Growth Through Strategic Alliances

Annual Report 2000

HWA HONG CORPORATION LIMITED

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Corporate Information

DIRECTORS
Ong Choo Eng *(Chairman & Group Managing Director)*
M. Sc. (Eng.), M.I.C.E., M.I.E.S.

Ong Hian Eng
B. Sc., D.I.C., Ph. D., M.S.I.M., C. Eng., F.I. Chem.E.

Ong Mui Eng

Guan Meng Kuan
B. Sc. (Eng.), M.I.C.E., M.I.E.S., M.I.E.M.

Chew Loy Kiat
P.B.M., F.S.I.I. (Hon.), A.C.I.I., Chartered Insurer, M.S.I.D.

Goh Kian Hwee
LL.B. (Hons)

Yong Kok Kean
Dip. M.S., F.I.Mgt

Boon Suan Lee
F.C.I.S., C.P.A.

AUDIT COMMITTEE
Chew Loy Kiat *(Chairman)*
Goh Kian Hwee
Ong Hian Eng

SECRETARIES
Ong Bee Leem
LL.B. (Hons), Barrister-at-Law (Middle Temple)

Tan Mee Choo
M.B.A., A.C.I.S.

REGISTERED OFFICE
38 South Bridge Road
Singapore 058672

Finance & Administration Department
38 South Bridge Road #04-01
Singapore 058672
Tel: 5385711 Fax: 5333028

Corporate & Legal Department
38 South Bridge Road #01-01
Singapore 058672
Tel: 5386818 Fax: 5326816
Email: hwahong@pacific.net.sg

REGISTRAR/SHARE REGISTRATION OFFICE
Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315
Tel: 5365355 Fax: 5361360

AUDITORS
Ernst & Young
10 Collyer Quay #21-01
Ocean Building
Singapore 049315
Partner in-charge: Gerard Ee

Financial Calendar

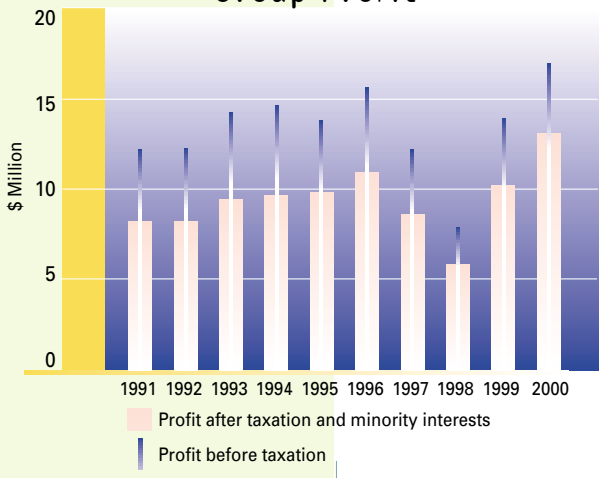
Financial year-end	31 December
Announcement of unaudited 2000 half year results	15 September 2000
2000 interim dividend of 2% less 25.5% tax	
Books closure dates	4 & 5 October 2000
Payment date	20 October 2000
Announcement of unaudited 2000 full year results	1 March 2001
Notice of Annual General Meeting	4 May 2001
Annual General Meeting	29 May 2001
2000 proposed second and final dividend of 3% less 24.5% tax	
Last day for lodgement of transfers for dividend entitlement	Up to 5.00 p.m. on 6 June 2001
Books closure dates	7 & 8 June 2001
Payment date	25 June 2001

Ten-Year Group Financial Profile

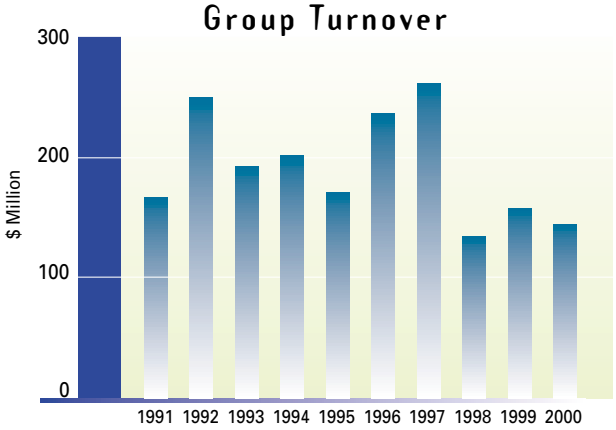
		2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Turnover (Note 1)	($'000)	**144,853**	157,538	134,285	261,267	236,177	170,916	201,548	192,728	249,745	166,596
Profit before taxation (after share of results of associated companies)	($'000)	**16,931**	13,899	7,891	12,179	15,575	13,783	14,510	14,195	12,270	12,188
Profit after taxation and minority interests but before extraordinary items	($'000)	**13,095**	10,227	5,878	8,613	10,958	9,819	9,663	9,434	8,236	8,280
No. of ordinary shares of $0.25 each issued (Note 2)	('000)	**652,660**	651,168	644,420	644,420	584,556	584,556	584,556	584,556	584,556	584,556
Shareholders' funds	($'000)	**421,696**	409,244	407,317	467,901	440,454	416,945	298,809	248,139	255,156	241,751
Total assets	($'000)	**659,640**	720,162	569,359	642,793	614,550	582,831	467,123	407,598	415,010	385,403
Net dividend paid/ proposed (Note 3)	($'000)	**6,128**	6,063	4,769	4,779	4,326	4,326	4,267	4,267	4,267	4,092
Gross dividend	(%)	**5**	5	4	4	4	4	4	4	4	4
Net tangible assets per $0.25 share (Note 2)	(cents)	**64.61**	62.85	63.21	72.61	75.35	71.33	51.12	42.45	43.65	41.36
Dividend cover	(No. of times)	**2.14**	1.69	1.23	1.80	2.53	2.27	2.26	2.21	1.93	2.02

Note 1: Excludes turnover of associated companies.
Note 2: The figures prior to 2000 have been adjusted to take into account the sub-division in January 2000 of every one ordinary share of par value $1.00 in the capital of Hwa Hong Corporation Limited into four ordinary shares of par value $0.25 each.
Note 3: Includes any additional final dividend paid in respect of the previous year due to issue and allotment of shares upon exercise of Options under the Hwa Hong Corporation Limited Executives' Share Option Scheme before books closure date.

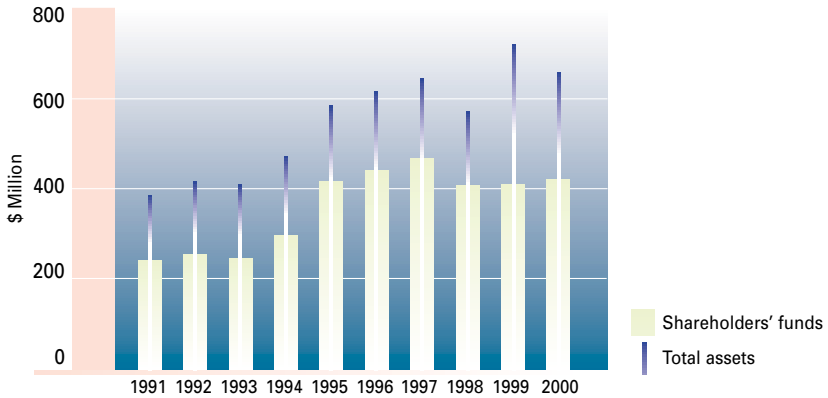
Group Profit



Group Turnover



Shareholders' Funds & Total Assets



Chairman's Statement

I am pleased to report that the Group had recorded an operating profit after tax and before extraordinary items of $13.095 million for the financial year ended 31 December 2000. This was an improvement of 28% over that of the previous year.

Group operating profit after tax and extraordinary items for the year was $17.785 million as compared to $7.994 million in 1999. Your Directors are pleased to recommend a second and final dividend of 3% less 24.5% income tax for the financial year ended 31 December 2000.

Conversion of Empress Place Building to Second Wing Asian Civilisation Museum

Warehousing and Property Investment

Singapore Warehouse Company (Private) Ltd. Group

Demand for warehousing space improved slightly for the year. The Singapore Warehouse Complex at Paya Lebar Road achieved an occupancy rate of 83% with an average monthly rental rate of $1.35 per square foot.

The Trademart Complex had an occupancy rate of 88.8% with an average monthly rental rate of $2.28 per square foot. Development charge amounting to $70.5 million was paid for the proposed redevelopment of the property into a first class residential condominium. A project and marketing team has been formed to achieve this aim.

Group operating profit after tax and extraordinary items for the year was $17.785 million as compared to $7.994 million in 1999.

During the year, renovation work was carried out to refurbish the Lucky Plaza units into medical suites. Marketing for the sale of these units is expected to be launched in the current year.

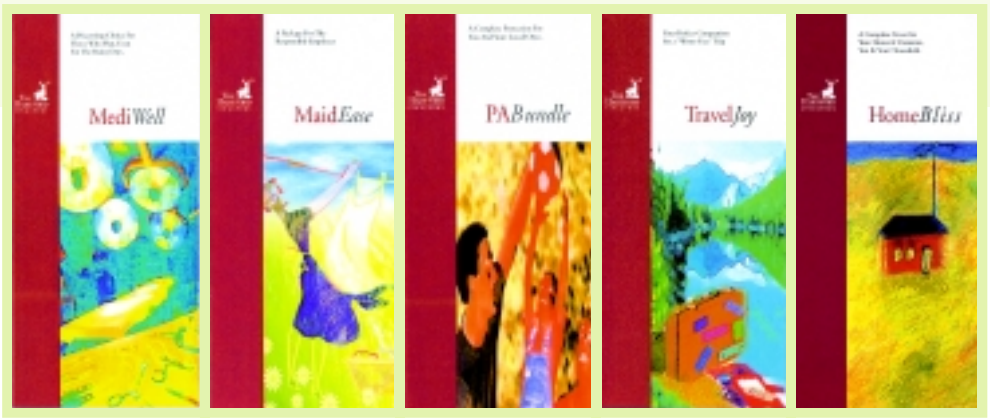
The UK residential property market improved, registering growth of over 9% for the year. Various properties were traded and 3 commercial buildings were purchased for rental income and future resale.

Insurance

The Hartford Insurance Company (Singapore) Ltd ("Hartford Singapore")

The general insurance industry remained in the doldrums in 2000. The double-digit growth in the Singapore economy failed to lift the performance of the general insurance market. Continued rate erosion and rising claims costs, particularly in motor and workmen's compensation, aggravated the problem. The lifting of the Professional Standards Agreement in November 1999 had brought about a free-for-all in premium rates for fire insurance and this had the effect of putting more competitive pressures for this class of business.

... Hartford Singapore continued with its efforts to re-profile the portfolio, weeding out unprofitable lines of business and growing targeted segments.



During the year, Hartford Singapore continued with its efforts to re-profile the portfolio, weeding out unprofitable lines of business and growing targeted segments. Hartford Singapore continued to adopt a strict underwriting stance for construction-related insurance due to the weak market conditions for construction business and the poor claims experience. This led to a drop in the premiums written for engineering, bonds, workmen's compensation and construction equipment. The strategy adopted by Hartford Singapore in motor insurance is to concentrate on private cars and reduce commercial vehicles and motorcycles. In the third quarter of 2000, it had discontinued underwriting the book of taxis as the small premium base did not provide sufficient spread to cover the likely claim cost. During the year, Hartford Singapore also implemented an Agency Management program setting out agency criteria as well as incentives, enabling it to identify and develop agents' potential. As part of its on-going efforts to renew the agency base, 35 agents with only motor line base were terminated while a total of 46 agents with personal and commercial lines base were recruited.

Total gross written premiums had decreased by 20% from $34.4 million in 1999 to $27.6 million in 2000. The overall claims ratio had increased from 77% to 87% mainly due to a $2.9 million provision for premium deficiency in motor and workmen's compensation which contributed 12% to the loss ratio in 2000.

Net investment income, excluding the $2.9 million write-back in provision for diminution in value of quoted investments in 1999, was 4% higher than 1999 due to higher interest income from bank deposits and higher yields on our bond portfolio.

Your Directors foresee the future of the general insurance industry in Singapore to be even more difficult than at the present time and had therefore decided to reduce the Company's equity stake in Hartford Singapore from 51% to 20%. The further divestment of 31% of the issued capital in this subsidiary to The Hartford International Financial Services Group, LLC. realised an extraordinary gain of $4.582 million for the Company. As from 28 December 2000, Hartford Singapore is an associated company of the Group.

