

Annual Report 2001



HWA HONG CORPORATION LIMITED

Building on strong fundamentals



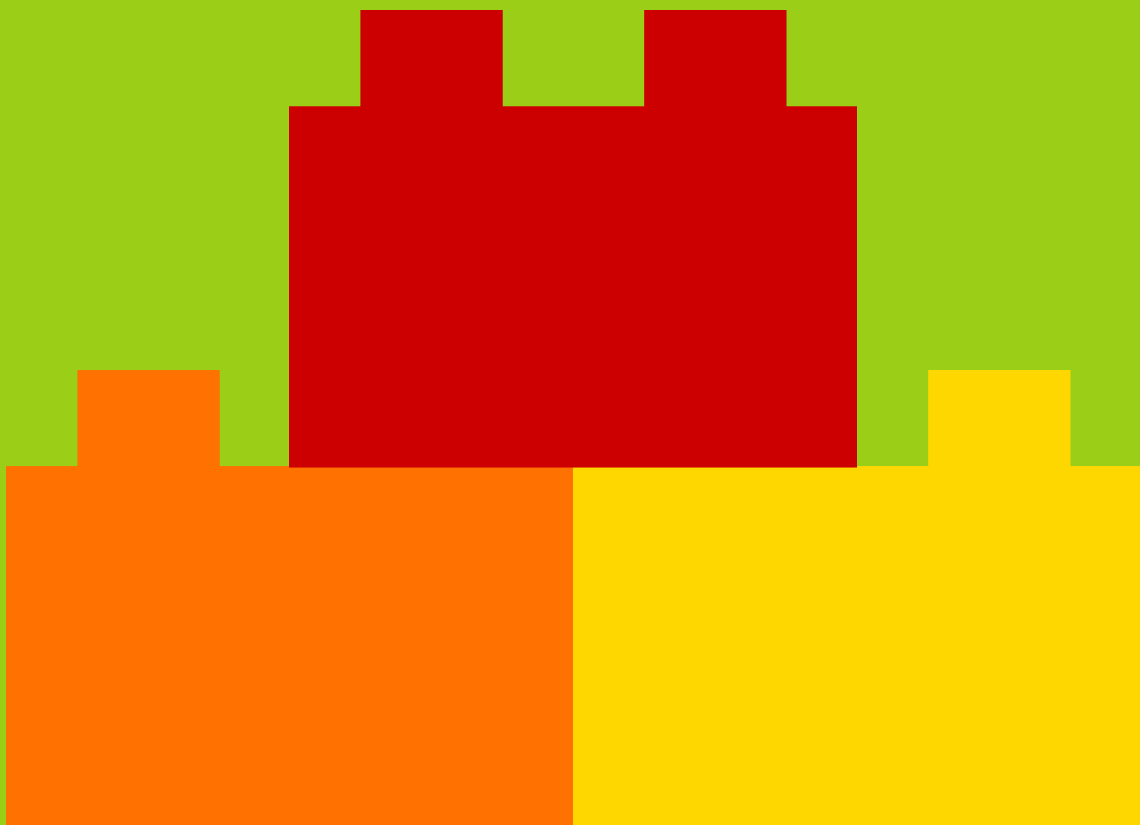
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financial calendar

Financial year-end	31 December
Announcement of unaudited 2001 half year results	5 September 2001
2001 interim dividend of 2% less 24.5% tax	
Books closure dates	26 & 27 September 2001
Payment date	12 October 2001
Announcement of unaudited 2001 full year results	28 February 2002
Notice of Annual General Meeting	7 May 2002
Annual General Meeting	23 May 2002
2001 proposed dividends:-	
(i) Second and final dividend of 3% less tax	
(ii) Bonus dividend of 2% less tax	
Last day for lodgement of transfers for dividend entitlements	Up to 5.00 p.m. on 7 June 2002
Books closure dates	10 & 11 June 2002
Payment date	27 June 2002

Looking Ahead... We are in a healthy position to take advantage of opportunities when they arise.



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.,
El. 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.

Ong Eng Loke - *Alternate Director*
B. Com., B. Sc. (Hons), M.A., M. Soc. Sc.

Secretaries

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

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

Auditors

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

Registered Office

38 South Bridge Road
Singapore 058672

Finance & Administration Department

38 South Bridge Road #04-01
Singapore 058672
Tel: 65385711 Fax: 65333028

Corporate & Legal Department

38 South Bridge Road #01-01
Singapore 058672
Tel: 65386818 Fax: 65326816
Email: hwahong@pacific.net.sg

Principal Subsidiary Companies

Tenet Insurance Company Ltd
(formerly known as The Hartford Insurance Company (Singapore) Ltd)
10 Collyer Quay #04-01 Ocean Building
Singapore 049315
Tel: 65326022 Fax: 65333871
Website: <http://www.tenetinsurance.com>
Email: mail@tenetinsurance.com

Singapore Warehouse Company (Private) Ltd.

400 Orchard Road #11-09/10 Orchard Towers
Singapore 238875
Tel: 67348355 Fax: 67334288

Paco Industries Pte. Ltd./Hwa Hong Edible Oil Industries Pte. Ltd.

38 South Bridge Road #04-01
Singapore 058672
Tel: 65385711 Fax: 65333028
Email: hwahong@singnet.com.sg

Registrar/Share Registration Office

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08 Ocean Building
Singapore 049315
Tel: 65365355 Fax: 65361360

chairman's statement

2001 was a difficult year for many corporations worldwide. Singapore registered a negative growth rate of 2% in year 2001 and the unemployment figure grew to over 5%. Under this poor environment, I am pleased to report that the Group had an operating profit after tax of \$13.944 million. This was achieved without the full year contribution from Singapore Piling & Civil Engineering Private Limited as this subsidiary was divested in July 2001.

Your Directors are pleased to recommend a second and final dividend of 3% less tax and a further bonus dividend of 2% less tax for the financial year ended 31 December 2001.

Warehousing and Property Investment

Singapore Warehouse Company (Private) Ltd. Group

The year 2001 was characterised by a very weak global economy and a slowdown in the world trade. Demand for industrial property remained generally weak and rental rates weakened. This was further aggravated by an over supply of new industrial buildings throughout Singapore. The average occupancy rate at Singapore Warehouse Building was 85.6% and average rent declined to \$1.28 per square foot compared to \$1.35 per square foot in 2000.

The Trademart Complex had an average occupancy rate of 85.1% with an average rental rate of \$2.19 per square foot for the year.

In November 2001, the Urban Redevelopment Authority ("URA") added the Trademart Singapore site as one of the landmark sites under the URA's Landmark and Gateway

Plan to sculpt Singapore's landscape. This inclusion augurs well for the redevelopment of the site. However, in view of the weak residential market, redevelopment of the site is being deferred to 2004.

In the meanwhile, rental income will continue to be derived pending the redevelopment and this will contribute to servicing interest charges and operating overheads.

Manufacturing and Trading

The operations in China are experiencing a mix performance.

The Group has increased its stake of investment in Jining Ningfeng Chemical Industry Co., Limited ("Jining Ningfeng") from 49% to 94% and the contribution of \$414,000 from Jining Ningfeng has been consolidated into the results of the Group. Last year saw a change in demand of animal feed substitutes. The improvement in processes and the recognition of our quality have given a boost to our animal feed enhancer in the export market. Plans are underway to expand the capacity to 20,000 metric tons per annum to meet the export demand. Barring unforeseen circumstances, Jining Ningfeng is expected to continue to perform satisfactorily and contribute to Group results.

The Sichuan joint venture which is held through the Group's 49.5% owned investment in Norwest Holdings Pte Ltd ("NWH") continues to operate under difficult market conditions. Certain selective by-products of phosphates are slowly gaining market recognition. Hopefully, NWH Group will achieve a positive operational result before interest and amortisation this year. In the meantime, plans are underway to streamline the operations of this investment so as to make it cost effective.

Tenet Insurance Company Ltd Vision

to be the **premier insurer** in Singapore in our chosen market segments of **personal lines, marine, small and mid-sized commercials**, recognised for **professionalism, innovativeness and quality service at competitive prices.**

pronounced
[ten-nurt]
TENET
Insurance Company Ltd

, n. -Syn. principle, belief, credence, assurance, faith, trust, confidence, dependence

PERSONAL INSURANCE

- Domestic Maid Insurance Package
- Enhanced Personal Accident Package
- Home and Contents Insurance Package
- Hospital & Surgical Insurance Package
- Motor Insurance
- Personal Accident Insurance
- Travel Insurance Package

BUSINESS INSURANCE

- Fire/Consequential Loss Insurance
- Group Hospital & Surgical Insurance
- Group Personal & Travel Accident Insurance
- Marine Cargo Insurance
- Motor Insurance
- Public Liability Insurance
- Workmen's Compensation Insurance

SPECTRA BUSINESS PACKAGE

- Food & Beverage
- Light Industrial
- Office
- Retail
- Service

Call us at **6532 6022** or visit www.tenetinsurance.com

In today's quick economy, focusing on what you do best and leaving the rest to experts in their own fields is by far, one of the fastest ways to get to the place where you define success. That's why at Tenet Insurance we understand the need to protect and cover your business and personal insurance needs. To set you free to do what brings you passion in life.

We recognize that your business is as important as YOU. That is why we've developed a comprehensive Business & Personal Insurance range of products, which protects both you and your business.

But it's not all business, it's about partnerships and friendships, built on Principles of Trust & Integrity. It's also about Quality Service and Swift Reaction. Because at Tenet Insurance...



it's **beyond** just business

Tenet Insurance Company Ltd (Formerly known as The Hartford Insurance Company (Singapore) Ltd)
(A wholly owned company of Hwa Hong Corporation Limited)
10 Collyer Quay #04-01, Ocean Building, Singapore 049315 Tel: 6532 6022 Fax: 6532 3871 Email: mail@tenetinsurance.com

Insurance

The Hartford Insurance Company (Singapore) Ltd (now known as Tenet Insurance Company Ltd) (“Tenet Insurance”)

The slower economic growth across all sectors of the economy and the slowdown in regional economies affected the demand for insurance for this year. The general insurance industry continued to experience fierce competition which further eroded premium rates.

