



**Securities Investors Association (Singapore)**

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**Issuer:** Hwa Hong Corporation Limited

**Security:** Hwa Hong Corporation Limited

**Meeting details:**

Date: 24 April 2019

Time: 10.00 a.m.

Venue: Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663

**Company Description**

Hwa Hong Corporation Limited, an investment holding company, engages in the investment, development, and rental of properties in Singapore and the United Kingdom. The company is involved in the leasing of residential and commercial properties; and ownership of warehouse for rental and storage, as well as packing and trading of edible oils. It also provides business management and consultancy services. The company was formerly known as Hwa Hong Manufacturing Company Limited and changed its name to Hwa Hong Corporation Limited in January 1985. Hwa Hong Corporation Limited was incorporated in 1952 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=H19](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=H19))

1. Would the board/management provide shareholders with better clarity on the following strategic, operational and financial matters? Specifically:

- (i) **Investments in the United Kingdom:** The group continues to make strategic acquisitions in the UK. For instance, the recent acquisitions of 46 Loman Street in the South Bank and 20 Garrett Street near the Old Street roundabout were added as a long term investment to the group's portfolio. **Given the uncertainty surrounding Brexit, has the board/management re-evaluated the group's strategic investments in the UK? What is the worse case scenario expected from the fall-out of Brexit and how would the group be impacted? Has the board also considered the impact of foreign exchange movements?**
- (ii) **Geographical diversification:** Has the board considered if it would be prudent for the group to further diversify into other developed markets, such as key cities in Europe, Japan, Australia/New Zealand and possibly USA? This would reduce the exposure from the current two main markets of Singapore and United Kingdom. **Furthermore, has the group evaluated the risk/reward of allocating some capital to developing markets/high growth markets?**
- (iii) **Jaguar Listed Property LLC:** In January 2019, the group announced an investment in Jaguar Listed Property LLC, a global real estate securities management company which is registered with the United States Securities and Exchange Commission and specialises in structuring and managing funds and segregated accounts for institutional investors in the United States of America, Europe, Asia and Middle East. **Can management confirm that the investment is made at the General partner level? If so, would the group be also investing in the funds managed Jaguar?**

2. For the financial year ended 30 December 2018, the group recognised fair value losses in investment securities of \$(2.86) million. The group referenced the fall in the STI from 3,402.92 as at 31 December 2017 to 3,068.76 as at 31 December 2018 and the fall in KOSPI Index from 2,467.49 as at 31 December 2017 to 2,041.04 as at 31 December 2018.

As seen from Note 35f (page 145 – Fair values of assets and liabilities: Carrying amounts of financial instruments by categories), equity securities increased to more than \$45 million, out of the group's total equity of \$189 million. The breakdown is shown as follow:

**Equity securities**

At fair value through profit and loss		
- Quoted equity securities (current)	20	15,747,041
- Debt instruments	20	2,679,000
At fair value through other comprehensive income		
- Quoted equity securities (non-current)	20	5,256,613
- Quoted non-equity securities (non-current)	20	3,603,728
- Unquoted equity securities (non-current)	20	17,938,474
		45,224,856

(Source: Company annual report)

The breakdown of the group's unquoted equity securities is also shown in Note 20:

	<b>Group 31 December 2018 \$</b>
MTQ Corporation Ltd	2,356,870
Pan Hong Holdings Group Ltd	64,000
Singapore Reinsurance Corporation Limited	2,835,743
DCG Asia Value Fund (Cayman)	219,313
Value Monetization III Ltd (BVI)	3,495,053
Majuven Fund 1 Ltd	395,285
Accion Asia Growth Fund (Cayman)	267,731
Gaw NP Capital Vietnam Fund 1 LP (Cayman)	6,205,078
GOGC Allen House, LP (Cayman)	<u>7,356,014</u>
	<u>23,195,087</u>

- (i) Can the board elaborate further on the level of oversight of the group's investments in quoted securities? Is there an investment committee to manage the risk at the operational level?**
- (ii) How are day-to-day investment decisions made by management? Who is the chief decision maker for the group's securities investments?**
- (iii) Can the company also elaborate further on its investment mandate and investment criteria? In particular, how are the funds selected?**

3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The independent chairman, Mr Hans Hugh Miller, was first appointed to the board on 3 January 2005. Accordingly, Mr Hans Hugh Miller has served on the board for more than 14 years.

- (i) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (ii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

The nominating committee (NC) has stated that it is cognisant of the importance of board renewal and refreshment and the company has instituted the practice of maintaining a ready-pool of independent directors which the company may tap into, as and when required (page 35). The NC gets recommendations for suitable candidates through contacts and network of the board and where necessary, external recruitment companies.

- (iii) Has the NC evaluated if the use of a professional search firm for directors may enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Hwa%20Hong%20Corporation%20Ltd&cid=6394,4299>

The company's response could be found here:

2016: [https://sias.org.sg/media/qareport/1493343604\\_Hwa\\_Hong\\_SIAS\\_queries\\_clean\\_final.pdf](https://sias.org.sg/media/qareport/1493343604_Hwa_Hong_SIAS_queries_clean_final.pdf)