Construction and Civil Engineering
Singapore Piling & Civil Engineering Private Limited ("Singapore Piling") Group

Turnover of Singapore Piling Group for the year 2000 was $108.3 million and the profit before tax was $15.945 million. The results included profit contributed by Singa Development Pte Ltd and its subsidiaries ("Singa Group") which was acquired during the year.

The higher profits for the year included a write-back of provisions for liquidated damages and cost over-runs of about $2.7 million which are no longer required.

The higher profits for the year included a write-back of provisions for liquidated damages and cost over-runs of about $2.7 million which are no longer required. The better results for completed construction projects included a one-off compensation of $4.75 million from a client for an aborted building project and better margins achieved from design-and-built schools carried out by the Singa Group and a refurbishment project completed.

On 1 November 2000, the Company entered into a conditional Sale & Purchase Agreement with BBR Holdings (S) Ltd ("BBR") for the disposal of Singapore Piling Group (the "SP Disposal"). On completion of the SP Disposal, the Company will receive 24.5% of the enlarged issued share capital of BBR after taking into consideration BBR's proposed 1-for-1 rights issue ("BBR Rights Issue") and promissory notes amounting to between $4.2 million and $6.2 million depending on the subscription level of the BBR Rights Issue. The promissory notes carry an interest rate of 6% per annum payable annually. The SP Disposal will enable pooling of resources of both companies to compete more efficiently in the construction industry.

Manufacturing and Trading
Hwa Hong Edible Oil Industries Pte. Ltd. ("HHEO") Group and Paco Industries Pte. Ltd. ("Paco")

Turnover of HHEO and Paco had reduced considerably from $5.6 million in 1999 to $1.5 million in 2000 as a result of temporary curtailment of unprofitable bulk trading operations of edible oil.

The manufacturing joint ventures in China continued to operate under difficult conditions.

The sodium tripolyphosphate plant owned by a joint venture company in China continued to face surplus capacity and vulnerability in power supplies regulated by and rates imposed by the provincial authorities.

Night view of the sodium and potassium phosphate chemical plant of the Sichuan joint venture

Current Year Prospects

As a consequence of the reduced stake in Hartford Singapore and, if completed, the SP Disposal, Group turnover for the current year will be lower.

In addition, it is expected that Group profits will also be lower compared to the results of the year under review. With the SP Disposal, the Group will focus on the business of investment holding, property management and development, in particular, the redevelopment of the Trademart property which your Directors believe will generate better shareholders' return.

With a healthy balance sheet which has cash and bank balances and short-term investments amounting to $138.98 million, the Group is well positioned to take advantage of opportunities when they arise.

Lastly, I would like to thank fellow Directors, management staff, shareholders and business associates for their support during the year.

ONG CHOO ENG
Chairman
15 March 2001

Subsidiaries and Associated Companies
as at 15 March 2001

Activities	Subsidiaries and associated companies	Country of incorporation	% owned by the Group
Warehousing & Property	Singapore Warehouse Company (Private) Ltd.	Singapore	100.00
	Phratra Sdn. Bhd.	Malaysia	100.00
	Thackeray Properties Limited	Hong Kong	100.00
	Pumbledon Limited	Hong Kong	100.00
	Bream's One Limited	United Kingdom	100.00
	Midasnote Limited	United Kingdom	70.00
	Powis Street Property Company Limited	United Kingdom	66.67
	Lornuse Limited	United Kingdom	60.00
	TradeMart Singapore Pte Ltd	Singapore	50.00
	Riverwalk Promenade Pte Ltd	Singapore	50.00
	Blendkirk Limited	United Kingdom	50.00
	Coralsand Limited	United Kingdom	50.00
	Aronbrook Limited	United Kingdom	50.00
	Likelink Limited	United Kingdom	45.00
	Trevantes Limited	British Virgin Islands	40.00
	Exceptenigma Limited	United Kingdom	33.50
	Maceward Limited	United Kingdom	33.33
	Hong Property Investments Pte Ltd	Singapore	30.00
Insurance	The Hartford Insurance Company (Singapore) Ltd	Singapore	20.00
Construction & Civil Engineering & related activities	Singapore Piling & Civil Engineering Private Limited	Singapore	100.00
	Singa Development Pte Ltd	Singapore	100.00
	Singa Construction (S) Pte Ltd	Singapore	100.00
	S.D. Construction Sdn. Bhd.	Malaysia	100.00
	SD Metals Pte Ltd	Singapore	100.00
	S Comm Technology Pte Ltd	Singapore	100.00
	Sinminh Industries Pte Ltd	Singapore	49.00
Manufacturing & Trading	Hwa Hong Edible Oil Industries Pte. Ltd.	Singapore	100.00
	Paco Industries Pte. Ltd.	Singapore	100.00
Investment Holding	SPACE Resources Pte Ltd	Singapore	100.00
	SP International Pte. Ltd.	Singapore	100.00
	SP Land Pte Ltd	Singapore	100.00
	SP Vietnam (Pte.) Ltd.	Singapore	100.00
	Global Trade Investment Management Pte Ltd	Singapore	100.00
	01-labs.com Pte Ltd	Singapore	88.00

Corporate Governance

The Board of Hwa Hong Corporation Limited comprises eight directors, majority of whom are non-executives. The executive and non-executive directors are as follows:

Executive directors
Ong Choo Eng *(Chairman and Group Managing Director)*
Ong Mui Eng
Ong Hian Eng

Non-executive directors
Guan Meng Kuan *(acting also as a consultant)*
Chew Loy Kiat
Goh Kian Hwee
Yong Kok Kean
Boon Suan Lee

The non-executive directors include professionals with experience in the fields of construction related activities, insurance, law, banking and finance.

Audit Committee
The Audit Committee comprises three members, the majority of whom, including its chairman, are independent of management:

Chew Loy Kiat *(Chairman)*	*(independent)*
Goh Kian Hwee	*(independent)*
Ong Hian Eng	

The Company has adopted the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited on 4 May 1998 in relation to the roles and responsibilities of the Audit Committee.

Executives' Share Option Scheme Committee
The Executives' Share Option Scheme ("ESOS") Committee comprises four members, two of whom are independent of management:

Ong Choo Eng	
Ong Mui Eng	
Goh Kian Hwee	*(independent)*
Yong Kok Kean	(*independent)*

This Committee is responsible for the administration of ESOS in the Company. Since the inception of ESOS, members of the Committee do not participate in the ESOS.

Dealings In Securities

The Company and its subsidiaries have followed the recommendations of the Best Practices Guide with regard to dealings in the Company's securities. However, to provide further formal guidance to officers of the Group, the Group has adopted an internal code of conduct on transactions in the Company's securities.

Additional information on our corporate processes and activities include the following:

The Hartford Insurance Company (Singapore) Ltd ("Hartford Singapore")

Since January 1998, a Compliance Officer has been appointed to perform, *inter alia*, independent appraisals of Hartford Singapore's activities and to provide the results of these reviews and recommendations to the Executive Committee and/or Board of Hartford Singapore.

There are two committees, namely, the Executive Committee and the Investment Committee constituted to assist in the overall operations control of Hartford Singapore. Each committee comprises certain representatives from the Board appointed by the Company and The Hartford International Financial Services Group, LLC. respectively. Both committees operate on an unanimous basis. The functions of the Executive Committee include the setting of policies and strategies and overseeing the management of Hartford Singapore. The Investment Committee establishes and reviews investment policies and strategies, approves investments in securities and appraises investment performance.

Singapore Piling & Civil Engineering Private Limited ("Singapore Piling") and Singa Development Pte Ltd ("Singa Development")

Singapore Piling has obtained the ISO 9002 certification in building, civil engineering and piling services from the Building and Construction Authority ("BCA") (formerly known as Construction Industry Development Board) since January 1996 whilst Singa Development obtained its ISO 9002 certification in building in September 1998. BCA conducts surveillance audit on Singapore Piling and Singa Development twice yearly.

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Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2000.

Directors

The Directors of the Company in office at the date of this report are :

Ong Choo Eng *(Chairman and Group Managing Director)*
Dr Ong Hian Eng
Ong Mui Eng
Guan Meng Kuan
Chew Loy Kiat
Goh Kian Hwee
Yong Kok Kean
Boon Suan Lee

Principal activities

The principal activity of the Company is that of an investment holding company. The subsidiary companies are primarily engaged in general insurance and related activities, warehouse rental, packing of edible oil products, general trading in consumer products, general building and piling, civil and structural engineering, property management and development and investment holding.

There have been no significant changes in the nature of these activities during the financial year except that an insurance subsidiary became an associated company upon reduction of the Company's equity stake therein on 28 December 2000.

Results for the financial year

	Group $	Company $
Profit after taxation and minority interests	13,094,627	8,050,327
Extraordinary items, note 8	4,690,267	4,581,661
Profit after taxation and extraordinary items	17,784,894	12,631,988
Revenue reserve at beginning of year	94,795,328	6,104,470
Dividends, note 28	(6,128,076)	(6,128,076)
Goodwill written off against reserve	(733,897)	–
Due to disposal of shares in a subsidiary company	6,008,739	–
Revenue reserve at end of year	111,726,988	12,608,382

Material movements in reserves and provisions

Movements in reserves and provisions are as set out in the notes to the accompanying financial statements.

Acquisition and disposal of subsidiaries

During the year, the Company through its interests in its wholly-owned subsidiaries, SPACE Resources Pte Ltd and Singapore Piling & Civil Engineering Private Limited, increased its interest in Singa Development Pte Ltd ("Singa") from 33.33% to 100%, resulting in Singa becoming a wholly-owned subsidiary :

Name of company	Interest acquired	Consideration	Net tangible assets attributed to the Group
Singa Development Pte Ltd	66.67%	$3,600,000	$3,437,349

The following are the wholly-owned subsidiaries of Singa :

(i) Singa Construction (S) Pte Ltd
(ii) SD Metals Pte Ltd
(iii) S Comm Technology Pte Ltd
(iv) S.D. Construction Sdn. Bhd.

Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly-owned subsidiary of the Company, acquired equity stakes in the following companies (with net tangible assets attributable in each case being less than $1,000), resulting in such companies becoming subsidiaries of SWC during the year :

(i) 88% of the issued and paid-up share capital of 01-labs.com Pte Ltd for cash consideration of $88;

(ii) 70% of the issued and paid-up share capital of Midasnote Limited, a company incorporated in United Kingdom, for cash consideration of $191; and

(iii) 66.67% of the issued and paid-up share capital of Powis Street Property Company Limited, a company incorporated in United Kingdom, for cash consideration of $571,252.

On 28 December 2000, the Company reduced its equity stake in The Hartford Insurance Company (Singapore) Ltd from 51% to 20% :

Name of company	Interest disposed	Consideration	Net tangible assets attributed to the Group
The Hartford Insurance Company (Singapore) Ltd	31%	$20,506,826	$15,925,165

Issues of shares and debentures

In January 2000, every one ordinary share of par value $1.00 in the share capital of the Company was sub-divided into four ordinary shares of par value $0.25 each.

During the year, the issued share capital of the Company increased from $162,792,000 to $163,165,000 by the issue and allotment of the following ordinary shares of $0.25 each :

	Number of shares
Upon exercise of options to subscribe for shares under the Hwa Hong Corporation Limited Executives' Share Option Scheme :	
- 280,000 ordinary shares at $0.34 each	280,000
- 1,212,000 ordinary shares at $0.25 each	1,212,000
	1,492,000

Arrangements to enable Directors to acquire shares or debentures

Save for the Hwa Hong Corporation Limited Executives' Share Option Scheme, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations either at the beginning or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50, particulars of beneficial and deemed interests of Directors who held office at the end of the financial year in the shares and share options of the Company were as follows :

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 1.1.2000^	At 31.12.2000	At 1.1.2000^	At 31.12.2000
	Ordinary shares of $0.25 each			
Ong Choo Eng	–	–	265,011,520	265,678,520
Dr Ong Hian Eng	2,735,604	3,062,604	253,357,520	253,357,520
Ong Mui Eng	4,547,248	4,547,248	253,294,268	253,294,268
Guan Meng Kuan	4,974,860	5,534,860	–	–
Chew Loy Kiat	840,000	840,000	–	–

Directors' interests in shares or debentures *(cont'd)*

	At 1.1.2000^	At 31.12.2000	Permitted Exercise Period@	Subscription Price^ $
	Options to subscribe for ordinary shares of $0.25 each			
Guan Meng Kuan	280,000	-*	25/09/1996 to 24/09/2000	0.51
	280,000	-*	05/11/1997 to 31/12/2000	0.46
	280,000	-	13/11/1998 to 31/12/2000	0.34
	280,000	-	06/11/1999 to 31/12/2000	0.25
	280,000	-*	31/12/1999 to 31/12/2000	0.45

^ Adjusted to take into account the sub-division of every one share of par value $1.00 in the capital of Hwa Hong Corporation Limited into four shares of par value $0.25 each in January 2000.