During the year, Tenet Insurance continued to strategically refocus on selected segments in personal lines, small to mid-sized commercial and marine cargo insurance while shedding non-profitable lines such as construction-related insurance. As part of its on-going efforts to meet the changing needs of its customers and intermediaries, Tenet Insurance launched a new commercial business package product this year. This product was specially designed to meet the insurance needs of small to mid-size businesses and was well received by our clients. Another major initiative for this year was the launch of I-channel, an internet based application system which enables our intermediaries to enquire and transact businesses on-line. To manage the rising claims costs for motor insurance, Tenet Insurance implemented an upward readjustment in its motor premium rates this year while at the same time, introduced cost containment measures such as obtaining its parts supply through online auctions and maintaining its own panel of approved motor workshops to conduct its repair works.



Total gross written premiums had decreased by 15% from \$27.6 million in 2000 to \$23.4 million in 2001. Net claims ratio had decreased from 85% to 78% due to release of loss reserves for prior years which were no longer required in view of the improving trends in the claims ratios. Net investment income for 2001 was 86% higher than 2000, mainly due to capital gains arising from the sale of equity investments.

Current Year Prospects

The Singapore economy is expected to grow between 1% and 3% in tandem with the anticipated recovery of the US economy.

For the current year, rental and interest income are not expected to increase significantly. However, with the improving economy and following the aftermath of the US World Trade Centre tragedy, insurance premiums have increased and accordingly, performance of the insurance subsidiary is expected to remain satisfactory.

Barring unforeseen circumstances, Group operating profit before exceptional items is expected to be in line with that of last year.

Lastly, I would like to express my appreciation to fellow Directors, management staff, shareholders and business associates for the continuous support during the difficult year.

Ong Choo Eng

Chairman

15 March 2002

Ten-year group financial profile

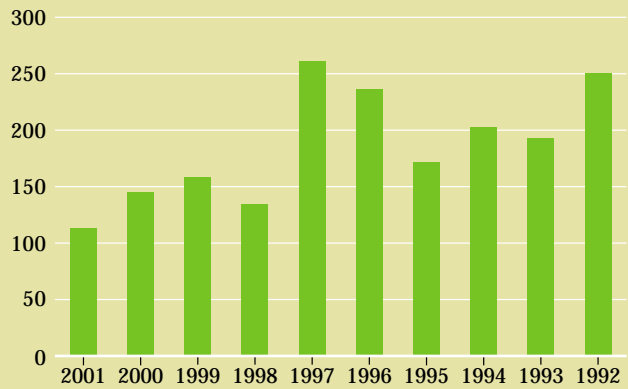
		2001	2000	1999	1998	1997	1996
Revenue	(\$'000)	113,463	144,853	157,538	134,285	261,267	236,177
Profit before taxation (after share of results of associated companies)							
- before exceptional items (Note 1)	(\$'000)	12,332	16,931	13,899	7,891	12,179	15,575
- after exceptional items (Note 1)	(\$'000)	16,329	21,621	11,667	10,554	11,976	15,527
Profit after taxation and minority interests							
- before exceptional items (Note 1)	(\$'000)	9,947	13,095	10,227	5,878	8,613	10,958
- after exceptional items (Note 1)	(\$'000)	13,944	17,785	7,995	8,541	8,410	10,910
No. of ordinary shares of \$0.25 each issued (Note 2)	('000)	652,960	652,660	651,168	644,420	644,420	584,556
Shareholders' funds (Note 3)	(\$'000)	436,668	425,393	412,882	412,086	472,670	444,780
Total assets	(\$'000)	611,274	659,640	720,162	569,359	642,793	614,550
Net tangible assets per \$0.25 share (Note 3)	(cents)	66.88	65.18	63.41	63.95	73.35	76.09
In respect of the financial year:-							
(i) Gross dividend rate							
- interim paid	(%)	2	2	2	-	-	-
- final proposed	(%)	3	3	3	4	4	4
- bonus proposed	(%)	2	-	-	-	-	-
(ii) Total net dividend paid/ proposed (Note 4)	(\$'000)	8,627	6,125	6,041	4,795	4,769	4,336
Dividend cover (Note 5)	(No. of Times)	1.62	2.90	1.32	1.78	1.76	2.52

Notes:

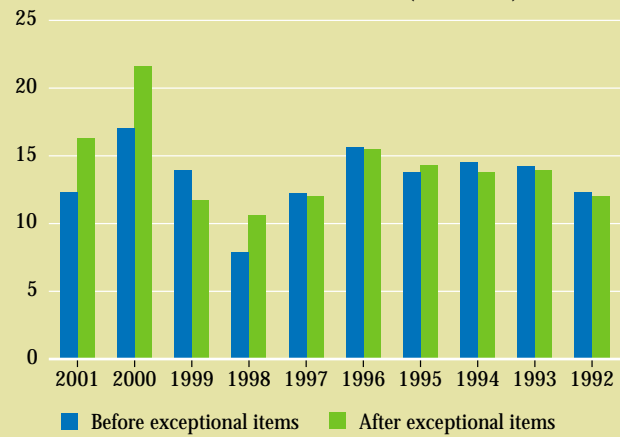
- (1) The figures for 1992 to 2000 inclusive have been adjusted and restated from those previously reported for these years to take into account changes in accounting policies adopted in 2001 in respect of exceptional items which were previously reported as extraordinary items.
- (2) The figures for 1992 to 1999 inclusive have been adjusted to take into account the sub-division in January 2000 of every one ordinary share of par value \$1 into four ordinary shares of par value \$0.25 each.
- (3) The figures for 1992 to 2000 inclusive have been adjusted and restated from those previously reported for these years to effect changes in accounting policies adopted in 2001 in respect of proposed dividends which will only be recognised as a liability upon formal declaration.
- (4) The figures for 1996 to 2000 inclusive include adjustment for additional dividends paid in respect of that financial year due to subsequent issue and allotment of shares upon exercise of options granted under the Hwa Hong Corporation Limited Executives' Share Option Scheme before books closure date. In respect of the financial year ended 31 December 2001, an estimate of the net dividend payable for the final dividend of 3% less tax and bonus dividend of 2% less tax based on the issued share capital of the Company for the time being is included in the figure. The said dividends are subject to shareholders' approval in general meeting of the Company.
- (5) Dividend cover is arrived at by dividing profit after taxation and minority interests (after exceptional items) by the net dividend amount.

	1995	1994	1993	1992
	170,916	201,548	192,728	249,745
	13,783	14,510	14,195	12,270
	14,326	13,814	13,857	12,025
	9,819	9,663	9,434	8,236
	10,362	8,967	9,096	7,991
	584,556	584,556	584,556	584,556
	421,271	303,076	252,406	259,423
	582,831	467,123	407,598	415,010
	72.07	51.85	43.18	44.38
	—	—	—	—
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	—	—	—	—
	4,326	4,267	4,267	4,267
	2.40	2.10	2.13	1.87

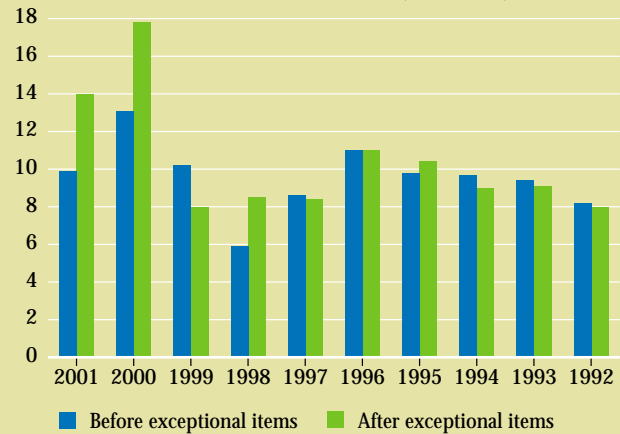
Revenue (\$ Million)



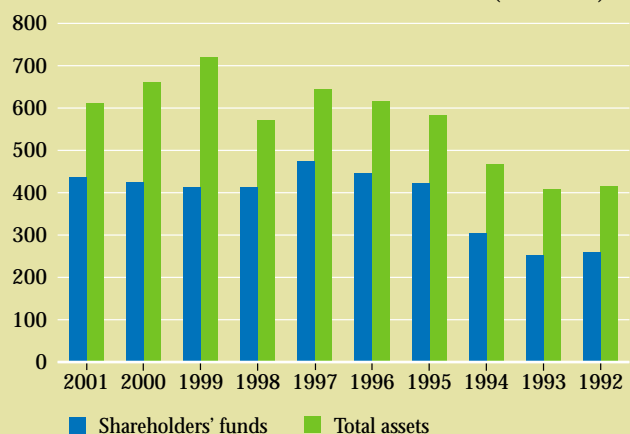
Profit Before Taxation (\$ Million)



Profit After Taxation (\$ Million)



Shareholders' Funds & Total Assets (\$ Million)



corporate governance

Hwa Hong Corporation Limited (the “Company”) is, as far as practicable, working gradually towards full compliance of the Code of Corporate Governance issued by the Singapore Exchange Securities Trading Limited by 2003.

Board Of Directors

The Board of Directors comprises the following:-

Executive directors

Ong Choo Eng (*Chairman and Group Managing Director*)

Ong Mui Eng

Ong Hian Eng

Non-executive directors

Guan Meng Kuan

Chew Loy Kiat

Goh Kian Hwee

Yong Kok Kean

Boon Suan Lee

Ong Eng Loke - *Alternate Director*

The core competencies of the Board members include those with training in the fields in civil engineering, insurance, law, finance and taxation and banking.

The professional qualifications of the Directors are set out on page 2 under Corporate Information. Information on Directors’ shareholding in the Company and its related corporations can be found in the Directors’ Report. Further information on the Directors are set out below:-

Name of director	Date of first appointment	Date of last re-election	Committee	Other directorships in listed companies
Ong Choo Eng	15.06.1982	27.05.1988 ⁽¹⁾	Member:- - Remuneration Committee	Director & Audit Committee Member:- - Metalock (Singapore) Limited Director & Remuneration Committee Member:- - BBR Holdings (S) Ltd
Ong Mui Eng	01.02.1983	23.06.2000	-	-
Ong Hian Eng	24.02.1981	29.05.2001	-	-
Guan Meng Kuan	01.02.1983	29.05.2001 ⁽²⁾	Member:- - Nominating Committee	-

Name of director	Date of first appointment	Date of last re-election	Committee	Other directorships in listed companies
Chew Loy Kiat	01.02.1989	29.05.2001 ⁽²⁾	Chairman:- - Audit Committee Member:- - Nominating Committee	-
Goh Kian Hwee	01.09.1989	18.06.1999	Chairman:- - Nominating Committee Member:- - Audit Committee - Remuneration Committee	Director & Audit Committee Member:- - Transmarco Limited - Hotel Negara Limited - Ayala International Holdings Limited - MPH Limited - Achieva Limited
Yong Kok Kean	02.01.1990	18.06.1999	Chairman:- - Remuneration Committee Member:- - Audit Committee	-
Boon Suan Lee	01.07.1998	29.05.2001	-	-

Notes:-

- (1) Not subject to retirement by rotation in accordance with the Company's Articles of Association since appointment as Managing Director on 10.02.1989.
- (2) Both Mr Guan Meng Kuan and Mr Chew Loy Kiat are over 70 years of age and subject to retirement every year pursuant to Section 153(2) of the Companies Act, Cap. 50.

