potential offers and evaluating any such offers which may emerge against the SUPL Offer.

8. The Company would like to emphasise that the solicitation by the Company of a potential competing offer in the face of the SUPL Offer is clearly permitted under the Code. Note 8 to Rule 5 of the Code provides as follows:

“Soliciting a competing offer, etc.

*In considering the course of action which a company may take in the face of an offer, an offeree board may consider the feasibility of soliciting a competing offer or running a sale process. The Council will not normally treat actions by the offeree board in soliciting a competing offer or running a sale process for the offeree company as actions which frustrate the original offer. **A better offer or an alternative offer is generally in the interest of the offeree company’s shareholders.** Such action neither hinders the progress of, nor results in shareholders being deprived of the opportunity to decide on the merits of, the first offer.” [Emphasis added.]*

As provided in the above Rule, the act of seeking a competing offer does not amount to frustration of an existing offer under Rule 5 of the Code, as the original offer will still be available for shareholders' consideration and a better offer (if any) is generally in the interest of the shareholders of the target company.

9. The Company notes that there have also been other instances of takeovers under Code where the target companies appointed financial advisers (apart from the IFA).
10. The Company would highlight that the roles of an FA and the IFA are distinct. The FA's role is to assist the Company in maximising value for all Shareholders, by, amongst others, soliciting competing offers for the Company. On the other hand, the IFA will opine on whether the terms of an offer are fair and reasonable and whether to advise the directors who are considered independent for the purposes of the offer that they recommend to the shareholders of the target company that they accept the offer. Given the role of the FA as described above, the appointment of an FA would be consistent with the principle of value maximisation for shareholders.
11. Given that the offer timetable stipulated by the Code has commenced with the announcement of the SUPL Offer, the appointment of an FA to, amongst others, solicit other potential offers is time-sensitive.

The Directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the SUPL Offer and any other announcements made by or on behalf of SUPL), the sole responsibility of the Directors of the Company has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement.

By Order of the Board

Ong Eng Loke
Acting Group Managing Director
26 May 2022