Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hwa Hong Corporation Limited

Stock code: H19

Meeting details:
Date: 23 April 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Can the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **110 Paya Lebar:** As noted in the performance review, BDX Corporation has replaced Telstra Group as the tenant at the data center following the sale of the business by Telstra to BDX. **Can management confirm that there were no material changes to the lease terms? What is the remaining lease on the 15-year lease?**

(ii) **253 Jalan Besar:** Despite the delays caused by COVID-19, the group expects to receive the temporary occupation permit for freehold boutique office development in 2021. **Can management elaborate further on the market positioning of the asset? Has the group received any leasing commitment for 253 Jalan Besar?**

(iii) **Deferred rental receivables:** The group recognised an impairment of $1.9 million on the deferred rental receivables of a tenant at 20 Midtown in London. The group has stated that the tenant has gone into administration due, inter alia, to the current COVID-19 pandemic and the government-imposed lockdown in the UK. **Can management clarify if the tenant had been timely with its payments before the lockdown? How did the deferred rental receivables increase to $1.9 million?**

Q2. The group had set up Shorea Capital Pte. Ltd. ("Shorea Capital") in 2018/2019 to provide real estate investment management and advisory services. The group owns 50% of Shorea Capital and recognises it as an associate. As noted in the letter to shareholders, the group intends to grow Shorea Capital through various private capital raising initiatives.

Shorea Capital has advised on the development of a mixed-use site in Melbourne and is actively looking to expand its advisory activities to include London.

(i) **Can the board/management help shareholders understand the value proposition of Shorea Capital? Before establishing a good track record, how does it demonstrate its expertise and credibility when it enters a new market?**

(ii) **What is the depth of its management bench and the real estate expertise and experience in Shorea?**

(iii) **Who owns the other 50% of Shorea Capital? What is the group's level of influence, control and oversight given that it is recognised as an associate?**

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(iv) During the year, the group extended an additional of S$0.5 million in loan to Shorea Capital. **Can management confirm that Loan 2 amounting to $1.51 million (Note 17 – Investment in associate; page 105) is due from Shorea Capital?**

In Note 17 (page 102), the group disclosed that it has not recognised losses relating to Shorea Capital where its share of losses exceeds the group's interest. In FY2020, the share of unrecognised losses was $792,987 (2019: $Nil), of which $91,028 (2019: $Nil) was the share of the current year's losses.

(v) **What guidance has the board provided to Shorea to keep its overheads costs low and to operate efficiently?**

(vi) **How much more capital has the group allocated to support Shorea?**

Q3. On 19 March 2021, one of the group's investments, Singapore Reinsurance Corporation Limited, announced that it has received a voluntary conditional cash offer to purchase all issued and paid-up ordinary shares in the company for 35.35 cents per share.

As shown in Note 19 (page 109 – Investment securities), the group has approximately 9.95 million shares in Singapore Reinsurance carried at $2.935 million (29.5 cents per share as at 31 December 2020).

(i) **Has the board deliberated on the cash offer by Fairfax Asia?**

(ii) **As a long-time investor in Singapore Reinsurance, what is the strategic importance of this investment?**

In addition, the company paid over $33.3 million in dividends to shareholders over the last 5 years. The directors have recommended a final dividend for FY2020 of 1.0 cent per share, totaling S$6.5 million for the financial year ended 31 December 2020. As at 31 December 2020, cash and cash equivalents have increased to $27.7 million. The group generated strong operating cash flow and its net gearing level has improved from FY2018 to FY2020.

(iii) **What deliberations did the board have on the company's ability to increase the quantum of its dividends in a sustainable manner?**

Separately, the group has stated on page 19 (Debt management) that it aims to sustain a strong reputation and a solid balance sheet with sufficient liquidity to meet its liabilities irrespective of market conditions.

(iv) **What is the group's optimal capital structure, in view of the group's strategy, growth prospects and also considering the current low-interest rate environment?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)