During the year, the Board held four meetings through which they meet to review the performance of the Company and the Group, approve major acquisitions or disposals and set the business direction for the Company.

The attendance of each Board member at meetings of the Board and of the Audit Committee held during the period from 1 January 2001 to 31 December 2001 are set out hereunder:-

Name of director	No. of Board Meetings	Attendance	No. of Audit Committee Meetings	Attendance
Ong Choo Eng	4	4	N.A.	N.A.
Ong Mui Eng	4	4	N.A.	N.A.
Ong Hian Eng	4	4	2	2
Guan Meng Kuan	4	4	N.A.	N.A.
Chew Loy Kiat	4	4	2	2
Goh Kian Hwee	4	3*	2	2
Yong Kok Kean	4	4	N.A.	N.A.
Boon Suan Lee	4	4	N.A.	N.A.

* Abstained from voting. Therefore, absent at one of the meetings.

Remuneration Committee

The Board of Directors formed the Remuneration Committee (“RC”) on 1 April 2002 to perform the responsibilities of the Executives’ Share Option Scheme Committee (the “ESOS Committee”) and the Hwa Hong (2001) Share Option Committee (the “2001 Scheme Committee”) as well as any other relevant human resource and compensation matters. The RC comprises a majority of non-executive Directors who are independent of management and is chaired by an independent non-executive Director.

The RC comprises:-

Yong Kok Kean (*Chairman*)

Goh Kian Hwee

Ong Choo Eng

The ESOS Committee and the 2001 Scheme Committee were dissolved consequent upon the constitution of the RC.

Nominating Committee

The Nominating Committee (“NC”) was set up by the Board on 1 April 2002 and its members comprise:-

Goh Kian Hwee (*Chairman*)

Chew Loy Kiat

Guan Meng Kuan

The majority of the members of the NC, including its chairman, are independent non-executive Directors.

Audit Committee

The Audit Committee currently comprises three members, all of whom are independent non-executive Directors:-

Chew Loy Kiat (*Chairman*)

Goh Kian Hwee

Yong Kok Kean (appointed on 1 April 2002 to fill the vacancy vacated by Dr Ong Hian Eng)

The Audit Committee performs the functions as described in the Directors’ Report.

Dealings In Securities

The Company and its subsidiaries have followed the recommendations of the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited with regards 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.

Internal Controls

Our external auditors are of the opinion that the internal control procedures of the Company and its subsidiaries are not inadequate. One of the procedures includes an audit methodology for the external auditors to report findings and make recommendations to management and/or Audit Committee on the Group business and financial controls and management processes.

2 April 2002

financial statements

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Report of the directors

The Directors present herewith their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2001.

Directors

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

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

Principal activities

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

During the financial year, Jining Ningfeng Chemical Industry Co., Limited, a company incorporated in The People's Republic of China, became a subsidiary of the Company and its principal activity is that of feed chemical manufacturer. The Company had also during the financial year disposed off Singapore Piling & Civil Engineering Private Limited and its subsidiaries, the principal activities of which are that of general building and piling, civil and structural engineering and related services.

Save as disclosed, there have been no significant changes in the nature of these activities during the financial year.

Results for the financial year

	Group S	Company S
Profit for the financial year transferred to revenue reserve	13,943,776	6,503,778

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 subsidiary companies

During the financial year :-

1. Acquisition

Hwa Hong Edible Oil Industries Pte. Ltd., a wholly-owned subsidiary of the Group, increased its interest in Jining Ningfeng Chemical Industry Co., Limited (“Jining”) from 49% to 94% by acquiring a further 45% interest in Jining for a consideration of about RMB1,100,000 (approximately \$253,000), resulting in Jining becoming a subsidiary. Net assets attributable to the 45% interest were approximately RMB1,100,000 (approximately \$253,000).

2. Disposal

The Company completed the disposal of its entire 100% interest in Singapore Piling & Civil Engineering Private Limited to BBR Holdings (S) Ltd (“BBR”) on 2 July 2001 (the “SP Disposal”).

The consideration for the SP Disposal was satisfied by the issue and allotment of 179,410,000 ordinary shares of \$0.05 each at par in the capital of BBR and the issue of promissory notes amounting to \$5,348,244. The net assets attributed to the SP Disposal amounted to \$12,464,627.

Consequent upon the SP Disposal, the following corporations ceased to be wholly-owned subsidiaries of the Group :-

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

3. Dissolution

Lornuse Limited, a 60% owned subsidiary of the Group incorporated in United Kingdom, was struck off the Register and dissolved under the provisions of the Companies Act 1985 of the United Kingdom.

Issue of shares and debentures

During the financial year, the issued and paid-up share capital of the Company increased from \$163,165,000 to \$163,240,000 by the issue and allotment of the following ordinary shares of \$0.25 each for cash at the respective exercise price per share upon exercise of options to subscribe for shares under the Hwa Hong Corporation Limited Executives' Share Option Scheme :-

Number of shares issued	Price per share
120,000	\$0.25
60,000	\$0.34
120,000	\$0.30
<u>300,000</u>	

Arrangements to enable Directors to acquire shares or debentures

Save for the Hwa Hong Corporation Limited Executives' Share Option Scheme (which was terminated on 29 May 2001 without prejudice to the rights of holders of options in respect of whom offers of the options have been granted) and the Hwa Hong Corporation Limited (2001) Share Option Scheme (which was adopted on 29 May 2001), 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

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

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 1.1.2001/ Date of Appointment	At 31.12.2001	At 1.1.2001/ Date of Appointment	At 31.12.2001
	Ordinary shares of \$0.25 each			
Ong Choo Eng	–	–	265,678,520	276,227,520
Ong Hian Eng	3,062,604	3,062,604	253,357,520	263,643,520
Ong Mui Eng	4,547,248	4,547,248	253,294,268	263,580,268
Guan Meng Kuan	5,534,860	5,534,860	–	–
Chew Loy Kiat	840,000	840,000	–	–
Ong Eng Loke (appointed alternate director to Ong Mui Eng on 18 June 2001)	356,500	356,500	254,706,520	264,142,520

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

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 date of appointment, if later) or at the end of the financial year.

The Directors' interests in the shares of the Company as recorded in the Register of Directors' Shareholdings as at 21 January 2002 remained unchanged from those as at 31 December 2001.

Dividends

Dividends paid since the end of the last financial year of the Company were as follows :-

1. A second and final dividend of 3% less 24.5% tax amounting to \$3,696,707 in respect of the previous financial year as proposed in the Directors' Report of that year and an additional net dividend of \$677 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 24.5% tax amounting to \$2,464,921 in respect of the financial year under review.

The Directors recommend that a second and final dividend of 3% less tax amounting to about \$3,697,386 and a bonus dividend of 2% less tax amounting to about \$2,464,924 be paid in respect of the financial year under review, subject to shareholders' approval in general meeting of the Company.

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 or any corporation in the Group has arisen which secures the liabilities of any other person and no contingent liability of the Company or any corporation in the Group 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 or any corporation in 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, other than the subsequent events as disclosed in the accompanying financial statements, 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

Hwa Hong Corporation Limited Executives' Share Option Scheme

On 29 May 2001, the shareholders of the Company approved the termination of the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "ESOS") adopted on 28 June 1995 (without prejudice to the rights of holders of options in respect of whom offers of the options have been granted prior to termination) and the adoption of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme").

Share options *(cont'd)*

Hwa Hong Corporation Limited (2001) Share Option Scheme

The 2001 Scheme will continue in operation for a maximum period of 10 years from 29 May 2001 (the "Adoption Date"), unless otherwise extended and subject to relevant approvals.

Some of the principal terms of the 2001 Scheme are as follows :-

1. All employees of the Company and its subsidiary companies (the "Group"), including Executive Directors (the "Employees"), will be eligible to participate in the 2001 Scheme at the discretion of the Committee. An employee who is a controlling shareholder of the Company or an associate of a controlling shareholder, Non-Executive Director and an employee of an associated company of the Group shall not be eligible to participate in the 2001 Scheme.
2. The subscription price of an Option granted to Employees :-
 - (i) below the rank of Senior Manager (or an equivalent or analogous rank) shall be the market price of an Option (the "Market Price"), determined using the weighted average price of the shares on the market day on which dealings in shares took place on the Singapore Exchange immediately preceding the date on which an offer is made by the Company to an Employee to purchase an Option (the "Offering Date"); and
 - (ii) of the rank of Senior Manager (or an equivalent or analogous rank) and above may be set at a discount of not more than 20% of the Market Price determined in accordance with the Rules of the 2001 Scheme.
3. Options which are accepted by the Employees upon payment of a consideration of \$1.00 or such other amount as the Committee may prescribe, may be exercised in the period commencing on the first anniversary (in the case of Options granted at the Market Price) or the second anniversary (in the case of Options granted at a discount to the Market Price) of the Offering Date and ending on (and including) the day immediately preceding the tenth anniversary of the Offering Date.
4. The shares issued and allotted upon the exercise of an Option will rank for any dividend, right, allotment or other distribution provided that the date as at the close of business on which shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be) is on or after the date of the exercise of the Option and (subject as aforesaid) will rank pari passu in all respects with the existing shares of the Company.
5. The aggregate number of shares to be issued pursuant to the 2001 Scheme does not exceed 5% of the issued share capital of the Company for the time being.

A committee of Directors known as the Hwa Hong (2001) Share Option Committee which comprises of Mr Ong Choo Eng, Mr Ong Mui Eng, Mr Goh Kian Hwee and Mr Yong Kok Kean has been constituted on 23 April 2001 to administer the 2001 Scheme. Members of this committee do not participate in the 2001 Scheme.

No Options were granted under the 2001 Scheme since its Adoption Date to the end of the financial year under review.