* Lapsed on the expiry of the Permitted Exercise Period.

@ Permitted to be exercised at any time on or before the earlier of the expiry of the relevant Exercise Period and 31 December 2000 being the first anniversary of his cessation date as Managing Director of Singapore Piling & Civil Engineering Private Limited.

The Directors' interests in the shares and share options of the Company, as recorded in the Register of Directors' Shareholdings, as at 21 January 2001 remained unchanged from those as at 31 December 2000.

Dividends

During the year, the following dividends were paid by the Company :

1. A second and final dividend of 3% less 25.5% tax amounting to $3,638,401 in respect of the previous year as proposed in the Directors' Report of that year and an additional net dividend of $3,459 due to issue of shares under the Hwa Hong Corporation Limited Executives' Share Option Scheme before books closure date; and

2. An interim dividend of 2% less 25.5% tax amounting to $2,427,910 in respect of the year under review.

The Directors propose that a second and final dividend of 3% less 24.5% tax amounting to about $3,696,707 be paid in respect of the year under review.

Bad and doubtful debts

Before the profit and loss account and the balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts of the Company. The Directors have satisfied themselves that all known bad debts, if any, have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the Group inadequate to any substantial extent.

Current assets

Before the profit and loss account and the balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values and that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render the values attributable to current assets in the consolidated financial statements misleading.

Charges and contingent liabilities

Since the end of the financial year, and up to the date of this report, no charge on the assets of the Company and of the Group has arisen which secures the liabilities of any other person and no contingent liability of the Company has arisen other than those which may have occurred in the ordinary course of business.

Ability to meet obligations

No contingent liability or other liability of the Company and of the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Other circumstances affecting the financial statements

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and consolidated financial statements of the Group misleading.

Unusual items

In the opinion of the Directors, except as disclosed in the accompanying financial statements, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Company or of the Group during the financial year.

Unusual items after the financial year

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

Directors' interests in contracts

Since the end of the previous financial year, other than in the normal course of business and except as disclosed in the accompanying financial statements, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

The Hwa Hong Corporation Limited Executives' Share Option Scheme (the "Scheme") was approved by members of the Company at the Extraordinary General Meeting held on 28 June 1995.

Pursuant to Clause 947 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is reported that :

1. the Scheme is administered by a Committee of Directors comprising Mr Ong Choo Eng, Mr Ong Mui Eng, Mr Goh Kian Hwee and Mr Yong Kok Kean who do not participate in the Scheme;

2. no Options have been granted to controlling shareholders of the Company or their associates and no employee has received 5% or more of the total number of Options available under the Scheme;

3. the Company is not under any parent company; and

4. during the financial year, Options granted to and exercised by a Director of the Company who had previously held office in an executive capacity in a subsidiary of the Company were as follows :

Name of participant	Options granted during the financial year under review	Aggregate Options granted since commencement of Scheme to end of financial year under review	Aggregate Options exercised since commencement of Scheme to end of financial year under review	Aggregate Options outstanding as at end of financial year under review
Guan Meng Kuan *	–	1,400,000	560,000	–

* Retired as Managing Director of Singapore Piling & Civil Engineering Private Limited, a wholly-owned subsidiary of the Company, on 31 December 1999.

No options were granted during the financial year.

As at 31 December 2000, Options to take up unissued ordinary shares of $0.25 each in the Company were as follows :

	Number of Options to subscribe for ordinary shares of $1.00 each			Number of Options to subscribe for ordinary shares of $0.25 each					
Date of Grant	Balance as at 1/1/2000	Cancelled	Outstanding Before Share Split	Outstanding After Share Split	Exercised	Lapsed/ Cancelled	Balance as at 31/12/2000	Adjusted Subscription Price	Date of Expiration
25/09/1995	100,000	–	100,000	400,000	–	(400,000)	–	$0.51	24/09/2000
27/09/1995	123,000	(15,000)	108,000	432,000	–	(432,000)	–	$0.52	26/09/2000
10/10/1995	55,000	–	55,000	220,000	–	(220,000)	–	$0.51	09/10/2000
05/11/1996	318,000	(30,000)	288,000	1,152,000	–	(380,000)	772,000	$0.46	04/11/2001
13/11/1997	97,000	–	97,000	388,000	(280,000)	–	108,000	$0.34	12/11/2002
06/11/1998	360,000	–	360,000	1,440,000	(1,212,000)	–	228,000	$0.25	05/11/2003
19/04/1999	30,000	–	30,000	120,000	–	–	120,000	$0.30	18/04/2004
02/11/1999	473,000	–	473,000	1,892,000	–	(520,000)	1,372,000	$0.45	01/11/2004
	1,556,000	(45,000)	1,511,000	6,044,000	(1,492,000)	(1,952,000)	2,600,000		

The Options granted by the Company do not entitle the holders of the Options, by virtue of such holdings, to any right to participate in any share issue of any other company.

Audit Committee

The Audit Committee was established on 22 March 1991 by the Board of Directors in accordance with Section 201B of the Companies Act, Cap. 50 (the "Act"). The Committee performed the functions specified in the Act. In performing its functions, the Committee reviewed the overall scope of the audit and the assistance given by the Company's officers to the external auditors. It met with the Company's external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2000 as well as the Auditors' Report.

The Committee recommends to the Board of Directors the nomination of Ernst & Young as external auditors at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
15 March 2001

Statement by Directors Pursuant to Section 201(15)

We, Ong Choo Eng and Ong Mui Eng, being two of the Directors of Hwa Hong Corporation Limited, do hereby state that, in the opinion of the Directors :

(i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the results of the business of the Company and the Group and the cash flows of the Group for the financial year ended 31 December 2000; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 15 March 2001.

On behalf of the Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
15 March 2001

Auditors' Report to the Members of Hwa Hong Corporation Limited

We have audited the financial statements of Hwa Hong Corporation Limited set out on pages 22 to 60, comprising the balance sheets of the Company and of the Group as at 31 December 2000, the profit and loss accounts and statements of changes in equity of the Company and of the Group and the cash flow statement of the Group for the year ended 31 December 2000, and notes thereto. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act (Act) and Singapore Statements of Accounting Standard and so as to give a true and fair view of :

  (i) the state of affairs of the Company and of the Group as at 31 December 2000, the results and the changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; and

  (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

(b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements of all subsidiary companies, being the financial statements included in the consolidated financial statements for which we have not acted as auditor, and the auditor's report on those subsidiary companies.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in a form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore

Gerard Ee
Partner

15 March 2001

Profit and Loss Accounts for the financial year ended 31 December 2000

	Note	Group 2000 $	Group 1999 $	Company 2000 $	Company 1999 $
Revenue	3	**144,852,820**	157,538,352	**18,299,000**	8,567,575
Cost of sales		**(107,767,945)**	(139,276,041)	**–**	–
Gross profit		**37,084,875**	18,262,311	**18,299,000**	8,567,575
Other income	4	**2,177,738**	2,658,372	**543,093**	920,614
Administrative costs	5	**(21,370,491)**	(10,006,149)	**(6,259,275)**	(1,004,498)
Operating profit		**17,892,122**	10,914,534	**12,582,818**	8,483,691
Finance expenses	6	**(523,365)**	(382,790)	**(10)**	(10)
Share of profits less losses of associated companies		**(437,366)**	3,367,193	**–**	–
Profit before taxation		**16,931,391**	13,898,937	**12,582,808**	8,483,681
Taxation	7	**(3,531,731)**	(2,504,406)	**(4,532,481)**	(2,209,345)
Profit after taxation		**13,399,660**	11,394,531	**8,050,327**	6,274,336
Minority interests		**(305,033)**	(1,167,973)	**–**	–
Profit before extraordinary items		**13,094,627**	10,226,558	**8,050,327**	6,274,336
Extraordinary items	8	**4,690,267**	(2,232,155)	**4,581,661**	–
Profit after taxation and extraordinary items attributable to shareholders		**17,784,894**	7,994,403	**12,631,988**	6,274,336
Earnings per share	9				
Basic :					
Before extraordinary items		**2.01¢**	1.58¢		
After extraordinary items		**2.73¢**	1.24¢		
Fully diluted :					
Before extraordinary items		**2.00¢**	1.58¢		
After extraordinary items		**2.72¢**	1.23¢		

The accounting policies and explanatory notes on pages 29 through 60 form an integral part of the financial statements.

Balance Sheets as at 31 December 2000

	Note	Group 2000 $	Group 1999 $	Company 2000 $	Company 1999 $
Issued capital	10	**163,165,000**	162,792,000	**163,165,000**	162,792,000
Share premium		**8,669,435**	8,644,336	**8,669,435**	8,644,336
Revenue reserve		**111,726,988**	94,795,328	**12,608,382**	6,104,470
Capital reserve		**138,871,978**	144,074,306	**237,253,161**	231,702,777
Currency translation adjustment reserve		**(737,423)**	(1,062,387)	**–**	–
Issued capital and reserves		**421,695,978**	409,243,583	**421,695,978**	409,243,583
Minority interests		**4,619**	24,853,202	**–**	–
Reserve for unexpired risks	11	**–**	9,670,473	**–**	–
Claims reserve		**–**	48,423,733	**–**	–
Bank loan, secured	12	**4,067,438**	–	**–**	–
Deferred taxation	13	**1,889,000**	2,236,920	**–**	–
Amount due to an associated company, non-trade	14	**164,406,250**	167,690,000	**–**	–
Amount due to a minority shareholder		**277,296**	–	**–**	–
		592,340,581	662,117,911	**421,695,978**	409,243,583
Fixed assets	15	**14,794,236**	12,721,099	**5,495,984**	23,258
Investment properties	16	**91,972,108**	85,532,076	**–**	–
Investment in subsidiary companies	17	**–**	–	**425,159,978**	448,493,783
Investment in associated companies	14	**253,762,373**	245,734,357	**13,157,625**	–
Long term investments	18	**35,303,490**	69,637,537	**8,996,773**	5,761,735
Other debtors	19	**812,004**	964,474	**–**	–
Current assets					
Stocks	20	**1,727,321**	1,893,598	**–**	–
Contracts in progress	21	**716,497**	104,510	**–**	–
Trade debtors	22	**21,175,040**	33,453,445	**–**	–
Other debtors	19	**8,322,305**	7,839,078	**1,649,379**	1,608,465
Amounts due from associated companies	14	**92,074,528**	54,223,190	**305,980**	–
Short term investments	23	**63,645,027**	56,910,572	**–**	–
Cash and bank balances	24	**75,335,397**	151,148,002	**26,678,649**	14,820,779
		262,996,115	305,572,395	**28,634,008**	16,429,244
Deduct: Current liabilities					
Trade creditors	25	**43,874,819**	36,349,768	**–**	–
Contracts in progress	21	**7,318,056**	8,733,194	**–**	–
Other creditors	26	**7,482,985**	8,314,212	**5,377,714**	203,349
Amounts due to subsidiary companies	17	**–**	–	**50,673,969**	57,622,687
Bank overdraft, secured	27	**1,922,889**	–	**–**	–
Proposed dividend, net	28	**3,696,707**	3,638,401	**3,696,707**	3,638,401
Provision for taxation		**3,004,289**	1,008,452	**–**	–
		67,299,745	58,044,027	**59,748,390**	61,464,437
Net current assets/(liabilities)		**195,696,370**	247,528,368	**(31,114,382)**	(45,035,193)
		592,340,581	662,117,911	**421,695,978**	409,243,583

The accounting policies and explanatory notes on pages 29 through 60 form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2000

