

---

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

---

Hwa Hong Corporation Limited (the “Company”) refers to its Annual Report for the financial year ended 31 December 2018. The Company would like to respond to the following questions raised by Securities Investors Association (Singapore) (“SIAS”) as follows:

**Queries from SIAS:**

**Q1.** 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?**

Company’s reply:

Yes. The Board and management evaluates its investments on an ongoing basis. Shareholders have been apprised of the fact that the Group’s core markets, opportunities and risks are in the UK and Singapore. Some of the factors the board considers when assessing the viability of the London real estate market include the following:

- (a) London's demographics
- (b) London's local economy
- (c) London's status as a connected global city
- (d) London cultural diversity
- (e) Rule of law
- (f) Market size and depth

**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?**

Company’s reply:

BREXIT is a political crisis and as with such crises, it is difficult if not impossible to predict an outcome. In the short term, one worst-case scenario would be a “hard BREXIT”. Economists at the Bank of England predicted in November 2018 that GDP for the period May 2016 to December 2023 could be between 1% and 10% lower depending on the trading relationship between the UK and Europe. For the medium to long term, the impact of BREXIT will be less clear and difficult to predict.

The Group has considered the impact of FX movements and has partially hedged it using bank lines. This is regularly disclosed to shareholders

- (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 probably 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?**

Company's reply:

The Group has considered diversification into Australia, Vietnam and Japan. With its limited capital base, there are limited means for the group to continually diversify. The Group has also evaluated investments in high growth markets and while such investments can bring higher returns, they also create substantial risks.

- (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 of 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 by Jaguar?**

Company's reply:

The Group has invested into Jaguar Listed Properties LLC ("JLP") which is a company providing investment management services. The Group has no immediate plans to place funds with JLP for management.

**Q2.** 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:

<b>Equity securities</b>		
<i>At fair value through profit and loss</i>		
- Quoted equity securities (current)	20	15,747,041
- Debt instruments	20	2,679,000
<i>At fair value through other comprehensive income</i>		
- 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
		45,224,856

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)	7,356,014
	23,195,087
	23,195,087

(Source: Company annual report)

- (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?**

Company's reply:

The board monitors investments in quoted securities quarterly. Specifically, every quarter, the Board is provided with detailed information on the investments.

Risk monitoring is carried out by the CFO who reports on this matter to the ARC and board.

At the operational level, management is guided by investment guidelines which were reviewed and approved by the BOD.

- (ii) How are day-to-day investment decisions made by management? Who is the chief decision maker for the group's securities investments?**

Company's reply:

The management is responsible for the day-to-day investment decisions.

- (iii) Can the company also elaborate further on its investment mandate and investment criteria? In particular, how are the funds selected?**

Company's reply:

As mentioned above, the Group is guided by the investment guidelines and it detailed down the objectives, asset allocation guidelines, investment process and reporting and monitoring process.

Investment criteria would be assessed individually as to the returns of these investments. For investment in funds, the Group would review the investment strategy of the fund, make an assessment of the management of the fund, its investment returns and historical track record (if investing in recurring funds) prior to the purchase.

**Q3.** 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?**

Company’s reply:

The Nominating Committee (“NC”) reviews the composition, structure and size of the Board after receiving input from all directors on these questions and additional skill needs. As reported in its FY2018 Annual Report, the current Board competencies are in the areas of civil and chemical engineering, accounting, insurance, finance and banking.

The NC’s review of the competency identified for future Board member(s) is an ongoing process.

**(ii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the Board?**

Company’s reply:

Yes, the Company is in the process of evaluating the impact of both the 2018 CG Code and the amendments to the Listing Rules, save for those amendments to the Listing Rules that have become effective from 1 January 2019 which the Company confirmed that it is in compliance.

The 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?**

Company's reply:

No, the NC has not evaluated the use of a professional search firm as such an opportunity has not arisen. The NC will also consider subscribing to SID's Board Appointment Services or Board Matching Services or search firms, whilst being attentive to cost-benefit analysis.