Share options (cont'd)

Other information required to be disclosed

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 ESOS. The Company is also not under any parent company. Options granted to and exercised by Directors of the Company who had previously held offices in an executive capacity in subsidiaries of the Company were as follows :-

Name of participant	Aggregate number of ordinary shares under Options					Outstanding as at end of financial year under review
	Granted during the financial year under review	Granted since commencement of ESOS to end of financial year under review	Exercised since commencement of ESOS to end of financial year under review	Lapsed since commencement of ESOS to end of financial year under review		
Chew Loy Kiat	-	1,120,000	840,000	280,000	-	
Guan Meng Kuan	-	1,400,000	560,000	840,000	-	

As at 31 December 2001, details of Options granted under the ESOS to take up unissued ordinary shares of \$0.25 each in the Company were as follows :-

Date of Grant	Balance as at 01/01/2001	Exercised	Lapsed/Cancelled	Balance as at 31/12/2001	Adjusted Subscription Price	Date of Expiration
25/09/1995	-	-	-	-	\$0.51	24/09/2000
27/09/1995	-	-	-	-	\$0.52	26/09/2000
10/10/1995	-	-	-	-	\$0.51	09/10/2000
05/11/1996	772,000	-	(772,000)	-	\$0.46	04/11/2001
13/11/1997	108,000	(60,000)	(48,000)	-	\$0.34	12/11/2002
06/11/1998	228,000	(120,000)	(48,000)	60,000	\$0.25	05/11/2003
19/04/1999	120,000	(120,000)	-	-	\$0.30	18/04/2004
02/11/1999	1,372,000	-	(864,000)	508,000	\$0.45	01/11/2004
	2,600,000	(300,000)	(1,732,000)	568,000		

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 financial year ended 31 December 2001 as well as the Auditors' Report.

The Committee has nominated Ernst & Young for re-appointment as 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 2002

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 2001 and the results of the business and changes in equity of the Company and the Group and the cash flows of the Group for the financial year ended 31 December 2001; 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 2002.

On behalf of the Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
15 March 2002

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 24 to 64. The financial statements comprise the balance sheets of the Company and of the Group as at 31 December 2001, 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 financial year ended 31 December 2001, 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 2001, the results and the changes in equity of the Company and of the Group and cash flows of the Group for the financial 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 2002

profit and loss accounts

for the financial year ended 31 December 2001

	Notes	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
Revenue	3	113,462,954	144,852,820	6,265,000	18,299,000
Cost of sales		(94,998,897)	(107,767,945)	–	–
Gross profit		18,464,057	37,084,875	6,265,000	18,299,000
Other income	4	4,680,518	2,177,738	1,574,880	543,093
General and administrative costs	5	(8,841,296)	(20,828,903)	(1,496,363)	(6,259,275)
Selling and distribution costs		(790,086)	(541,588)	–	–
Operating profit		13,513,193	17,892,122	6,343,517	12,582,818
Finance costs	6	(398,098)	(523,365)	(8,931)	(10)
Share of profits less losses of associated companies		(782,603)	(437,366)	–	–
Exceptional items	7	3,996,683	4,690,267	1,854,117	4,581,661
Profit before taxation		16,329,175	21,621,658	8,188,703	17,164,469
Taxation	8	(2,363,341)	(3,531,731)	(1,684,925)	(4,532,481)
Profit after taxation		13,965,834	18,089,927	6,503,778	12,631,988
Minority interests		(22,058)	(305,033)	–	–
Profit attributable to shareholders		13,943,776	17,784,894	6,503,778	12,631,988
Earnings per share :	9				
Basic		2.14¢	2.73¢		
Fully diluted		2.13¢	2.72¢		

The accounting policies and explanatory notes on pages 31 through 64 form an integral part of the financial statements.

balance sheets

as at 31 December 2001

	Notes	Group		Company	
		2001 \$	2000 \$	2001 \$	2000 \$
EQUITY					
Share capital	10	163,240,000	163,165,000	163,240,000	163,165,000
Share premium		8,680,826	8,669,435	8,680,826	8,669,435
Revenue reserve		123,205,166	115,423,695	16,646,562	16,305,089
Capital reserve		142,588,137	138,871,978	248,100,715	237,253,161
Currency translation adjustment reserve		(1,046,026)	(737,423)	-	-
Share capital and reserves		436,668,103	425,392,685	436,668,103	425,392,685
Minority interests		447,769	4,619	-	-
Non-Current Liabilities					
Bank loan, secured	11	4,224,938	4,067,438	-	-
Deferred taxation	12	-	1,889,000	-	-
Amount due to an associated company, non-trade	13	156,551,250	164,406,250	-	-
Other creditors	14	308,955	182,217	-	-
Hire purchase creditors	15	134,744	183,749	-	-
Amount due to a minority shareholder		255,924	277,296	-	-
TOTAL EQUITY		598,591,683	596,403,254	436,668,103	425,392,685
ASSETS LESS LIABILITIES					
Non-Current Assets					
Fixed assets	16	6,165,712	14,794,236	5,293,681	5,495,984
Investment properties	17	93,461,027	91,972,108	-	-
Investment in subsidiary companies	18	-	-	423,542,906	425,159,978
Investment in associated companies	13	246,770,124	253,762,373	13,157,625	13,157,625
Long term investments	19	54,475,035	27,574,852	3,330,987	1,268,135
Other debtors	20	502,374	812,004	-	-
Current Assets					
Stocks	21	726,403	1,727,321	-	-
Contracts in progress	22	-	716,497	-	-
Trade debtors	23	1,864,444	21,175,040	-	-
Other debtors	20	28,984,497	6,635,098	3,677,615	1,486,325
Amounts due from related parties	24	2,787,410	1,687,207	163,492	163,054
Amounts due from associated companies	13	94,484,212	92,074,528	-	305,980
Short term investments	25	39,217,083	71,373,665	6,530,545	7,728,638
Cash and bank balances	26	41,835,585	75,335,397	15,065,396	26,678,649
		209,899,634	270,724,753	25,437,048	36,362,646
Current Liabilities					
Trade creditors	27	1,332,018	43,367,820	-	-
Contracts in progress	22	-	7,318,056	-	-
Other creditors	14	8,687,538	7,575,018	5,361,884	5,377,714
Hire purchase creditors	15	49,000	49,000	-	-
Amounts due to subsidiary companies	18	-	-	28,732,260	50,673,969
Bank overdraft, secured	28	1,083,093	1,922,889	-	-
Bank loan, secured	11	244,200	-	-	-
Provision for taxation		1,286,374	3,004,289	-	-
		12,682,223	63,237,072	34,094,144	56,051,683
Net Current Assets/(Liabilities)		197,217,411	207,487,681	(8,657,096)	(19,689,037)
NET ASSETS		598,591,683	596,403,254	436,668,103	425,392,685

The accounting policies and explanatory notes on pages 31 through 64 form an integral part of the financial statements.

statements of changes in equity

for the financial year ended 31 December 2001

	Notes	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
Share capital					
Balance at beginning of the year		163,165,000	162,792,000	163,165,000	162,792,000
Issue of ordinary shares for cash at premiums of \$Nil to \$0.09 (2000 : \$Nil to \$0.09) per share upon exercise of options granted		75,000	373,000	75,000	373,000
Balance at end of the year	10	163,240,000	163,165,000	163,240,000	163,165,000
Share premium					
Balance at beginning of the year		8,669,435	8,644,336	8,669,435	8,644,336
Premium on issue of ordinary shares		11,400	25,200	11,400	25,200
Share issue expense		(9)	(101)	(9)	(101)
Balance at end of the year		8,680,826	8,669,435	8,680,826	8,669,435
Revenue reserve					
Balance at beginning of the year as previously reported		111,726,988	94,795,328	12,608,382	6,104,470
Adjustment due to change in accounting policy	1(b)	3,696,707	3,638,401	3,696,707	3,638,401
Balance at beginning of the year as restated		115,423,695	98,433,729	16,305,089	9,742,871
Profit for the year		13,943,776	17,784,894	6,503,778	12,631,988
Dividends paid	29	(6,162,305)	(6,069,770)	(6,162,305)	(6,069,770)
Goodwill written off against reserve		–	(733,897)	–	–
Adjustment due to disposal of shares in subsidiary company and associated companies		–	6,008,739	–	–
Balance at end of the year		123,205,166	115,423,695	16,646,562	16,305,089

statements of changes in equity

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Capital reserve				
Balance at beginning of the year	138,871,978	144,074,306	237,253,161	231,702,777
Net surplus/(deficit) on revaluation of				
- investment properties	409,092	(678,576)	-	-
- subsidiary companies	-	-	13,948,527	10,074,136
Adjustment due to disposal of shares in subsidiary company and associated companies	3,307,067	(4,523,752)	(3,100,973)	(4,523,752)
Balance at end of the year	142,588,137	138,871,978	248,100,715	237,253,161
Currency translation adjustment reserve				
Balance at beginning of the year	(737,423)	(1,062,387)	-	-
Exchange differences arising on consolidation	(308,603)	324,964	-	-
Balance at end of the year	(1,046,026)	(737,423)	-	-
Share capital and reserves	436,668,103	425,392,685	436,668,103	425,392,685
Net change in equity from non-owner sources excluding net profits	3,407,556	397,478	10,847,554	5,550,384

The accounting policies and explanatory notes on pages 31 through 64 form an integral part of the financial statements.