	Note	Group 2000 $	Group 1999 $	Company 2000 $	Company 1999 $	Group and Company 2000 No. of shares	Group and Company 1999 No. of shares
Issued capital							
Balance at beginning of year - ordinary shares of $1.00 each		**162,792,000**	161,105,000	**162,792,000**	161,105,000	**162,792,000**	161,105,000
Sub-division of every one share of par value $1.00 into four shares of par value $0.25 each	10	**162,792,000**	–	**162,792,000**	–	**651,168,000**	–
Issue of ordinary shares for cash at premiums of $Nil to $0.09 (1999 : $Nil to $0.83) per share upon exercise of options granted		**373,000**	1,687,000	**373,000**	1,687,000	**1,492,000**	1,687,000
Balance at end of year							
- ordinary shares of $0.25 each		**163,165,000**	–	**163,165,000**	–	**652,660,000**	–
- ordinary shares of $1.00 each		**–**	162,792,000	**–**	162,792,000	**–**	162,792,000
Share premium							
Balance at beginning of year		**8,644,336**	8,046,605	**8,644,336**	8,046,605		
Premium on issue of ordinary shares		**25,200**	598,560	**25,200**	598,560		
Share issue expense		**(101)**	(829)	**(101)**	(829)		
Balance at end of year		**8,669,435**	8,644,336	**8,669,435**	8,644,336		
Revenue reserve							
Balance at beginning of year		**94,795,328**	92,864,365	**6,104,470**	5,893,574		
Profit for the year		**17,784,894**	7,994,403	**12,631,988**	6,274,336		
Dividends	28	**(6,128,076)**	(6,063,440)	**(6,128,076)**	(6,063,440)		
Goodwill written off against reserve		**(733,897)**	–	**–**	–		
Due to disposal of shares in a subsidiary company		**6,008,739**	–	**–**	–		
Balance at end of year		**111,726,988**	94,795,328	**12,608,382**	6,104,470		

	Note	Group 2000 $	Group 1999 $	Company 2000 $	Company 1999 $	Group and Company 2000 No. of shares	Group and Company 1999 No. of shares
Capital reserve							
Balance at beginning of year		**144,074,306**	146,384,940	**231,702,777**	232,271,563		
Net deficit on revaluation of							
- investment properties		**(678,576)**	(2,310,634)	**–**	–		
- subsidiary companies		**–**	–	**10,074,136**	(568,786)		
Due to disposal of shares in a subsidiary company		**(4,523,752)**	–	**(4,523,752)**	–		
Balance at end of year		**138,871,978**	144,074,306	**237,253,161**	231,702,777		
Currency translation adjustment reserve							
Balance at beginning of year		**(1,062,387)**	(1,084,168)	**–**	–		
Exchange differences arising on consolidation		**324,964**	21,781	**–**	–		
Balance at end of year		**(737,423)**	(1,062,387)	**–**	–		
Issued capital and reserves		**421,695,978**	409,243,583	**421,695,978**	409,243,583		
Net change in equity from non-owner sources excluding net profits		**397,478**	(2,288,853)	**5,550,384**	(568,786)		

The accounting policies and explanatory notes on pages 29 through 60 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2000

	2000 $	1999 $
Cash flow from operating activities :		
Operating profit	**17,892,122**	10,914,714
Adjustments for :		
Interest income	**(7,325,928)**	(6,898,664)
Depreciation of fixed assets	**1,666,635**	1,889,917
Currency realignment, net	**324,964**	19,217
Recovery of debts	**108,606**	–
Profit on sale of investment properties	**(1,529,607)**	(1,582,335)
Gain on disposal of fixed assets	**(107,234)**	(292,267)
Reserve for unexpired risks	**–**	(2,021,816)
Claims reserve	**–**	(89,937)
Fixed assets written off	**11,907**	455
	(6,850,657)	(8,975,430)
Operating income before reinvestment in working capital	**11,041,465**	1,939,284
Increase in debtors, short term investments and loans	**(25,162,687)**	(2,670,333)
Decrease/(increase) in stock	**166,277**	(54,361)
Increase/(decrease) in creditors	**4,794,782**	(8,891,001)
	(20,201,628)	(11,615,695)
Cash used in operations	**(9,160,163)**	(9,676,411)
Contracts in progress	**(3,312,186)**	(87,136)
Interest received	**7,941,626**	6,330,767
Income from interests in associated undertakings	**2,149,089**	7,685,907
Interest paid	**(523,365)**	(382,970)
Income taxes paid, net	**(1,491,621)**	(1,588,285)
	4,763,543	11,958,283
Net cash provided by operating activities	**(4,396,620)**	2,281,872
Cash flow from investing activities :		
Purchase of investment properties	**(14,111,251)**	–
Purchase of fixed assets	**(6,611,947)**	(1,251,166)
Increase in other investments (net)	**(7,275,756)**	(25,904,270)
Investment in associated companies	**(5,024,628)**	(53,001,090)
Proceeds from sale of investment properties	**8,522,250**	9,437,520
Amounts due from associated companies	**(41,135,088)**	117,931,029
Proceeds from disposal of fixed assets	**786,489**	1,256,573
Interim distribution received from liquidation of a subsidiary company	**–**	45,386
Acquisition of subsidiary companies, net of cash acquired	**10,001,459**	–
Disposal of shares in a subsidiary company, net of cash disposed	**(17,163,465)**	–
Net cash provided by investing activities	**(72,011,937)**	48,513,982

	2000 $	1999 $
Cash flow from financing activities :		
Increase/(decrease) in term loans	**4,067,438**	(5,961,950)
Decrease in unsecured borrowings	**–**	(792,967)
Increase/(decrease) in secured overdraft	**1,922,889**	(889,445)
Loan from minority shareholders	**277,296**	–
Dividends paid		
- by the Company	**(6,069,770)**	(7,193,747)
- by subsidiary to minority shareholders	**–**	(1,135,016)
Proceeds from issue of new shares at premium, net of related expenses	**398,099**	2,284,731
Net cash used in financing activities	**595,952**	(13,688,394)
Net increase in cash and cash equivalents	**(75,812,605)**	37,107,460
Cash and cash equivalents at beginning of year (note 24)	**151,148,002**	114,040,542
Cash and cash equivalents at end of year (note 24)	**75,335,397**	151,148,002

The acquisition and the disposal of the following subsidiary companies have been shown in the statement as single items. The effect on the individual assets and liabilities is set out below :

	Powis Street Property Company Limited $	Singa Development Pte Ltd $	The Hartford Insurance Company (Singapore) Ltd $
Fixed assets	–	452,260	(2,633,273)
Investment in an associated company	–	294	–
Long term investments	–	2,995,416	(44,605,219)
Long term other debtors	–	–	(372,041)
Trade debtors	–	3,724,987	(13,052,974)
Other debtors	–	577,795	(1,768,009)
Short term investments	–	141,180	(19,011,120)
Cash and bank balances	16	14,172,700	(37,670,291)
Trade creditors	–	(13,359,049)	7,473,401
Other creditors	–	(400,000)	4,386,606
Contracts in progress	–	(1,285,061)	–
Provision for taxation	–	(265,537)	–
Reserve for unexpired risks	–	–	9,670,473
Claims reserve	–	–	48,423,733
Minority interests	(5)	(3,317,636)	33,233,549
Net assets acquired/(disposed of)	11	3,437,349	(15,925,165)
Goodwill arising on acquisition	571,246	162,651	–
Gain on disposal	–	–	(4,581,661)
Cash paid/(received)	571,257	3,600,000	(20,506,826)
Less : Cash and bank balances	(16)	(14,172,700)	37,670,291
Cash flow on acquisition/disposal net of cash acquired/disposed	571,241	(10,572,700)	17,163,465

The accounting policies and explanatory notes on pages 29 through 60 form an integral part of the financial statements.

1. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis modified by revaluation of certain fixed assets.

The consolidated financial statements have been prepared in accordance with Singapore Statements of Accounting Standard and applicable requirements of Singapore law.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hwa Hong Corporation Limited (the parent company) and its controlled subsidiary companies, after the elimination of all material intercompany transactions.

Subsidiary companies are consolidated from the date the parent company obtains control until such time as control ceases. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

Goodwill in capital reserve arising on consolidation, representing the excess or deficit of the cost of investments against the net assets of the subsidiary companies acquired is written off against group reserves.

The financial statements of subsidiary companies are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

(c) Revenue recognition

Interest income is taken into account on the accrual basis. Dividend income is recognised upon receipt.

Premium income from general insurance business is recognised at the time of commencement of the risks or in the case of reinsurance, when the closing advices are received. Where the policy covers a period of a year or less, a reserve for unexpired risks is made in accordance with the accounting policy. Premium for any period in excess of one year is carried forward as "unearned premium".

Revenue from building and construction contracts are recognised on the completion method. Anticipated losses, if any, in respect of contracts on hand are provided as and when ascertained.

Revenue from warehouse rental is recognised upon the commencement of lease period.

Revenue from the sale of goods is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

(d) Subsidiary companies

The investments in subsidiary companies are stated in the financial statements of the Company at Directors' annual valuation which is based on the attributable share of the combined net asset value of the subsidiary companies. Any surplus or deficit arising from this revaluation is taken direct to capital reserve, except where the total of the revaluation reserve is insufficient to cover any deficit, then such deficit will be charged to the profit and loss account. A list of the Group's subsidiary companies is shown in note 2.

1. Significant accounting policies *(cont'd)*

(e) Associated companies

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term equity interest of between 20% and 50% and in whose financial and operating policy decisions the Group exercises significant influence. A list of the Group's associated companies is shown in note 2.

The Group's share of the results of associated companies is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is included in the investments in the consolidated balance sheet. The results of the associated companies are derived from audited financial statements, or from unaudited management accounts where audited accounts are not available, for the latest financial year ended 31 December.

Any excess of the consideration paid over the fair value of the net assets acquired is included in goodwill and is written off against Group revenue reserve in the year it arises.

(f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is calculated on the straight line method to write off the cost or valuation of the assets over their estimated useful lives. No depreciation is provided on freehold land. The annual rates in use are as follows :

Buildings	–	2%
Leasehold land and buildings	–	50 years or over the remaining life of lease if less than 50 years
Plant and machinery	–	7%
Furniture, motor vehicles, computers and other equipment	–	7 to $33^{1}/_{3}$%

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Assets which are no longer in use and are retired from active use are stated at the lower of their net book values or net realisable values.

(g) Investment properties

Investment properties are stated in the balance sheet at Directors' valuation based on annual independent professional valuations at open market values. Changes in the value of investment properties are taken to capital reserve, except where any deficit exceeds previous revaluation surplus in which case the net deficit is charged to the profit and loss account as an extraordinary item. Any surpluses held in capital reserves arising from previous revaluations of investment properties sold during the year are regarded as having become realised and are transferred to the profit and loss account.

1. Significant accounting policies *(cont'd)*

(h) Investments

Quoted and unquoted investments held on a long term basis are stated at cost and provision is made for any permanent diminution in value.

Market value represents the last transaction price at year-end.

Dividend income is recognised upon receipt.

Quoted short term investments, excluding government securities, are stated at the lower of cost and net realisable value on an aggregate basis.

Government securities and unquoted short term investments are stated at the lower of cost and nominal value on an individual basis.

(i) Stocks and work-in-progress

Stocks are stated at the lower of cost and net realisable value.

Cost includes other directly attributable costs and is determined by the weighted average method except for contract supplies and piles which are principally determined on the first-in, first-out basis. Cost of finished goods and work-in-progress comprise direct labour, materials and an appropriate proportion of production overhead expenditure.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(j) Contracts in progress

Contracts in progress comprise uncompleted civil engineering contracts which are stated at cost less progress payments received and receivable. Revenue from contracts are recognised only upon completion of the contracts and full provision is made for estimated losses to completion where applicable.

Costs comprise acquisition costs, materials, direct labour, finance cost, subcontractors' costs and other related direct costs.

(k) Reserve for unexpired risks

At the end of each year, a reserve for unexpired risks is retained by carrying forward a portion of the period's premium into the succeeding year. This amount represents unearned premiums and arises because premiums are not written on a calendar year basis.

The reserve for unexpired risks at the end of the period is calculated based on the 1/24th method on the amount of premium written during the period after deducting local reinsurance premiums and overseas reinsurance premiums, to the extent of reinsurance deposits withheld from those overseas reinsurers, and after taking into account a reduction for commission costs at an assumed rate of 20% of premiums.

