

HANWELL HOLDINGS LIMITED

(Company No. 197400888M)
(Incorporated in the Republic of Singapore)
(the "Company")

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S ANNOUNCEMENT ON THIRD QUARTER RESULTS ENDED 30 SEPTEMBER 2018

The Board of Directors of Hanwell Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**") refers to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (each, a "**SGX-ST Query**") pertaining to the Group's third quarter Results Announcement ended 30 September 2018, *inter alia*, and wishes to provide further information and clarification as follows:

SGX-ST Query 1

With reference to the Company's announcement dated 9 November 2018 on its financial statements for the third quarter ended 30 September 2018 ("**3Q2018**"):-

- a. Please explain the substantial change in the item "Foreign currency translation differences of foreign operations" from a gain of S\$282,000 in 3Q2017 to a loss of S\$5,806,000 in 3Q2018, and the increased loss of 89.4% from S\$(2,181,000) to S\$(4,130,000) in the year to date comparison.
- b. It is stated in Note 3 of Section 1(b)(i) that inventories increased by S\$2.91 million as at 30 September 2018 mainly due to the increase in raw material costs from overseas purchase for the Packaging Business. In Note 7 of the same section, it is stated that the Packaging Business has shifted to more cost effective suppliers overseas. Please explain the inconsistency in these two statements.

Company's Response to SGX-ST Query 1

- a. The Group has significant investments in China, arising from its Packaging segments. Due to the significant depreciation of Chinese Yuan Renminbi against Singapore Dollars in FY 2018 as compared to FY 2017, a higher translation loss was recognised in FY 2018 for both Quarter 3 and Year to date comparison with FY2017. The closing rate for September 2018 and September 2017 are 0.19849 and 0.20405 respectively as compared to closing rates of 0.20462 and 0.20810 in December 2017 and December 2016 respectively.
- b. The increase in inventories from Packaging Business is due to a combination of reasons including higher inventory holding and higher costs of inventory that were acquired in the earlier periods which are still left unsold. As a result of the higher costs, Packaging Business rationalised its suppliers by moving to more cost effective suppliers to manage its costs.

SGX-ST Query 2

We refer to the Company's announcement dated 24 July 2018 regarding its recent acquisition of a property in Kyoto City, Japan. Please share with us the Company's development plan, including the development costs and milestones. Taking into account the development plan, how is this acquisition in the ordinary course of the Group's business?

Company's Response to SGX-ST Query 2

Reference is made to the Company's announcement dated 24 July 2018 regarding its recent acquisition of a property in Kyoto City, Japan ("Announcement").

2.2 of the Announcement disclosed that the Company's rationale for acquiring the property in Kyoto City, Japan is to expand its food business in Japan.

The development plan is to construct a boutique hotel with food and beverage outlets. The development costs is estimated at JPY170,000,000 and milestones to this development are targeted to completion within the next 12 to 18 months subject to the relevant authorities' approval.

Having secured shareholders' approval at an extraordinary general meeting of the Company on 26 April 2013 to include property development as part of the Group's core business, this acquisition is in the ordinary course of business.

SGX-ST Query 3

Please let us know the reasons for the continuing delay in the completion of the sale of the Company's investment in Million Cube Ltd and whether there is any visibility on the completion date of the sale. Should the sale be aborted, what is the financial impact on the Group? Please explain to us how the financial impact is computed.

Company's Response to SGX-ST Query 3

The purchaser has indicated that the completion of the transaction was delayed due to the Chinese authorities' tightening policies over the real estate market and banks are rolling out lending curbs and approving loans at a slower pace. The Group is discussing with the purchaser to mutually agree on a final completion date. The Group will also determine the next course of action if the purchaser is unable to complete the transaction by the final completion date.

The valuation and the consideration at the time of disposal was based on the possibility of changing the remaining land use right apart from the golf course to other commercial or residential use, however up till now such approval cannot be obtained and it is unlikely that it can be obtained in the coming few years. In the absence of certainty of a sale abortion due to ongoing discussion, and taking into consideration key factors such as volatility of the macro economic environment and changes of government policies and regulations in China, the Group is unable at the moment to determine the financial impact to the Group.

The Company will make relevant announcements via SGXNet as and when necessary.

By Order of the Board

Allan Yap
Executive Chairman

15 January 2019