consolidated statement of cash flows

for the financial year ended 31 December 2001

	2001 \$	2000 \$
Cash flow from operating activities :		
Operating profit	13,513,193	17,892,122
Adjustments for :-		
Interest income	(9,616,513)	(7,325,928)
Depreciation of fixed assets	393,909	1,666,635
Currency realignment, net	(33,777)	324,964
Profit on sale of investment properties	-	(1,529,607)
Gain on disposal of fixed assets	(10,700)	(107,234)
Recovery of bad debts previously written off	-	108,606
Fixed assets written off	-	11,907
	(9,267,081)	(6,850,657)
Operating income before reinvestment in working capital	4,246,112	11,041,465
Increase in debtors, short term investments and loans	(23,592,202)	(25,162,687)
Decrease in stocks	135,303	166,277
Increase in creditors	1,227,750	4,562,033
	(22,229,149)	(20,434,377)
Cash used in operations	(17,983,037)	(9,392,912)
Contracts in progress	-	(3,312,186)
Interest received	9,456,234	7,941,626
Income from interests in associated undertakings	8,205,832	2,149,089
Interest paid	(398,098)	(523,365)
Income taxes paid, net	(1,854,636)	(1,491,621)
	15,409,332	4,763,543
Net cash used in operating activities	(2,573,705)	(4,629,369)
Cash flow from investing activities :		
Purchase of investment properties	(785,869)	(14,111,251)
Purchase of fixed assets	(447,978)	(6,611,947)
Increase in other investments (net)	(13,232,925)	(7,275,756)
Investment in associated companies	-	(5,024,628)
Proceeds from sale of investment properties	-	8,522,250
Amounts due from associated companies	(10,196,527)	(41,135,088)
Proceeds from disposal of fixed assets	10,700	786,489
Acquisition of a subsidiary company, net of cash acquired	28,622	10,001,459
Disposal of shares in subsidiary companies, net of cash disposed	1,382,460	(17,163,465)
Net cash used in investing activities	(23,241,517)	(72,011,937)

consolidated statement of cash flows

	2001 \$	2000 \$
Cash flow from financing activities :		
Increase in term loans	401,700	4,067,438
Increase/(decrease) in secured overdraft	(839,796)	1,922,889
(Repayment)/advance from minority shareholders	(21,372)	277,296
Payment to related companies	(1,100,203)	–
Dividends paid	(6,162,305)	(6,069,770)
(Repayment)/proceed from hire purchase creditors	(49,005)	232,749
Proceeds from issue of new shares at premium, net of related expenses	86,391	398,099
Net cash (used in)/provided by financing activities	(7,684,590)	828,701
Net decrease in cash and cash equivalents	(33,499,812)	(75,812,605)
Cash and cash equivalents at beginning of the year (note 26)	75,335,397	151,148,002
Cash and cash equivalents at end of the year (note 26)	41,835,585	75,335,397

The acquisition and the disposal/dissolution 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 :-

	Jining Ningfeng Chemical Industry Co., Limited \$	Singapore Piling & Civil Engineering Private Limited \$	Lornuse Limited \$
Fixed assets	–	(8,682,593)	–
Investment in an associated company	–	(2,921)	–
Long term investments	–	(190,000)	–
Long term other debtors	–	(350,765)	–
Trade debtors	510,815	(23,522,375)	–
Other debtors	679,905	(1,514,652)	–
Stocks	782,260	(1,647,876)	–
Short term investments	–	(32,103,753)	–
Cash and bank balances	28,622	1,383,630	(1,170)
Trade creditors	(999,043)	42,502,264	–
Other creditors	(107,588)	879,078	2,583
Contracts in progress	–	6,601,559	–
Amount due to associated companies	–	68,157	–
Deferred taxation	–	2,226,620	–
Secured overdraft	–	1,889,000	–
Minority interests	(127,656)	–	109
Net assets acquired/(disposed of)	767,315	(12,464,627)	1,522
Gain on disposal	–	(1,854,117)	(1,522)
Less : Transfer from long term investment	(514,315)	–	–
Liability accrued	(253,000)	–	–
Payment received in-lieu of cash	–	14,318,744	–
Cash paid/(received)	–	–	–
Less : Cash and bank balances	(28,622)	(1,383,630)	1,170
Cash flow on acquisition/disposal net of cash acquired/disposed	(28,622)	(1,383,630)	1,170

The accounting policies and explanatory notes on pages 31 through 64 form an integral part of the financial statements.

notes to the financial statements

31 December 2001

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) Change in accounting policy

During the year, the Company changed its accounting policy from recognising dividends proposed or declared after the balance sheet date as a liability as at the balance sheet date to disclosing such dividends as a subsequent event in accordance with SAS 10, Events after the Balance Sheet Date. The effect of this change is an increase in the revenue reserve and net assets of the Company and of the Group as at 31 December 2001 of \$3,696,707 (2000 : \$3,638,401). The comparatives for 2000 have been restated to conform to this new policy.

(c) 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.

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.

(d) Goodwill

Goodwill represents the excess of the cost of investments over the fair value of identifiable net assets of the subsidiary companies or associated companies at the date of acquisition. Goodwill is amortised using the straight-line method over an average of 10 to 20 years provided that benefits are expected to be received.

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

(e) 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.

(f) 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.

(g) 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.

1. Significant accounting policies (cont'd)

(h) 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 $\frac{1}{3}$ %

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.

(i) 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. Any surpluses held in capital reserves arising from previous revaluations of investment properties sold during the financial year are regarded as having become realised and are transferred to the profit and loss account.

(j) Investments

Quoted and unquoted investments held on a long term basis are stated at cost. An allowance is made for any diminution in value which is considered to be other than temporary.

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.

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

(k) 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.

(l) 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.

(m) Trade and other debtors

Trade and other debtors are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(n) Loans and borrowings

Loans and borrowings are initially recognised at cost net of transaction costs associated with the borrowing or loan. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost, taking into account any discount or premium on settlement.

(o) Trade and other creditors

Liabilities for trade and other creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are stated at cost.

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

(p) Deferred taxation

The Group has adopted deferred tax accounting using the liability method whereby the tax charge for the financial 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.

(q) 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.

(r) 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.

(s) 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.

(t) Employee benefits

As required by law, the Company made contributions to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

(u) Related parties

Related parties are companies where one or more of the directors or shareholders have a substantial interest and/or are in a position to exercise significant influence.

2. Corporate information

The consolidated financial statements of the Company for the financial year ended 31 December 2001 were authorised for issue in accordance with a resolution of the Directors on 15 March 2002. 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 warehouse rental, packing of edible oil products, general trading in consumer products, property management and development and investment holding.

During the financial year, Jining Ningfeng Chemical Industry Co., Limited, a company incorporated in The People's Republic of China, became a subsidiary of the Company and its principal activity is that of feed chemical manufacturer. The Company had also during the financial year disposed off Singapore Piling & Civil Engineering Private Limited and its subsidiaries, the principal activities of which are that of general building and piling, civil and structural engineering and related services.

Save as disclosed, there have been no significant changes in the nature of these activities during the financial year.

The Group operates in Singapore, Malaysia, United Kingdom and China and employed 33 (2000 : 382) employees as of 31 December 2001. The Company employed 11 (2000 : 10) employees as of 31 December 2001.

2. Corporate information (cont'd)

The subsidiary and associated companies at 31 December 2001 are :-

(a) Subsidiary companies

Name of company	Percentage of interest held by the Group		Place of incorporation	Cost of investment		Principal activities
	2001 %	2000 %		2001 \$'000	2000 \$'000	
Held by the Company						
Singapore Piling & Civil Engineering Private Limited	-	100.0	Singapore	-	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.
Hwa Hong Capital (Pte) Limited (formerly known as SPACE Resources Pte Ltd)	100.0	100.0	Singapore	-	-	Investment holding.
				146,410	161,976	

2. Corporate information (cont'd)

(a) Subsidiary companies (cont'd)

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	2001 %	2000 %		
Held by Singapore Piling & Civil Engineering Private Limited				
Singa Development Pte Ltd	–	100.0	Singapore	Building contractor, project and contract manager, reinforce concrete specialist and contractor for all kinds of building and civil engineering works.
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.
S Comm Technology Pte Ltd	–	100.0	Singapore	Specialist building contractors and communication technology.
* S.D. Construction Sdn. Bhd.	–	100.0	Malaysia	Building contractors.
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.

2. Corporate information (cont'd)

(a) Subsidiary companies (cont'd)

	Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
		2001 %	2000 %		
Held by Singapore Warehouse Company (Private) Ltd. (cont'd)					
** (3)	Lornuse Limited	–	60.0	United Kingdom	Dissolved.
	SP Vietnam (Pte.) Ltd.	100.0	100.0	Singapore	Investment holding.
	SP International Pte. Ltd.	100.0	100.0	Singapore	Dormant.
	SPACE Resources Pte Ltd (formerly known as SP Land Pte Ltd)	100.0	100.0	Singapore	Dormant.
	01-labs.com Pte Ltd	88.0	88.0	Singapore	Information technology, business management and design consultancy services and investment holding.
** (3)	Midasnote Limited	70.0	70.0	United Kingdom	Property investment.
** (3)	Powis Street Property Company Limited	66.7	66.7	United Kingdom	Property investment.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.					
** (5)	Jining Ningfeng Chemical Industry Co., Limited	94.0	49.0	The People's Republic of China	Feed chemical manufacturer.

(b) Associated companies

	Name of company	Percentage of interest held by the Group		Place of incorporation	Cost of investment		Principal activities
		2001 %	2000 %		2001 \$'000	2000 \$'000	
Held by the Company							
** (1)	The Hartford Insurance Company (Singapore) Ltd	20.0	20.0	Singapore	13,158	13,158	General insurance.

2. Corporate information (cont'd)

(b) Associated companies (cont'd)

	Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
		2001 %	2000 %		
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	British Virgin Islands	Dissolved.
** (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	United Kingdom	Dissolved.
** (3)	Maceward Limited	–	33.3	United Kingdom	Dissolved.
** (3)	Aronbrook Limited	50.0	50.0	United Kingdom	Property investment.
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
- (5) Jining Justice and Honesty, Jining

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	
	2001 \$	2000 \$	2001 \$	2000 \$
Dividend income	2,686,379	660,390	6,265,000	18,299,000
Net written premiums	–	14,093,832	–	–
Rental and storage income	4,256,510	4,702,076	–	–
Trading sales	4,579,526	1,524,746	–	–
Total billings on completed contracts	93,837,000	106,511,026	–	–
Investment income	8,103,539	8,213,501	–	–
Sale of properties held for resale	–	8,522,250	–	–
Others	–	624,999	–	–
	113,462,954	144,852,820	6,265,000	18,299,000

Group revenue comprises revenue from subsidiary companies. Had the amount included revenue from associated companies, the amount would be \$131,156,049 (2000 : \$157,754,910).