1. Significant accounting policies *(cont'd)*

(l) Claims reserve

Provision for outstanding claims is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, less reinsurance recoveries, using the best information available at that time. The Group makes an additional provision for claims incurred during the year but which were not reported as at the balance sheet date.

An additional contingency reserve is held in respect of the Group's credit and political risks insurance portfolio to meet extraordinary fluctuations in claims experience.

(m) Deferred taxation

The Group has adopted deferred tax accounting using the liability method whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on account of all timing differences, except those timing differences that are not expected to reverse in the foreseeable future are reflected in the deferred taxation account.

(n) Extraordinary items

Extraordinary items are those of a material nature which are not expected to recur and are outside the normal activities of the Group. They are stated net of attributable taxation and minority interest.

(o) Foreign currency translation

Foreign currency transactions

Monetary assets and liabilities denominated in non-SGD currencies are translated into SGD equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are included in other revenue.

Foreign entities

Assets and liabilities of foreign entities are translated into SGD equivalents using year-end spot foreign exchange rates. Revenues and expenses are translated monthly at average exchange rates. The effects of translating these operations are included in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(p) Affiliated companies

An affiliated company is defined as one other than a related corporation, which is directly or indirectly through one or more intermediaries, under common control with that of the Company.

(q) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and bank overdrafts but exclude bank overdrafts which are used for financing activities.

2. Corporate information

The consolidated financial statements of the Company for the year ended 31 December 2000 were authorised for issue in accordance with a resolution of the Directors on 15 March 2001. Hwa Hong Corporation Limited is incorporated in Singapore.

The registered office of the Company is located at 38 South Bridge Road, Singapore 058672.

The principal activity of the Company is that of an investment holding company. The subsidiary companies are primarily engaged in general insurance and related activities, warehouse rental, packing of edible oil products, general trading in consumer products, general building and piling, civil and structural engineering, property management and development and investment holding. There have been no significant changes in the nature of these activities during the financial year except that an insurance subsidiary became an associated company upon reduction of the Company's equity stake therein on 28 December 2000.

The Group operates in Singapore, Malaysia, United Kingdom and China and employed 382 employees as of 31 December 2000.

The subsidiary and associated companies at 31 December 2000 are :

	Name of company	Percentage of interest held by the Group 2000 %	1999 %	Place of incorporation	Cost of investment 2000 $'000	1999 $'000	Principal activities
	Subsidiary companies held by the Company						
	Singapore Piling & Civil Engineering Private Limited	**100.0**	100.0	Singapore	**15,566**	15,566	General building and piling, civil and structural engineering, renovation and retrofitting and investment holding.
	Singapore Warehouse Company (Private) Ltd.	**100.0**	100.0	Singapore	**139,425**	139,425	Owner of warehouse for rental and storage and investment holding.
*	Phratra Sdn. Bhd.	**100.0**	100.0	Malaysia	**6,985**	6,985	Property investment and development.
	SPACE Resources Pte Ltd	**100.0**	100.0	Singapore	**–**	–	Dormant.
					161,976	161,976	
	Associated company held by the Company						
**(1)	The Hartford Insurance Company (Singapore) Ltd	**20.0**	51.0	Singapore	**13,158**	33,552	General insurance.

2. Corporate information *(cont'd)*

	Name of company	Percentage of interest held by the Group 2000 %	1999 %	Place of incorporation	Principal activities
	Subsidiary company held by Singapore Piling & Civil Engineering Private Limited				
	Singa Development Pte Ltd	**100.0**	33.3	Singapore	Building contractor, project and contract manager, reinforce concrete specialist and contractor for all kinds of building and civil engineering works.
	Subsidiary companies held by Singapore Warehouse Company (Private) Ltd.				
*	Thackeray Properties Limited	**100.0**	100.0	Hong Kong	Owner of investment properties for rental and development.
*	Pumbledon Limited	**100.0**	100.0	Hong Kong	Owner of investment properties for rental and development.
**(2)	Bream's One Limited	**100.0**	100.0	United Kingdom	Property management and development.
	Paco Industries Pte. Ltd.	**100.0**	100.0	Singapore	Trading of consumer goods.
	Hwa Hong Edible Oil Industries Pte. Ltd.	**100.0**	100.0	Singapore	Packing of edible oil products and trading.
	Global Trade Investment Management Pte Ltd	**100.0**	100.0	Singapore	Business management and consultancy and investment holding.
**(3)	Lornuse Limited	**60.0**	60.0	United Kingdom	Property investment.
	SP Vietnam (Pte.) Ltd.	**100.0**	100.0	Singapore	Investment holding.
	SP International Pte. Ltd.	**100.0**	100.0	Singapore	Dormant.
	SP Land Pte Ltd	**100.0**	100.0	Singapore	Dormant.
	01-labs.com Pte Ltd	**88.0**	–	Singapore	Information technology, business management and design consultancy services and investment holding.

2. Corporate information *(cont'd)*

	Name of company	Percentage of interest held by the Group 2000 %	1999 %	Place of incorporation	Principal activities
	Subsidiary companies held by Singapore Warehouse Company (Private) Ltd. ***(cont'd)***				
**(3)	Midasnote Limited	**70.0**	–	United Kingdom	Property investment.
**(3)	Powis Street Property Company Limited	**66.7**	–	United Kingdom	Property investment.
	Associated companies held by Singapore Warehouse Company (Private) Ltd.				
**(1)	Trademart Singapore Pte Ltd	**50.0**	50.0	Singapore	Owner of warehouse for rental and storage.
**(2)	Blendkirk Limited	**50.0**	50.0	United Kingdom	Property investment.
#	Trevantes Limited	**40.0**	40.0	British Virgin Islands	Property investment.
**(3)	Exceptenigma Limited	**33.5**	33.5	United Kingdom	Property investment.
**(3)	Coralsand Limited	**50.0**	50.0	United Kingdom	Property investment.
**(4)	Riverwalk Promenade Pte Ltd	**50.0**	50.0	Singapore	Leasing of property for rental income and property development.
**(1)	Hong Property Investments Pte Ltd	**30.0**	30.0	Singapore	Property investment.
**(3)	Likelink Limited	**45.0**	45.0	United Kingdom	Property investment.
**(3)	Maceward Limited	**33.3**	33.3	United Kingdom	Property investment.
**(3)	Aronbrook Limited	**50.0**	–	United Kingdom	Property investment.
	Subsidiary companies held by Singa Development Pte Ltd				
	Singa Construction (S) Pte Ltd	**100.0**	–	Singapore	Building contractors, project and contract managers for all types of building and civil engineering works.
	SD Metals Pte Ltd	**100.0**	–	Singapore	Industrial coating, all types of metal and aluminium fabrications and installation, related consultancy services and building construction works.

2. Corporate information *(cont'd)*

	Name of company	Percentage of interest held by the Group 2000 %	Percentage of interest held by the Group 1999 %	Place of incorporation	Principal activities
	Subsidiary companies held by Singa Development Pte Ltd *(cont'd)*				
	S Comm Technology Pte Ltd	**100.0**	–	Singapore	Specialist building contractors and communication technology.
*	S.D. Construction Sdn. Bhd.	**100.0**	–	Malaysia	Building contractors.
	Associated company held by Singa Development Pte Ltd				
	Sinminh Industries Pte Ltd	49.0	–	Singapore	Trading in building materials and providing related services.

All subsidiaries are audited by Ernst & Young, Singapore except for those companies with an "" which are audited by associated firms of Ernst & Young, Singapore.*

** *Audited by other firms*
(1) KPMG, Singapore
(2) David Mok, London
(3) BDO Stoy Hayward, London
(4) PricewaterhouseCoopers, Singapore

Not required to be audited.

All the active companies operate in their respective places of incorporation.

3. Revenue

Revenue of the Group, which excludes transactions between companies in the Group, represents premium less reinsurance, invoiced warehouse rentals, storage charges, invoiced trading sales, total billing on contracts completed and net proceeds on sales of investments. Revenue of the Company represents gross dividend income. Revenue is analysed as follows :

	Group		Company	
	2000	**1999**	**2000**	**1999**
	$	**$**	**$**	**$**
Dividend income	**660,390**	2,789,080	**18,299,000**	8,567,575
Net written premiums	**14,093,832**	25,266,938	**–**	–
Rental and storage income	**4,702,076**	4,294,417	**–**	–
Trading sales	**1,524,746**	5,600,998	**–**	–
Total billings on completed contracts	**106,511,026**	106,597,999	**–**	–
Investment income	**8,213,501**	5,482,579	**–**	–
Sale of properties held for resale	**8,522,250**	7,416,750	**–**	–
Commission income	**–**	149	**–**	–
Others	**624,999**	89,442	**–**	–
	144,852,820	157,538,352	**18,299,000**	8,567,575

Group revenue comprises revenue from subsidiary companies. Had the amount included revenue from associated companies, the amount would be $157,754,910 (1999 : $172,256,772).

4. Other income

	Group		Company	
	2000	**1999**	**2000**	**1999**
	$	**$**	**$**	**$**
Interest income				
- quoted bonds and government securities	**376,192**	1,501,841	**–**	–
- financial institutions	**702,836**	1,618,413	**196,577**	397,777
- others	**219,814**	255,941	**276,055**	131,573
	1,298,842	3,376,195	**472,632**	529,350
Gain on redemption of bond, loan stocks and government securities	**–**	61,161	**–**	42,188
Gain on disposal of short term investments	**–**	779,905	**–**	–
Gain on disposal of fixed assets	**108,334**	292,770	**–**	–
Exchange gain	**264,757**	355,126	**70,317**	53,142
Bad debts recovered	**18,933**	4,903	**–**	–

5. Administrative costs

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Audit Committee fees paid to Directors of the Company	**60,000**	60,000	**60,000**	60,000
Directors' remuneration				
- Directors of the Company				
- current year	**1,510,826**	1,157,528	**800,936**	867,369
- underprovision in respect of prior year	**12,000**	–	**12,000**	–
	1,522,826	1,157,528	**812,936**	867,369
- Other directors of subsidiary companies	**173,470**	502,352	**–**	–
	1,696,296	1,659,880	**812,936**	867,369
Auditors' remuneration				
- Auditors of the Company				
- current year	**150,690**	135,090	**68,000**	68,000
- underprovision in respect of prior year	**2,000**	210	**–**	–
	152,690	135,300	**68,000**	68,000
- Other auditors of subsidiary company	**48,646**	81,428	**–**	–
	201,336	216,728	**68,000**	68,000
Depreciation of fixed assets	**1,666,635**	1,889,917	**154,466**	7,794
Fees paid to firms in which certain directors are members	**116,620**	203,722	**11,880**	20,770
Provision for doubtful debts				
- Trade debtors	**33,427**	23,370	**–**	–
- Loan debtors	**–**	17,449	**–**	–
	33,427	40,819	**–**	–

5. Administrative costs *(cont'd)*

	Group		Company	
	2000	**1999**	**2000**	**1999**
	$	**$**	**$**	**$**
Bad debts written off	**478**	15,836	**–**	–
Investments written off	**348,460**	–	**–**	–
Transfer from reserve for unexpired risks	**–**	2,021,816	**–**	–
Fixed assets written off	**11,907**	455	**11,907**	–
Loss on disposal of fixed assets	**1,100**	503	**–**	–
Exchange losses	**333,349**	216,956	**–**	–
Provision for diminution in value of short term quoted equity investments	**16,260**	500,000	**–**	–
Provision for diminution in value of long term investments				
- unquoted equity investments	**827,490**	800,000	**–**	–
- unquoted bonds	**–**	693	**–**	–
- unquoted non-equity investments	**918,263**	–	**–**	–
	1,745,753	800,693	**–**	–
Provision for foreseeable loss	**3,400,000**	2,000,000	**–**	–
Preliminary expenses	**706**	–	**–**	–
Staff cost	**12,843,065**	16,633,255	**1,317,248**	1,363,155
Write-back of provision for doubtful debts, trade	**6,000**	57,013	**–**	–
Write-back of provision for foreseeable losses	**2,000,000**	–	**–**	–
Write-back of provision for diminution in value of short term investments				
- quoted equity investments	**–**	2,695,186	**–**	–
- quoted non-equity investments	**–**	196,890	**–**	–
- government securities	**–**	907	**–**	–
- unquoted investments	**–**	27,219	**–**	–
	–	2,920,202	**–**	–

6. Finance expenses

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Term loans	**127,443**	271,574	**–**	–
Bank overdrafts	**394,269**	90,727	**10**	10
Hire purchase	**1,653**	–	**–**	–
Others	**–**	20,489	**–**	–
	523,365	382,790	**10**	10

7. Taxation

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Current taxation in respect of profit for the year	**3,221,334**	1,478,801	**4,532,481**	2,209,345
Under/(over) provision in respect of prior years	**587**	(62,264)	**–**	–
Associated companies	**657,730**	1,137,869	**–**	–
Deferred taxation	**(347,920)**	(50,000)	**–**	–
	3,531,731	2,504,406	**4,532,481**	2,209,345

The Group had estimated unabsorbed tax losses and capital and investment allowances amounting to approximately $7,000,000 (1999 : $11,475,000) and $118,000 (1999 : $479,000) respectively available for set-off against future taxable profits, subject to Section 23 and 37 of the Income Tax Act, Cap 134 and agreement by the Comptroller of Income Tax.