4. Other income

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Interest income				
- quoted bonds	381,076	376,192	–	–
- financial institutions	767,318	702,836	613,449	197,562
- others	364,580	219,814	364,580	275,070
	1,512,974	1,298,842	978,029	472,632
Gain on redemption of bond, loan stocks and government securities	80,555	–	1,555	–
Gain on disposal of fixed assets	10,700	108,334	–	–
Recovery of debts previously written off	–	108,606	–	–
Exchange gain	905,674	264,757	120,952	70,317
Bad debts recovered	15,202	18,933	–	–

5. General and administrative costs

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
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	1,433,173	1,510,826	939,268	800,936
- underprovision in respect of prior year	72,000	12,000	72,000	12,000
	1,505,173	1,522,826	1,011,268	812,936
- Other directors of subsidiary companies	24,599	173,470	-	-
	1,529,772	1,696,296	1,011,268	812,936
Auditors' remuneration				
- Auditors of the Company				
- current year	112,990	150,690	68,000	68,000
- underprovision in respect of prior year	750	2,000	-	-
	113,740	152,690	68,000	68,000
- Other auditors of subsidiary companies	10,002	48,646	-	-
	123,742	201,336	68,000	68,000
Depreciation of fixed assets	393,909	1,666,635	202,303	154,466
Fees paid to firms in which certain directors are members	98,900	116,620	51,500	11,880
Provision for doubtful debts	14,900	33,427	-	-
Bad debts written off	4,113	478	-	-
Investments written off	-	348,460	-	-
Fixed assets written off	-	11,907	-	11,907
Loss on disposal of fixed assets	-	1,100	-	-
Exchange losses	32,807	333,349	-	-

5. General and administrative costs (cont'd)

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
(Write-back)/provision for diminution in value of short term quoted equity investments	(45,131)	16,260	–	–
(Write-back)/provision for diminution in value of long term investments				
- quoted equity investments	4,813,830	–	–	–
- unquoted equity investments	(4,774,118)	827,490	–	–
- unquoted non-equity investments	196,234	918,263	–	–
	235,946	1,745,753	–	–
Provision for foreseeable loss	–	3,400,000	–	–
Preliminary expenses	–	706	–	–
Staff cost	2,276,952	11,882,481	531,464	557,547
CPF contribution	202,481	234,473	45,178	33,680
Write-back of provision for doubtful debts, trade	(11,914)	(6,000)	–	–
Write-back of provision for foreseeable losses	–	(2,000,000)	–	–

6. Finance costs

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Term loans	289,216	127,443	–	–
Bank overdrafts	102,267	394,269	10	10
Hire purchase	6,615	1,653	–	–
Others	–	–	8,921	–
	398,098	523,365	8,931	10

7. Exceptional items

	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
Gain on disposal of subsidiary companies	1,855,639	4,581,661	1,854,117	4,581,661
Gain on disposal of associated companies	2,141,044	–	–	–
Recovery of debts previously written off	–	108,606	–	–
	3,996,683	4,690,267	1,854,117	4,581,661

8. Taxation

	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
Current taxation in respect of profit for the year	1,841,228	3,221,334	1,684,925	4,532,481
Underprovision in respect of prior years	335,000	587	–	–
Associated companies	187,113	657,730	–	–
Deferred taxation	–	(347,920)	–	–
	2,363,341	3,531,731	1,684,925	4,532,481

The Group had estimated unabsorbed tax losses and capital and investment allowances amounting to approximately \$6,900,000 (2000 : \$7,000,000) and \$Nil (2000 : \$118,000) 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.

9. Earnings per share

- (a) Basic earnings per share (“EPS”) is calculated by dividing the Group profit attributable to shareholders of \$13,943,776 (2000 : \$17,784,894) by the weighted average number of ordinary shares in issue during the year of 652,907,726 (2000 : 651,681,584).
- (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 :-

	2001	2000
Weighted average number of ordinary shares in issue during the year	652,907,726	651,681,584
Increase in weighted average number of ordinary shares on the assumed exercise of options under the ESOS	530,025	2,293,333
Weighted average number of ordinary shares used in the calculation of fully diluted EPS	653,437,751	653,974,917

10. Share capital

	2001		Group and Company		2000	
	No. of shares	\$	No. of shares	\$	No. of shares	\$
Authorised						
Balance at beginning of the year						
- ordinary shares of \$1 each	-	-	300,000,000	300,000,000		
- ordinary shares of \$0.25 each	1,200,000,000	300,000,000	-	-		
Sub-division of every one share of par value \$1 into four shares of par value \$0.25 each	-	-	900,000,000			
Balance at end of the year						
- ordinary shares of \$0.25 each	1,200,000,000	300,000,000	1,200,000,000	300,000,000		
Issued and paid-up						
Balance at beginning of the year						
- ordinary shares of \$1 each	-	-	162,792,000	162,792,000		
- ordinary shares of \$0.25 each	652,660,000	163,165,000	-	-		
Sub-division of every one share of par value \$1 into four shares of par value \$0.25 each	-	-	488,376,000			
Issue of ordinary shares	300,000	75,000	1,492,000	373,000		
Balance at end of the year						
- ordinary shares of \$0.25 each	652,960,000	163,240,000	652,660,000	163,165,000		

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 each in the share capital of the Company into four ordinary shares of \$0.25 each (the "Share Split"). Following the Share Split:

- 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
- 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. 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.

12. Deferred taxation

	2001 \$	Group 2000 \$
Balance at beginning of the year	1,889,000	2,236,920
Due to disposal of shares in subsidiary companies	(1,889,000)	–
Amount written back during the year	–	(347,920)
Balance at end of the year	–	1,889,000
Full deferred tax potential liability	–	1,889,000
Liability provided for	–	(1,889,000)
Liability not provided for	–	–

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.

13. Associated companies

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Unquoted shares, at cost	114,522,414	113,886,343	13,157,625	13,157,625
Share of reserves	132,247,710	139,876,030	–	–
	246,770,124	253,762,373	13,157,625	13,157,625
Amounts due to an associated company, trade	–	(68,177)	–	–
Amounts due from associated companies, non-trade	–	–	–	305,980
Loans due from associated companies, non-trade	94,484,212	92,142,705	–	–
	94,484,212	92,074,528	–	305,980
Amount due to an associated company, non-trade	(156,551,250)	(164,406,250)	–	–
	184,703,086	181,430,651	13,157,625	13,463,605
The share of reserves is made up as follows :-				
Capital reserve	122,867,989	122,834,370	–	–
Revenue reserve	9,379,721	17,041,660	–	–
	132,247,710	139,876,030	–	–

All amounts due from associated companies are unsecured and have no fixed terms of repayment. Loans due from associated companies of \$9,191,437 (2000 : \$7,858,573) and \$83,108,216 (2000 : \$80,667,575) are charged at 4% - 5% (2000 : 5%) and 2.41% - 4.29% (2000 : 3.7875% - 4.475%) per annum respectively. The remaining loans are interest free.

Loans due from associated companies of \$83,107,967 (2000 : \$80,667,575) 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.

14. Other creditors

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Current				
Deposits	486,295	534,019	–	–
Employees' income tax	–	347,900	–	–
Unclaimed dividends	37,217	37,430	37,217	37,430
Sundry creditors and accruals	8,164,026	6,655,669	5,324,667	5,340,284
	8,687,538	7,575,018	5,361,884	5,377,714
Non-current				
Tenancy deposits	201,367	182,217	–	–
Sundry creditors	107,588	–	–	–
	308,955	182,217	–	–

15. Hire purchase creditors

	Group			
	Minimum payments 2001 \$	Present value of payments 2001 \$	Minimum payments 2000 \$	Present value of payments 2000 \$
Within one year	55,620	49,000	55,620	49,000
After one year but not more than five years	152,930	134,744	208,550	183,749
Total minimum payments	208,550	183,744	264,170	232,749
Less : Amounts representing finance charges	(24,806)	–	(31,421)	–
Present value of minimum payments	183,744	183,744	232,749	232,749

16. Fixed assets

	Leasehold building \$	Plant and machinery \$	Furniture, motor vehicles and other equipment \$	Total \$
Group				
Cost				
As at 1 January 2001	8,754,828	15,536,068	5,046,613	29,337,509
Due to disposal of shares in a subsidiary company	(3,414,456)	(15,437,584)	(2,733,832)	(21,585,872)
Additions	–	–	447,978	447,978
Disposals	–	–	(39,315)	(39,315)
Currency realignment	–	–	1,040	1,040
As at 31 December 2001	5,340,372	98,484	2,722,484	8,161,340
Accumulated depreciation				
As at 1 January 2001	2,236,923	8,635,592	3,670,758	14,543,273
Due to disposal of shares in a subsidiary company	(2,101,202)	(8,537,108)	(2,264,969)	(12,903,279)
Charge for the year	121,683	–	272,226	393,909
Disposals	–	–	(39,315)	(39,315)
Currency realignment	–	–	1,040	1,040
As at 31 December 2001	257,404	98,484	1,639,740	1,995,628
Charge for 2000	254,905	1,191,139	220,591	1,666,635
Net book value at cost and valuation				
As at 31 December 2001	5,082,968	–	1,082,744	6,165,712
As at 31 December 2000	6,517,905	6,900,476	1,375,855	14,794,236

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 2001 and at 31 December 2001	5,165,495	965,264	6,130,759
Accumulated depreciation			
At 1 January 2001	121,077	513,698	634,775
Charge for the year	119,180	83,123	202,303
At 31 December 2001	240,257	596,821	837,078
Charge for 2000	121,077	33,389	154,466
Net book value			
At 31 December 2001	4,925,238	368,443	5,293,681
At 31 December 2000	5,044,418	451,566	5,495,984

As at 31 December 2001, the net book value of fixed assets under hire purchase agreements for the Group amounted to \$256,667 (2000 : \$326,667).

17. Investment properties

	2001 \$	Group 2000 \$
Investment properties, at valuation	93,461,027	91,972,108

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 2001. The valuations have been done on the basis of open market valuation.

The net revaluation surplus of \$409,092 (2000 : deficit of \$678,576) is taken to capital reserve.

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

Investment properties amounting to \$41,529,000 (2000 : \$46,763,000) is mortgaged to a bank including assignment of related rental income to secure banking facilities for a subsidiary company, which were not utilised during the financial year.

18. Subsidiary companies

	2001 \$	Company 2000 \$
Unquoted shares, at directors' valuation	423,542,906	425,159,978
Amounts due to subsidiary companies, non-trade	(64,755,191)	(65,878,348)
Amounts due from subsidiary companies, non-trade	24,490,012	9,924,704
Loans receivable from subsidiary companies	11,532,919	5,279,675
Amounts due to subsidiary companies	(28,732,260)	(50,673,969)
	394,810,646	374,486,009

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

19. Long term investments

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Investments, net of provision for diminution in value :-				
- Quoted equity investments	4,160,430	3,760	-	-
- Quoted bonds	8,530,483	9,779,795	1,000,010	-
- Unquoted equity investments	10,868,268	5,932,122	270,227	270,227
- Unquoted non-equity investments	16,530,068	10,922,017	60,750	60,750
- Unquoted bonds	7,348,244	937,158	2,000,000	937,158
- Unincorporated joint venture	7,037,542	-	-	-
	54,475,035	27,574,852	3,330,987	1,268,135

Unincorporated joint venture related to the Company's interest in a joint venture with an external party in relation to the development of a residential cum commercial property in Singapore. The Company's interest in the joint venture is 20% while that of the external party is 80%.