8. Extraordinary items

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Gain on disposal of investment in a subsidiary company	**4,581,661**	–	**4,581,661**	–
Recovery of debts previously written off as extraordinary item	**108,606**	–	**–**	–
Distribution received from liquidation of a subsidiary company	**–**	45,386	**–**	–
Provision for diminution in value of long term investments				
- unquoted equity investment	**–**	(800,000)	**–**	–
- unquoted non-equity investment	**–**	(693)	**–**	–
	–	(800,693)	**–**	–
Expenses incurred on re-development of investment property (Trademart)	**–**	(1,454,948)	**–**	–
	4,690,267	(2,210,255)	**4,581,661**	–
Minority interests	**–**	(21,900)	**–**	–
	4,690,267	(2,232,155)	**4,581,661**	–

9. Earnings per share

(a) Basic earnings per share ("EPS") before extraordinary items is calculated by dividing the profit attributable to shareholders after deducting minority interests and before extraordinary item of $13,094,627 (1999 : $10,226,558), by the weighted average number of ordinary shares in issue during the year of 651,681,584 (1999 : 646,947,760).

(b) Fully diluted EPS is calculated after adjusting for outstanding share options under the Hwa Hong Corporation Limited Executives' Share Option Scheme ("ESOS") as follows :

	2000	1999
Weighted average number of ordinary shares in issue during the year	**651,681,584**	646,947,760
Increase in weighted average number of ordinary shares on the assumed exercise of options under the ESOS	**2,293,333**	1,228,698
Weighted average number of ordinary shares used in the calculation of fully diluted EPS	**653,974,917**	648,176,458

9. Earnings per share *(cont'd)*

(c) The number of ordinary shares, for both comparative periods, for the purpose of calculating earnings per share has been adjusted for the sub-division of every one ordinary share of par value $1.00 in the share capital of the Company into four ordinary shares of par value $0.25 each which took effect in January 2000.

10. Issued capital

At an Extraordinary General Meeting held on 12 January 2000, the shareholders of the Company approved the sub-division of every one ordinary share of $1.00 each in the share capital of the Company into four ordinary shares of $0.25 each (the "Share Split"). Following the Share Split :

(a) the issued and paid-up share capital of the Company of $162,792,000 was divided into 651,168,000 ordinary shares of $0.25 each; and

(b) the authorised share capital of the Company of $300,000,000 was divided into 1,200,000,000 ordinary shares of $0.25 each.

11. Reserve for unexpired risks

	Group	
	2000	**1999**
	$	**$**
Balance at beginning of year	**9,670,473**	11,692,289
Due to disposal of shares in a subsidiary company	**(9,670,473)**	–
Transfer to profit and loss account	**–**	(2,021,816)
Balance at end of year	**–**	9,670,473

12. Bank loan, secured

The bank loan is secured by a fixed charge over a subsidiary company's investment property, corporate guarantees from a subsidiary company and minority shareholder, and legal assignment of rental income. Interest on the bank loan is payable at 1.5% over 1, 3 or 6 months LIBOR and is repayable in more than two years but not more than five years.

13. Deferred taxation

	Group	
	2000	**1999**
	$	**$**
Balance at beginning of year	**2,236,920**	2,286,920
Amount written back during the year	**(347,920)**	(50,000)
Balance at end of year	**1,889,000**	2,236,920
Full deferred tax potential liability	**1,889,000**	4,538,246
Liability provided for	**(1,889,000)**	(2,236,920)
Liability not provided for	**–**	2,301,326

The deferred taxation arises as a result of excess of net book value over tax written down value of fixed assets.

Deferred tax liability is not provided for the timing differences between the tax written down value and the corresponding net book value of investment properties of certain subsidiaries and an associated company. In the opinion of the Directors, these timing differences will not reverse in the foreseeable future because the investment properties are not being depreciated and it is the Group's intention to retain these properties on a long term basis.

14. Investment in associated companies

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Unquoted shares, at cost	**113,886,343**	109,251,157	**13,157,625**	–
Share of reserves	**139,876,030**	136,483,200	**–**	–
	253,762,373	245,734,357	**13,157,625**	–
Amounts due to an associated company, trade	**(68,177)**	–	**–**	–
Amounts due from associated companies, non-trade	**–**	66,143	**305,980**	–
Loans due from associated companies, non-trade	**92,142,705**	54,157,047	**–**	–
	92,074,528	54,223,190	**305,980**	–
Amount due to an associated company, non-trade	**(164,406,250)**	(167,690,000)	**–**	–
	181,430,651	132,267,547	**13,463,605**	–

The share of reserves is made up as follows :

Capital reserve	**122,834,370**	122,857,937	**–**	–
Revenue reserve	**17,041,660**	13,625,263	**–**	–
	139,876,030	136,483,200	**–**	–

All amounts due from associated companies are unsecured and have no fixed terms of repayment. Loans due from associated companies of $7,858,573 (1999 : $6,000,000) and $80,667,575 (1999 : $43,996,659) are charged at 5% (1999 : 5%) and 3.7875% - 4.475% (1999 : 3.6% - 3.975%) per annum respectively. The remaining loans are interest free.

Loans due from associated companies of $46,000,000 (1999 : $46,000,000) are subordinated to bankers to secure banking facilities granted to associated companies.

The amount due to an associated company is unsecured, interest free and is not expected to be repayable within the next twelve months.

15. Fixed assets

	Leasehold building $	Plant and machinery $	Furniture, motor vehicles and other equipment $	Total $
Group				
Cost				
As at 1 January 2000	6,912,426	15,860,853	7,340,286	30,113,565
Due to acquisition of subsidiary companies	–	1,413,739	750,356	2,164,095
Due to disposal of shares in a subsidiary company	(3,323,093)	–	(3,288,854)	(6,611,947)
Additions	5,165,495	–	1,070,773	6,236,268
Disposals	–	(1,738,524)	(826,194)	(2,564,718)
Currency realignment	–	–	246	246
As at 31 December 2000	8,754,828	15,536,068	5,046,613	29,337,509
Analysis of cost and valuation				
Cost	8,754,828	15,210,674	5,046,613	29,012,115
Valuation 1982	–	325,394	–	325,394
	8,754,828	15,536,068	5,046,613	29,337,509
Accumulated depreciation				
As at 1 January 2000	3,259,062	7,862,468	6,270,936	17,392,466
Due to acquisition of subsidiary companies	–	1,062,844	648,991	1,711,835
Due to disposal of shares in a subsidiary company	(1,277,044)	–	(2,701,630)	(3,978,674)
Charge for the year	254,905	1,191,139	220,591	1,666,635
Disposals	–	(1,480,859)	(768,376)	(2,249,235)
Currency realignment	–	–	246	246
As at 31 December 2000	2,236,923	8,635,592	3,670,758	14,543,273
Charge for 1999	200,291	1,128,088	561,538	1,889,917
Net book value at cost and valuation				
As at 31 December 2000	**6,517,905**	**6,900,476**	**1,375,855**	**14,794,236**
As at 31 December 1999	3,653,364	7,998,385	1,069,350	12,721,099

15. Fixed assets *(cont'd)*

	2000 $	1999 $
Assets at valuation at 31 December are :		
Plant and machinery - 1982	**325,394**	866,394

The valuations of the Group's assets were made by the Directors based on advice received from independent professional valuers on the date stated above.

The Group's properties are listed in note 34 to the financial statements.

	Leasehold building $	Furniture equipment, computers and motor vehicles $	Total $
Company			
Cost			
At 1 January 2000	–	517,469	517,469
Additions	5,165,495	473,604	5,639,099
Write-off	–	(25,809)	(25,809)
At 31 December 2000	5,165,495	965,264	6,130,759
Accumulated depreciation			
At 1 January 2000	–	494,211	494,211
Charge for the year	121,077	33,389	154,466
Write-off	–	(13,902)	(13,902)
At 31 December 2000	121,077	513,698	634,775
Charge for 1999	–	7,794	7,794
Net book value			
At 31 December 2000	**5,044,418**	**451,566**	**5,495,984**
At 31 December 1999	–	23,258	23,258

16. Investment properties

	Group	
	2000 $	1999 $
Investment properties, at valuation	**91,972,108**	85,532,076

These are freehold properties stated at directors' valuation based on professional valuation carried out by Allied Appraisal Consultants Pte Ltd and Meredith & Co Chartered Surveyors in December 2000. The valuations have been done on the basis of open market valuation.

The net revaluation deficit of $678,576 (1999 : $2,310,634) is taken to capital reserve.

The Group's investment properties are listed in note 34 to the financial statements.

Investment properties amounting to $46,763,000 (1999 : $47,007,000) are held as securities by a bank for facilities granted to a subsidiary which were not utilised during the year.

17. Investment in subsidiary companies

	Company	
	2000 $	1999 $
Unquoted shares, at directors' valuation	**425,159,978**	448,493,783
Amounts due to subsidiary companies, non-trade	**(65,878,348)**	(65,885,666)
Amounts due from subsidiary companies, non-trade	**9,924,704**	3,068,304
Loans receivable from subsidiary companies	**5,279,675**	5,194,675
Amounts due to subsidiary companies	**(50,673,969)**	(57,622,687)
	374,486,009	390,871,096

Balances with subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

The Company had on 1 November 2000 entered into a conditional Sale and Purchase Agreement with BBR Holdings (S) Ltd ("BBR") for the disposal of Singapore Piling & Civil Engineering Private Limited and its subsidiary companies (the "SP Disposal"). The SP Disposal is subject to, inter alia, the approvals of the shareholders of the Company and BBR.

18. Long term investments

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Investments, net of provision for diminution in value :				
- Quoted equity investments	**3,760**	3,760	**–**	–
- Quoted bonds	**9,779,795**	17,156,945	**–**	–
- Quoted fixed rate notes	**2,350,000**	–	**2,350,000**	–
- Unquoted equity investments	**5,932,122**	5,797,069	**270,227**	270,227
- Unquoted non-equity investments	**10,922,017**	8,821,710	**60,750**	60,750
- Unquoted bonds	**937,158**	33,364,453	**937,158**	937,158
- Unquoted floating rate notes	**5,378,638**	4,493,600	**5,378,638**	4,493,600
	35,303,490	69,637,537	**8,996,773**	5,761,735
Investments are stated after providing for diminution in value of :				
- Quoted bonds (18a)	**–**	–	**–**	–
- Unquoted equity investments (18b)	**(13,318,753)**	(12,521,263)	**(83,440)**	(83,440)
- Unquoted bonds (18c)	**–**	(1,465,664)	**–**	–
- Unquoted non-equity investments (18d)	**(918,263)**	–	**–**	–
	(14,237,016)	(13,986,927)	**(83,440)**	(83,440)
Quoted investments at market value :				
- Equity investments	**2,736**	4,284	**–**	–
- Bonds	**10,093,126**	17,226,033	**–**	–
- Fixed rate notes	**2,350,000**	–	**2,350,000**	–
	12,445,862	17,230,317	**2,350,000**	–

18a. Provision for diminution in value of quoted bonds

	Group	
	2000 $	1999 $
Balance at beginning of the year	–	1,247,630
Write-off against provision	–	(1,247,630)
Balance at end of the year	–	–

18b. Provision for diminution in value of unquoted equity investments

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Balance at beginning of the year	**12,521,263**	11,721,263	**83,440**	83,440
Due to disposal of shares in a subsidiary company	**(30,000)**	–	**–**	–
Charge to profit and loss account	**827,490**	800,000	**–**	–
Balance at end of the year	**13,318,753**	12,521,263	**83,440**	83,440

18c. Provision for diminution in value of unquoted bonds

	Group	
	2000 $	1999 $
Balance at beginning of the year	**1,465,664**	1,464,971
Due to disposal of shares in a subsidiary company	**(1,465,664)**	–
Charge to profit and loss account	**–**	693
Balance at end of the year	**–**	1,465,664

18d. Provision for diminution in value of unquoted non-equity investments

	Group	
	2000 $	1999 $
Balance at beginning of the year	**–**	–
Charge to profit and loss account	**918,263**	–
Balance at end of the year	**918,263**	–

19. Other debtors

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Tax recoverable	**1,336,837**	1,336,837	**1,336,837**	1,336,837
Prepayments and deposits	**251,561**	744,178	**35,057**	34,154
Loan debtor	**–**	37,224	**–**	–
Sundry debtors	**2,426,579**	1,628,212	**163,054**	160,082
Dividend receivable	**166,797**	174,192	**–**	–
Amount receivable from disposal of long term investments	**–**	1,013,627	**–**	–
Interest receivable	**760,402**	1,376,100	**61,755**	77,392
Staff loans	**209,845**	231,526	**–**	–
Staff advances	**210**	–	**–**	–
Amount due from affiliated companies				
- non-trade	**952,507**	643,682	**–**	–
- loans	**2,164,806**	653,500	**–**	–
Other recoverables	**52,761**	–	**52,676**	–
	8,322,305	7,839,078	**1,649,379**	1,608,465

	Group	
	2000 $	1999 $
Staff loans	**1,021,849**	654,626
Due within 12 months	**(209,845)**	(231,526)
Due after 12 months	**812,004**	423,100
Loan debtor	**–**	578,598
Due within 12 months	**–**	(37,224)
Due after 12 months	**–**	541,374
Total due after 12 months	**812,004**	964,474
Other debtors are stated after provision for :		
Loan debtor (19a)	**–**	678,662
Due from affiliated companies (19b)	**262,389**	262,389
	262,389	941,051

19a. Analysis of provision for doubtful debts (loan debtor)

	Group	
	2000 $	1999 $
Balance at beginning of the year	**678,662**	661,213
Due to disposal of shares in a subsidiary company	**(678,662)**	–
Charge to profit and loss account	**–**	17,449
Balance at end of the year	**–**	678,662

19b. Analysis of provision for doubtful debts (affiliated companies)

	Group	
	2000 $	1999 $
Balance at beginning and end of the year	**262,389**	262,389

The non-trade amounts due from affiliated companies are interest free, unsecured and have no fixed terms of repayment.

The loans due from affiliated companies bear interest of 6% - 9% (1999 : 6% - 9%) per annum, are unsecured and have no fixed terms of repayment.

20. Stocks

	Group	
	2000 $	1999 $
Packing activities :		
- Raw materials	**17,214**	159,974
- Finished goods	**56,659**	44,493
- Packing materials	**5,572**	10,630
	79,445	215,097
Piling and building activities : Contract supplies and steel piles	**1,647,876**	1,678,501
At cost	**1,727,321**	1,893,598

21. Contracts in progress

	Group 2000 $	Group 1999 $
Current Assets		
Being costs and attributable profits in excess of progress billings	**716,497**	104,510
Current Liabilities		
Being progress billings in excess of costs and attributable profits	**(7,318,056)**	(8,733,194)
	(6,601,559)	(8,628,684)
This can be analysed as follows :		
Cost incurred and attributable profits	**65,380,384**	63,899,992
Less : Provision for foreseeable losses	**(3,400,000)**	(2,000,000)
	61,980,384	61,899,992
Less : Progress billings	**(68,581,943)**	(70,528,676)
	(6,601,559)	(8,628,684)
Analysis of provision for foreseeable losses :		
Balance at beginning of the year	**2,000,000**	–
Charge to profit and loss account	**3,400,000**	2,000,000
Write-back of provision	**(2,000,000)**	–
Balance at end of year	**3,400,000**	2,000,000

Included in the cost of contracts in progress is directors' remuneration in respect of a subsidiary company amounting to $Nil (1999 : $418,365).

22. Trade debtors

	Group 2000 $	Group 1999 $
Trade debtors are stated after provision for doubtful debts of :	**62,555**	2,399,508
Analysis of provision for doubtful debts :		
Balance at beginning of the year	**2,399,508**	2,710,642
Due to disposal of shares in a subsidiary company	**(2,345,447)**	–
Charge to profit and loss account	**33,427**	23,370
Bad debts recovered	**(18,933)**	–
Bad debts written off	**–**	(277,491)
Write-back of provision	**(6,000)**	(57,013)
Balance at end of the year	**62,555**	2,399,508
Bad debts written off directly to profit and loss account	**478**	15,836

23. Short term investments

	Group	
	2000 $	1999 $
Quoted shares, at cost, less provision of $1,541,748 (1999 : $1,525,488), (23a)	**20,027,324**	33,816,350
Quoted debenture, loan stock and bonds, at cost, less provision of $Nil (1999 : $51,231), (23b)	**32,516,603**	14,177,089
Unquoted debenture and loan stock, at cost, less provision of $Nil (1999 : $Nil), (23c)	**11,101,100**	6,067,133
Quoted Singapore Government Securities, at cost, less provision of $Nil (1999 : $1,286), (23d)	**–**	2,850,000
	63,645,027	56,910,572
Quoted investments at market value :		
- Shares	**22,618,588**	46,256,249
- Debenture, loan stock, bonds and Singapore Government Securities	**32,563,668**	5,628,805
	55,182,256	51,885,054

23a. Provision for diminution in value of quoted shares

	Group	
	2000 $	1999 $
Balance at beginning of the year	**1,525,488**	3,803,256
Charge to profit and loss account	**16,260**	500,000
Write-back during the year	**–**	(2,695,186)
Amount written off during the year	**–**	(82,582)
Balance at end of the year	**1,541,748**	1,525,488

23b. Provision for diminution in value of quoted debenture, loan stock and bonds

	Group	
	2000 $	1999 $
Balance at beginning of the year	**51,231**	248,121
Due to disposal of shares in a subsidiary company	**(51,231)**	–
Write-back during the year	**–**	(196,890)
Balance at end of the year	**–**	51,231

23c. Provision for diminution in value of unquoted debenture and loan stock

	Group	
	2000 $	1999 $
Balance at beginning of the year	–	27,219
Write-back during the year	–	(27,219)
Balance at end of the year	–	–

23d. Provision for diminution in value of quoted Singapore Government Securities

	Group	
	2000 $	1999 $
Balance at beginning of the year	**1,286**	2,193
Due to disposal of shares in a subsidiary company	**(1,286)**	–
Write-back during the year	–	(907)
Balance at end of the year	–	1,286

24. Cash and bank balances

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Fixed deposits	**66,047,072**	148,220,060	**26,547,903**	14,671,974
Cash and bank balances	**9,288,325**	2,927,942	**130,746**	148,805
	75,335,397	151,148,002	**26,678,649**	14,820,779

Included in fixed deposits of subsidiary companies are balances of $Nil (1999 : $1,703,655) held as cash collateral against performance bonds issued by a subsidiary on behalf of its customers.

A subsidiary company's fixed deposit of $Nil (1999 : $500,000) is pledged to the bank by that subsidiary in respect of a banker's guarantee issued in favour of the Monetary Authority of Singapore in lieu of the statutory deposit required under the Insurance Act.

Deposits of subsidiary companies amounting to $2,324,250 (1999 : $2,427,300) are used to secure bank facilities granted to fellow subsidiaries.

Included in cash and bank balances are balances of $Nil (1999 : $31,000) held as cash collateral by a subsidiary against performance bonds issued on behalf of its customers.

25. Trade creditors

	Group	
	2000 $	1999 $
Amounts due to :		
Trade suppliers	**37,694,290**	29,783,929
Accruals	**6,145,166**	5,788,779
Others	**35,363**	777,060
	43,874,819	36,349,768

26. Other creditors

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Deposits	**534,019**	312,414	**–**	–
Employees' income tax	**347,900**	666,350	**–**	–
Unclaimed dividends	**37,430**	37,430	**37,430**	37,430
Unearned premiums	**–**	1,975,591	**–**	–
Provision for premium payable	**–**	137,797	**–**	–
Cash collateral (including interest payable)	**–**	1,746,753	**–**	–
Sundry creditors and accruals	**6,330,887**	3,437,877	**5,340,284**	165,919
Hire purchase creditors	**232,749**	–	**–**	–
	7,482,985	8,314,212	**5,377,714**	203,349

27. Bank overdraft, secured

The bank overdraft was covered by a corporate guarantee given by a subsidiary company supported by a first charge over the subsidiary company's time deposit and bore interest of 0.75% per annum over the sterling pound base rate.

28. Dividends

	Group and Company	
	2000 $	1999 $
Additional final dividend paid in respect of the previous financial year due to issue of shares under the ESOS before books closure date	**3,459**	25,989
Interim dividend paid, 2% less 25.5% tax (1999 : 2% less 26% tax)	**2,427,910**	2,399,050
Proposed final dividend, 3% less 24.5% tax (1999 : 3% less 25.5% tax)	**3,696,707**	3,638,401
	6,128,076	6,063,440

29. Commitments

Rental commitments of the Group in respect of non-cancellable operating leases as at the balance sheet date are as follows :

	Group	
	2000 $	1999 $
Payable :		
Within 1 year	**–**	542,793
Within 2 to 3 years	**–**	1,426,776
Above 3 years	**–**	772,837
	–	2,742,406

30. Related party transactions

The following are the significant related party transactions entered into by the Company and the Group on terms agreed with related companies :

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Management fees received by the holding company	**–**	–	**(688,240)**	(688,240)
Insurance premiums paid by the holding company	**–**	–	**1,935**	16,531
Rental paid to a related company	**236,460**	247,071	**–**	363
Management fee received from related company	**(20,283)**	–	**–**	–
Corporate and secretarial services fee received by holding company	**–**	–	**(60)**	(110)

Other transactions with related parties are disclosed in notes 3 and 4.

31. Contingent liabilities

(a) Contingent liabilities, unsecured

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Guarantee given to a financial institution in connection with facilities given to a subsidiary	**–**	–	**15,000,000**	15,000,000
Guarantee given to a financial institution in connection with facilities given to a corporation in which the Group has long term investment	**1,286,000**	1,238,000	**1,286,000**	1,238,000

No material losses under these unsecured guarantees are expected.

(b) Contingent liabilities, secured

	Group		Company	
	2000 $	1999 $	2000 $	1999 $
Guarantees given to financial institutions in connection with facilities given to associated companies	**10,280,000**	9,138,000	**–**	–

(c) A subsidiary company has a contingent liability amounting to approximately $139,676 (1999 : $139,676) arising from a claim made by a purchaser of stocks in 1995. The Management is of the opinion that the purchaser's claim will not prevail. Accordingly, no provision for this claim is considered necessary by the Directors.