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Investments are stated after providing for diminution in value of :-				
- Quoted equity investments (19a)	(4,813,830)	-	-	-
- Unquoted equity investments (19b)	(8,544,635)	(13,318,753)	(83,440)	(83,440)
- Unquoted non-equity investments (19c)	(495,724)	(918,263)	-	-
- Unquoted bonds (19d)	-	-	-	-
	(13,854,189)	(14,237,016)	(83,440)	(83,440)
Quoted investments at market value :-				
- Equity investments	6,281,780	2,736	-	-
- Bonds	8,909,006	10,093,126	1,000,000	-
	15,190,786	10,095,862	1,000,000	-

19a. Provision for diminution in value of quoted equity investments

	2001 \$	Group 2000 \$
Charge to profit and loss account for the year and balance at end of the year	4,813,830	–

19b. Provision for diminution in value of unquoted equity investments

	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
Balance at beginning of the year	13,318,753	12,521,263	83,440	83,440
Due to disposal of shares in subsidiary companies	–	(30,000)	–	–
(Write-back)/charge to profit and loss account	(4,774,118)	827,490	–	–
Balance at end of the year	8,544,635	13,318,753	83,440	83,440

19c. Provision for diminution in value of unquoted non-equity investments

	2001 \$	Group 2000 \$
Balance at beginning of the year	918,263	–
Charge to profit and loss account	196,234	918,263
Amount written off during the year	(618,773)	–
Balance at end of the year	495,724	918,263

19d. Provision for diminution in value of unquoted bonds

	2001 \$	Group 2000 \$
Balance at beginning of the year	–	1,465,664
Due to disposal of shares in a subsidiary company	–	(1,465,664)
Balance at end of the year	–	–

20. Other debtors

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Tax recoverable	1,186,837	1,336,837	1,186,837	1,336,837
Prepayments and deposits	24,109,689	251,561	37,672	34,029
Sundry debtors	2,474,429	2,426,579	207,616	1,033
Dividend receivable	173,676	166,797	2,027,175	–
Interest receivable	920,664	760,402	163,640	61,755
Staff loans	64,317	209,845	–	–
Staff advances	2,210	210	2,000	–
Loans due from affiliated companies	–	1,430,106	–	–
Other recoverables	52,675	52,761	52,675	52,671
	<u>28,984,497</u>	<u>6,635,098</u>	<u>3,677,615</u>	<u>1,486,325</u>

	Group	
	2001 \$	2000 \$
Staff loans	566,691	1,021,849
Due within 12 months	(64,317)	(209,845)
Due after 12 months	<u>502,374</u>	<u>812,004</u>
Other debtors are stated after provision for :- Sundry debtors	<u>262,389</u>	<u>262,389</u>

The loans due from affiliated companies bear interest of nil% (2000 : 6.5%) and have been fully repaid in 2001.

21. Stocks

	Group	
	2001 \$	2000 \$
Packing activities :		
- Raw materials	75,567	17,214
- Finished goods	607,927	56,659
- Packing materials	42,909	5,572
	<u>726,403</u>	<u>79,445</u>
Piling and building activities :- Contract supplies and steel piles	–	1,647,876
At cost	<u>726,403</u>	<u>1,727,321</u>

22. Contracts in progress

	2001 \$	Group 2000 \$
Current Assets		
Being costs and attributable profits in excess of progress billings	–	716,497
Current Liabilities		
Being progress billings in excess of costs and attributable profits	–	(7,318,056)
	–	(6,601,559)
This can be analysed as follows :-		
Cost incurred and attributable profits	–	65,380,384
Less : Provision for foreseeable losses	–	(3,400,000)
	–	61,980,384
Less : Progress billings	–	(68,581,943)
	–	(6,601,559)
Analysis of provision for foreseeable losses :-		
Balance at beginning of the year	3,400,000	2,000,000
Due to disposal of shares in subsidiary companies	(3,400,000)	–
Charge to profit and loss account	–	3,400,000
Write-back of provision	–	(2,000,000)
Balance at end of the year	–	3,400,000

23. Trade debtors

	2001 \$	Group 2000 \$
Trade debtors are stated after provision for doubtful debts of	44,335	62,555
Analysis of provision for doubtful debts :-		
Balance at beginning of the year	62,555	2,399,508
Due to disposal of shares in a subsidiary company	(6,004)	(2,345,447)
Charge to profit and loss account	14,900	33,427
Bad debts recovered	(15,202)	(18,933)
Write-back of provision	(11,914)	(6,000)
Balance at end of the year	44,335	62,555
Bad debts written off directly to profit and loss account	4,113	478

24. Amounts due from related parties

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Amounts due from related parties, non-trade	1,425,000	952,507	163,492	163,054
Amounts due from a related party, trade	26,004	–	–	–
Loans due from related parties	1,336,406	734,700	–	–
	<u>2,787,410</u>	<u>1,687,207</u>	<u>163,492</u>	<u>163,054</u>

The amounts due from related parties are interest-free, unsecured and have no fixed terms of repayment.

The loans due from related parties bear interest of 6% - 9% per annum, are unsecured and have no fixed terms of repayment.

25. Short term investments

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Investments, net of provision for diminution in value :-				
- Quoted equity investments	17,356,649	20,027,324	–	–
- Quoted bonds, debenture and loan stocks	1,528,360	32,516,603	–	–
- Unquoted debenture and loan stocks	–	11,101,100	–	–
- Quoted fixed rate notes	2,050,000	2,350,000	2,050,000	2,350,000
- Unquoted bonds	14,239,229	–	437,700	–
- Unquoted floating rate notes	4,042,845	5,378,638	4,042,845	5,378,638
	<u>39,217,083</u>	<u>71,373,665</u>	<u>6,530,545</u>	<u>7,728,638</u>
Investments are stated after providing for diminution in value of :-				
- Quoted equity investments (25a)	(1,161,376)	(1,541,748)	–	–
- Quoted bonds, debenture and loan stocks (25b)	–	–	–	–
	<u>(1,161,376)</u>	<u>(1,541,748)</u>	<u>–</u>	<u>–</u>

25. Short term investments (cont'd)

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Quoted investments at market value :-				
- Equity investments	18,523,635	22,618,588	-	-
- Bonds, debenture and loan stocks	1,550,500	32,563,668	-	-
- Fixed rate notes	2,050,000	2,350,000	2,050,000	2,350,000
	22,124,135	57,532,256	2,050,000	2,350,000

25a. Provision for diminution in value of quoted equity investments

	Group	
	2001 \$	2000 \$
Balance at beginning of the year	1,541,748	1,525,488
Charge to profit and loss account	-	16,260
Write-back during the year	(45,131)	-
Amount written off during the year	(335,241)	-
Balance at end of the year	1,161,376	1,541,748

25b. Provision for diminution in value of quoted bonds, debenture and loan stocks

	Group	
	2001 \$	2000 \$
Balance at beginning of the year	-	51,231
Due to disposal of shares in a subsidiary company	-	(51,231)
Balance at end of the year	-	-

26. Cash and bank balances

	Group		Company	
	2001 \$	2000 \$	2001 \$	2000 \$
Fixed deposits	35,437,758	66,047,072	9,595,548	26,547,903
Cash and bank balances	6,397,827	9,288,325	5,469,848	130,746
	41,835,585	75,335,397	15,065,396	26,678,649

27. Trade creditors

	2001 \$	Group 2000 \$
Amounts due to :-		
Trade suppliers	1,332,018	37,694,290
Accruals	–	5,638,167
Others	–	35,363
	<u>1,332,018</u>	<u>43,367,820</u>

28. 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.

29. Dividends

	Group and Company	
	2001 \$	2000 \$
Additional final dividend paid in respect of the previous financial year due to issue of shares under the ESOS before books closure date	677	3,459
Interim dividend paid in respect of the current financial year, 2% less 24.5% tax (2000 : 2% less 25.5% tax)	2,464,921	2,427,910
Final dividend paid in respect of the previous financial year, 3% less 24.5% tax (2000 : 3% less 25.5% tax)	3,696,707	3,638,401
	<u>6,162,305</u>	<u>6,069,770</u>

The Directors of the Company had recommended a second and final dividend of 3% less tax amounting to about \$3,697,386 and a bonus dividend of 2% less tax amounting to about \$2,464,924 be paid in respect of the financial year under review, subject to shareholders' approval in general meeting of the Company. The said dividends, if approved at the forthcoming Annual General Meeting of the Company to be held on 23 May 2002, will be paid to shareholders on 27 June 2002.

30. Related party transactions

The following are the significant related party transactions entered into by the Company and the Group on terms agreed between the parties :-

	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
Management fees received by the holding company	-	-	(590,240)	(688,240)
Insurance premiums paid by the holding company	-	1,935	-	1,935
Interest paid to the subsidiary company	-	-	8,920	-
Rental paid to a related party	-	236,460	-	-
Management fee received from a related party	-	(20,283)	-	-
Corporate and secretarial services fee received by the holding company	-	-	(60)	(60)

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

31. Contingent liabilities

(a) Contingent liabilities, unsecured

	2001 \$	Group 2000 \$	2001 \$	Company 2000 \$
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	886,000	1,286,000	886,000	1,286,000

No material losses under these unsecured guarantees are expected.