32. Directors' remuneration

The following number of directors of the Company in remuneration bands is disclosed in compliance with paragraph 4 of Appendix 11 of the Listing Manual of the Singapore Exchange Securities Trading Limited :

	2000	1999
$500,000 and above	**1**	1
$250,000 to $499,999	**1**	2
Below $250,000	**6**	5
	8	8

33. Group segmental information

By Business Segments

	Warehousing & property $'000	Insurance & investment related $'000	Construction, civil engineering & building related $'000	Manufacturing & trading $'000	Total $'000
2000					
Turnover	**20,982**	**14,094**	**108,254**	**1,523**	**144,853**
Operating profits/(losses)	**8,124**	**(6,074)**	**15,965**	**(123)**	**17,892**
Finance cost	**(502)**	**–**	**(21)**	**–**	**(523)**
Depreciation	**(33)**	**(156)**	**(1,445)**	**(32)**	**(1,666)**
Share of profits/(losses) of associates	**(437)**	**–**	**–**	**–**	**(437)**
Investment in associates	**170,514**	**10,982**	**(65)**	**–**	**181,431**
Segment assets	**187,428**	**42,787**	**76,547**	**7,041**	**313,803**
Segment liabilities	**8,928**	**9,118**	**54,953**	**539**	**73,538**
1999					
Turnover	19,138	25,267	107,533	5,601	157,539
Operating profits/(losses)	10,911	1,694	(965)	(725)	10,915
Finance cost	(288)	(20)	(75)	–	(383)
Depreciation	(15)	(372)	(1,371)	(132)	(1,890)
Share of profits/(losses) of associates	3,367	–	–	–	3,367
Investment in associates	132,435	(234)	66	–	132,267
Segment assets	219,810	137,797	53,888	7,701	419,196
Segment liabilities	1,748	68,276	46,929	413	117,366

By Geographical Locations

	Singapore $'000	Other Asian Countries $'000	United Kingdom $'000	Total $'000
2000				
Turnover	**133,432**	**86**	**11,335**	**144,853**
Operating profit	**15,223**	**9**	**2,660**	**17,892**
Segment assets	**267,373**	**2,752**	**43,678**	**313,803**
1999				
Turnover	147,460	79	10,000	157,539
Operating profit	8,921	7	1,987	10,915
Segment assets	377,438	2,412	39,346	419,196

34. Major properties owned by the Group

Location	Type/Usage	Area
Held by the Company		
38 South Bridge Road Singapore 058672	Lot 160 - 99 years lease from 1941. Lot 164 - 99 years lease from 1947. Office.	Lot 160 - land area of about 121 sq. metres. Lot 164 - land area of about 123 sq. metres. Gross floor area of about 1,022 sq. metres.
Held by Subsidiary Companies		
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Freehold. Factory, warehouse, ancillary office and showroom.	Land area of about 5,480 sq. metres. Gross floor area of 11,250 sq. metres.
19 Senoko Drive Singapore 758206	30 years lease from 1981. Warehouse and ancillary office.	Land area of about 8,036 sq. metres. Gross floor area of about 4,702 sq. metres.
523 Jalan Kluang 83000 Batu Pahat Johore, Malaysia	Freehold. Factory and ancillary office.	Land area of about 32,375 sq. metres. Gross floor area of about 5,205 sq. metres.
Thackeray House and Tennyson House 1-9 Culford Gardens London SW3, UK	Freehold. 14 units of residential flats.	–
58 Queensgate London SW7, UK	Freehold. 6 units of residential apartments.	–
115B Queensgate London SW7, UK	Freehold. 4 units of residential apartments.	–
15/17 Hornton Street London W8, UK	Freehold. 11 units of residential apartments.	–
25 & 26 Charles II Place 77 King's Road, Chelsea London SW3 4NG, UK	Freehold. 2 units of residential townhouses.	Net lettable area of units range from 1,287 to 1,838 sq. feet.
104-110 Charing Cross Road London WC2, UK	Freehold. Commercial.	Gross floor area of about 3,575 sq. feet.
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Freehold. Commercial.	Gross floor area of about 1,690 sq. feet.

34. Major properties owned by the Group *(cont'd)*

Location	Type/Usage	Area
Held by Associated Companies		
60, 60B, 60C Martin Road Trademart Singapore Singapore 239065/7/8	Freehold. Warehouse, ancillary office and showroom.	Combined land area of about 29,683 sq. metres. Gross floor area of about 110,000 sq. metres.
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Freehold. Commercial.	Gross floor area of about 58,362 sq. feet.
15 Upper Grosvenor Street, Mayfair London W1X 9PB, UK	128 years lease from December 1990. 1 unit mixed office and corporate residential building.	Commercial - 6,841 sq. feet (gross). Residential - 3,000 sq. feet (gross).
67/69 George Street London, UK	76 years lease from 1947. Commercial building.	13,124 sq. feet (nett).
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Freehold. Commercial.	Gross floor area of about 7,328 sq. feet.
Riverview House Beavor Lane Hammersmith London W6, UK	Freehold. Office building.	Gross floor area of about 40,000 sq. feet.

35. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation. The profit and loss accounts have been changed to comply with the requirements of the revised Statements of Accounting Standards 1 (Revised 1999) - Presentation of Financial Statements.

Shareholding Statistics as at 5 April 2001

Authorised share capital	:	$300,000,000
Issued and fully paid	:	$163,210,000
Number of shareholders	:	4,755
Class of equity security	:	Ordinary shares of $0.25 each
Voting rights of ordinary shareholders	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 1,000	284	5.97	177,530	0.03
1,001 - 10,000	2,345	49.32	13,262,886	2.03
10,001 - 1,000,000	2,101	44.18	105,352,878	16.14
1,000,001 and above	25	0.53	534,046,706	81.80
Total	4,755	100.00	652,840,000	100.00

Twenty Largest Shareholders

	Name	No. of Shares	%
1.	HSBC (Singapore) Nominees Pte Ltd	132,524,776	20.30
2.	Oversea-Chinese Bank Nominees Pte Ltd	105,852,000	16.21
3.	United Overseas Bank Nominees Pte Ltd	45,070,500	6.90
4.	DBS Nominees Pte Ltd	34,482,748	5.28
5.	Hong Leong Enterprises Pte. Ltd.	32,429,000	4.97
6.	Tudor Court Gallery Pte Ltd	29,940,000	4.59
7.	Citibank Nominees Singapore Pte Ltd	22,944,000	3.51
8.	Ong Holdings (Private) Limited	21,400,000	3.28
9.	Starich Investments Pte Ltd	18,906,000	2.90
10.	Ely Investments (Pte) Ltd.	12,706,000	1.95
11.	Ong Chay Tong & Sons (Private) Limited	11,427,248	1.75
12.	Overseas Union Bank Nominees Pte Ltd	11,294,850	1.73
13.	Millennium Securities Pte Ltd	10,592,248	1.62
14.	OCBC Securities Private Ltd	9,481,000	1.45
15.	SPI Pte Ltd	9,376,000	1.44
16.	Guan Meng Kuan	5,550,860	0.85
17.	NTUC Income Insurance Co-operative Limited	4,400,000	0.67
18.	Keppel Bank Nominees Pte Ltd	3,491,700	0.53
19.	Vickers Ballas & Company Pte Ltd	2,619,000	0.40
20.	Chew Cheng Hoi Investments Pte Ltd	2,493,584	0.38
		526,981,514	80.71

Extract from Register of Substantial Shareholders

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate
Ong Choo Eng	–	265,698,520	265,698,520
Ong Hian Eng	3,062,604	253,357,520	256,420,124
Ong Mui Eng	4,547,248	253,294,268	257,841,516
Ong Kwee Eng	200,000	254,973,020	255,173,020
Ong Eng Loke	316,500	253,796,520	254,113,020
Ong Eng Yaw	–	252,972,520	252,972,520
Ong Holdings (Private) Limited	216,795,676	36,176,844	252,972,520
Hong Leong Enterprises Pte. Ltd.	32,429,000	18,906,000	51,335,000
Hong Leong Investment Holdings Pte. Ltd.	–	106,213,248	106,213,248
Kwek Holdings Pte Ltd	–	106,213,248	106,213,248

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual General Meeting of the Company will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Tuesday, 29 May 2001 at 10.00 a.m. for the following purposes :

Ordinary Business

1. To receive and adopt the audited accounts and the reports of the Directors and Auditors for the year ended 31 December 2000. (Resolution 1)

2. To declare a second and final dividend of 3% less 24.5% income tax in respect of the year ended 31 December 2000. (Resolution 2)

3. To approve the increase of Directors' Fees to $120,000 for the year ended 31 December 2000 (1999 : $48,000). (Resolution 3)

4. To re-elect the following Directors retiring by rotation in accordance with Article 105 of the Company's Articles of Association :

   (a) Dr Ong Hian Eng (Resolution 4)
   (Dr Ong Hian Eng, if re-elected, will remain as a member of the Audit Committee. He is considered a non-independent Director pursuant to Clause 902(4)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)

   (b) Mr Boon Suan Lee (Resolution 5)

5. To consider and, if thought fit, to pass the following resolutions :

   (a) "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Guan Meng Kuan be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)

   (b) "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Chew Loy Kiat be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
   (Mr Chew Loy Kiat, if re-elected, will remain as Chairman of the Audit Committee. He is considered an independent Director pursuant to Clause 902(4)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)

6. To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 8)

7. To transact any other business which may properly be transacted at an Annual General Meeting.

Special Business

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

   "That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to issue and allot (including but not limited to the issue and allotment of shares in the capital of the Company at any time, whether during the continuance of such authority or thereafter, pursuant to offers, agreements or options made or granted by the Company while this authority remains in force) or otherwise dispose of shares in the Company (including making and granting offers, agreements and options which would or which might require shares to be issued, allotted or otherwise disposed of, whether during the continuance of such authority or thereafter) at any time to such persons (whether or not such persons are members of the Company), upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of

shares to be issued pursuant to this Resolution shall not exceed 50% of the issued share capital of the Company for the time being, and PROVIDED FURTHER THAT where members of the Company with registered addresses in Singapore are not given the opportunity to participate in the same on a pro-rata basis, then the shares to be issued under such circumstances shall not exceed 20% of the issued share capital of the Company for the time being." (Resolution 9)

9. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors to exercise full powers of the Company to grant options over shares in the Company in accordance with the rules of the Hwa Hong Corporation Limited Executives' Share Option Scheme approved by members in general meeting on 28 June 1995 and as may be amended from time to time and to issue and allot shares in the Company (including to issue and allot shares to any Director of the Company) pursuant to the exercise of any such options (notwithstanding that the exercise thereof or such issue and allotment may occur after the conclusion of the next or any ensuing annual general meeting of the Company), and to do all acts and things which they may consider necessary or expedient to carry the same into effect." (Resolution 10)

By Order of the Board

Tan Mee Choo
Secretary

Singapore, 4 May 2001

Note
A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company and where there are more than one proxy, the proportion of shareholding to be represented by each proxy must be stated. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time fixed for holding the meeting.

Explanatory Notes to Special Business
Resolution 9, if passed, will empower the Directors of the Company to issue additional shares in the Company without seeking any further approval from members in general meeting but within the limitations imposed by the resolution, for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

Resolution 10, if passed, gives authority to the Directors to grant options and to issue shares in connection with the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "Scheme") (notwithstanding that such issue of shares may take place after the expiration of this approval and that the Scheme may have since then been terminated). This authority is in addition to the general authority to issue shares sought under Resolution 9 above.

PROXY FORM

IMPORTANT:

1. *For investors who have used their CPF monies to buy Hwa Hong Corporation Limited shares, this report is sent to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.*

2. *This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.*

Name	Address	NRIC/Passport No.	Proportion of Shareholding	
			No. of shares	%

*and/or

or failing him/her, the Chairman of the meeting, as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the **Forty-Eighth Annual General Meeting** of the Company ("AGM") to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 29 May 2001 at 10.00 a.m. and at any adjournment thereof.

(*I/We have indicated with an "X" in the appropriate boxes below how *I/we wish *my/our *proxy/proxies to vote. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM.)

Resolution No.		To be used on a Show of Hands		To be used in the Event of a Poll	
		For	Against	No. of Votes For	No. of Votes Against
1	Adoption of reports and accounts				
2	Declaration of second and final dividend				
3	Approval of Directors' fees				
4	Re-election of Director – Dr Ong Hian Eng				
5	Re-election of Director – Mr Boon Suan Lee				
6	Re-appointment of Director pursuant to Section 153(6) of the Companies Act, Cap. 50 – Mr Guan Meng Kuan				
7	Re-appointment of Director pursuant to Section 153(6) of the Companies Act, Cap. 50 – Mr Chew Loy Kiat				
8	Appointment of Auditors and authorising Directors to fix their remuneration				
9	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50				
10	Authority to grant options and to issue and allot shares pursuant to the exercise of options under the Hwa Hong Corporation Limited Executives' Share Option Scheme				

Total Number of Shares Held	
Scrip	
Scripless	

Notes

1. Please insert in the box at the bottom right hand corner on the reverse of this form, the number of shares registered in your name in the Register of Members in respect of share certificates held by you ("Scrip Shares") and the number of shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") in respect of shares in your Securities Account with CDP ("Scripless Shares"). If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.

3. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

4. This instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney. Where this instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

5. A body corporate which is a Member may also appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50, to attend and vote for and on behalf of such body corporate.

6. This instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time fixed for holding the meeting.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

General

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies. In addition, in the case of a Member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Company.

HWA HONG CORPORATION LIMITED

38 South Bridge Road
Singapore 058672
Email: hwahong@pacific.net.sg