31. Contingent liabilities (cont'd)**(b) Contingent liabilities, secured**

	2001 \$	Group	2000 \$	2001 \$	Company	2000 \$
Guarantees given to financial institutions in connection with facilities given to associated companies	8,111,880		10,279,618	-		-

- (c) A subsidiary company has a contingent liability amounting to approximately \$139,676 (2000 : \$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 :-

	2001	2000
\$500,000 and above	1	1
\$250,000 to \$499,999	2	1
Below \$250,000	5	6
	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
2001					
Turnover	15,046	–	93,837	4,580	113,463
Operating profits/(losses)	12,975	(329)	106	761	13,513
Finance cost	(381)	–	(4)	(13)	(398)
Depreciation	(85)	(204)	–	(104)	(393)
Share of profits/(losses) of associates	(1,568)	798	(12)	–	(782)
Exceptional items	2,141	1,856	–	–	3,997
Investment in associates	173,295	11,408	–	–	184,703
Segment assets	194,467	58,901	–	16,652	270,020
Segment liabilities	9,550	5,399	–	3,105	18,054
2000					
Turnover	20,982	14,094	108,254	1,523	144,853
Operating profits/(losses)	8,124	(5,966)	15,857	(123)	17,892
Finance cost	(502)	–	(21)	–	(523)
Depreciation	(33)	(156)	(1,445)	(32)	(1,666)
Share of profits/(losses) of associates	(437)	–	–	–	(437)
Exceptional items	–	4,582	108	–	4,690
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	5,421	54,953	539	69,841

By Geographical Segments

	Singapore \$'000	Other Asian Countries \$'000	United Kingdom \$'000	Total \$'000
2001				
Turnover	107,215	3,629	2,619	113,463
Operating profits	11,384	433	1,696	13,513
Segment assets	213,303	6,514	50,203	270,020
2000				
Turnover	133,432	86	11,335	144,853
Operating profits	15,223	9	2,660	17,892
Segment assets	267,373	2,752	43,678	313,803

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 about 11,250 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, United Kingdom	Freehold. 14 units of residential flats.	—
58 Queensgate London SW7, United Kingdom	Freehold. 6 units of residential apartments.	—
115B Queensgate London SW7, United Kingdom	Freehold. 4 units of residential apartments.	—
15/17 Hornton Street London W8, United Kingdom	Freehold. 11 units of residential apartments.	—
25 & 26 Charles II Place 77 King's Road, Chelsea London SW3 4NG, United Kingdom	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, United Kingdom	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.
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, United Kingdom	Freehold. Office building.	Gross floor area of about 40,000 sq. feet.
Lots 174L, 99771P (former lot 70-1), 99770V (former lot 70-2), 99768P (former lot 71-1), 99767V (former lot 71-2), 73M, 113C, 112L and 99759X (former lot 74-2) Town Subdivision 9, Mohamed Sultan/Robertson Quay, Singapore	Freehold. Residential and commercial development.	Land area of about 6,651 sq. metres.

35. Subsequent events

- (a) On 4 January 2002, Hwa Hong Capital (Pte) Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 30,120,000 ordinary shares of \$1 each in The Hartford Insurance Company (Singapore) Ltd (“Hartford Singapore”), representing 80% of the issued share capital of Hartford Singapore, for about \$30,000,000 which was advanced by the Company. Subsequently, Hartford Singapore changed its name to Tenet Insurance Company Ltd.
- (b) At an extraordinary general meeting of Hwa Hong Capital (Pte) Limited (“HH Capital”) held on 28 January 2002, it was resolved that :-
- (i) every two existing shares of \$0.50 each in the share capital of HH Capital be consolidated into 1 share of \$1 so that the authorised share capital of HH Capital shall be \$100,000 divided into 100,000 shares of \$1 each; and
 - (ii) the authorised share capital of HH Capital be increased from \$100,000 divided into 100,000 shares of \$1 each to \$50,000,000 divided into 50,000,000 shares of \$1 each by the creation of an additional 49,900,000 shares of \$1 each.

On 20 February 2002, the issued and paid-up share capital of HH Capital was increased from \$1 to \$30,000,001 by the issue and allotment of 30,000,000 ordinary shares of \$1 each at par.

36. Financial risk management

The main risks arising from the Group’s financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group’s policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

36. Financial risk management *(cont'd)*

Liquidity risk

Short-term funding is obtained from overdraft facilities.

Foreign currency risk

The Group does not use foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions and financing arrangements denominated in foreign currencies, primarily the US dollar. Hence, transaction risk is subjected to the fluctuation of foreign currency risk.

Credit risk

The carrying amount of investments, trade and other debtors, amounts due from related companies, and cash represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Fair values

The financial assets and financial liability of the Group are carried at fair values except for unquoted equity investments. In the Directors' opinion, it is not practicable to determine the fair values of the unquoted equity investments held as long-term investments and carried at cost of \$10,868,268 (2000 : \$5,932,122). The expected cash flows from these investments are believed to be in excess of their carrying amounts.

The carrying amounts of trade and other receivables, cash, bank overdraft, trade payables and amount due from/to related parties approximate their fair values due to their short-term nature.

37. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

shareholding statistics

as at 8 April 2002

Authorised share capital	:	\$300,000,000
Issued and fully paid	:	\$163,240,000
Number of shareholders	:	4,844
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	286	5.90	179,126	0.03
1,001 – 10,000	2,365	48.82	13,676,052	2.09
10,001 – 1,000,000	2,167	44.74	101,476,880	15.54
1,000,001 and above	26	0.54	537,627,942	82.34
Total	4,844	100.00	652,960,000	100.00

Twenty Largest Shareholders

Name	No. of Shares	%
1. HSBC (Singapore) Nominees Pte Ltd	132,343,776	20.27
2. Oversea-Chinese Bank Nominees Pte Ltd	105,922,000	16.22
3. Hong Leong Enterprises Pte. Ltd.	43,664,000	6.69
4. United Overseas Bank Nominees Pte Ltd	43,436,500	6.65
5. DBS Nominees Pte Ltd	32,566,748	4.99
6. Ong Holdings (Private) Limited	31,686,000	4.85
7. Tudor Court Gallery Pte Ltd	29,940,000	4.59
8. Citibank Nominees (Singapore) Pte Ltd	27,046,000	4.14
9. Starich Investments Pte. Ltd.	20,291,000	3.11
10. Ely Investments (Pte) Ltd.	12,969,000	1.99
11. Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
12. Overseas Union Bank Nominees Pte Ltd	9,923,850	1.52
13. OCBC Securities Private Ltd	9,630,000	1.47
14. Guan Meng Kuan	5,550,860	0.85
15. NTUC Income Insurance Co-operative Limited	4,400,000	0.67
16. DBS Vickers Securities (S) Pte Ltd	2,876,000	0.44
17. Chew Cheng Hoi Investments Pte Ltd	2,293,584	0.35
18. HSBC Republic Bank (Suisse) SA	1,900,000	0.29
19. Goodland Private Limited	1,600,000	0.25
20. Phillip Securities Pte Ltd	1,263,864	0.19
Total	530,788,678	81.29

Extract from Register of Substantial Shareholders

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate
Ong Choo Eng	–	276,227,520	276,227,520
Ong Hian Eng	3,062,604	263,643,520	266,706,124
Ong Mui Eng	4,547,248	263,580,268	268,127,516
Ong Kwee Eng	200,000	265,259,020	265,459,020
Ong Eng Loke	356,500	264,142,520	264,499,020
Ong Eng Yaw	–	263,258,520	263,258,520
Ong Holdings (Private) Limited	227,081,676	36,176,844	263,258,520
Hong Leong Enterprises Pte. Ltd.	43,664,000	20,291,000	63,955,000
Hong Leong Investment Holdings Pte. Ltd.	–	115,191,248	115,191,248
Kwek Holdings Pte Ltd	–	115,191,248	115,191,248

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of the Company will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Thursday, 23 May 2002 at 10.00 a.m. for the following purposes:-

Ordinary Business

1. To receive and adopt the audited Financial Statements and the reports of the Directors and Auditors for the financial year ended 31 December 2001.
2. To declare a second and final dividend of 3% less income tax in respect of the financial year ended 31 December 2001.
3. To declare a bonus dividend of 2% less income tax in respect of the financial year ended 31 December 2001.
4. To approve the Directors' fees of \$120,000 for the financial year ended 31 December 2001 (2000 : \$120,000).
5. To re-elect the following Directors retiring by rotation in accordance with Article 105 of the Company's Articles of Association:-
 - (a) Mr Yong Kok Kean
(Mr Yong Kok Kean, if re-elected, will remain as Chairman of the Remuneration Committee and a member of the Audit Committee, and is considered an independent non-executive Director.)
 - (b) Mr Goh Kian Hwee
(Mr Goh Kian Hwee, if re-elected, will remain as Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee, and is considered an independent non-executive Director.)
6. 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."
(Mr Guan Meng Kuan, if re-elected, will remain as a member of the Nominating Committee. He is a non-executive Director.)
 - (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."
(Mr Chew Loy Kiat, if re-elected, will remain as Chairman of the Audit Committee and a member of the Nominating Committee, and is considered an independent non-executive Director.)
7. To appoint Auditors and to authorise the Directors to fix their remuneration.

Special Business

8. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:-
- (a) “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.”
 - (b) “That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors or any committee appointed by them 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 options granted in connection with or under the terms and conditions of the Hwa Hong Corporation Limited Executives’ Share Option Scheme (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.”
 - (c) “That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors or any committee appointed by them 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 (2001) Share Option Scheme approved by members in general meeting on 29 May 2001 and as may be amended from time to time and to issue and allot shares in the Company upon 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.”

Other Business

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

BY ORDER OF THE BOARD

TAN MEE CHOO
Secretary

Singapore, 7 May 2002

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 No. 8(a), 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 No. 8(b), if passed, gives authority to the Directors of the Company or any committee appointed by them to issue shares in the Company pursuant to the exercise of options granted under the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "ESOS"), which was terminated and succeeded by the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") at the Extraordinary General Meeting of the Company held on 29 May 2001. Options that were granted prior to the termination of the ESOS remain exercisable in accordance with the Rules of the ESOS. This authority is in addition to the general authority to issue shares sought under Resolution No. 8(a) above.

Resolution No. 8(c), if passed, gives authority to the Directors of the Company or any committee appointed by them to grant options and to issue shares in connection with the 2001 Scheme (notwithstanding that such issue of shares may take place after the expiration of this approval). This authority is in addition to the general authority to issue shares sought under Resolution No. 8(a) above.

notes

HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)

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.

PROXY FORM

*I/We, _____ (Name)
of _____ (Address)
being *a Member/Members of HWA HONG CORPORATION LIMITED (the "Company") hereby appoint :

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-Ninth Annual General Meeting of the Company ("AGM") to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 23 May 2002 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.)

No.	Resolutions relating to :-	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
Ordinary Business					
1	Adoption of reports and financial statements				
2	Declaration of second and final dividend				
3	Declaration of bonus dividend				
4	Approval of Directors' fees				
5	Re-election of Directors retiring by rotation:-				
	(a) Mr Yong Kok Kean				
	(b) Mr Goh Kian Hwee				
6	Re-appointment of Directors pursuant to Section 153(6) of the Companies Act, Cap. 50:-				
	(a) Mr Guan Meng Kuan				
	(b) Mr Chew Loy Kiat				
7	Appointment of Auditors and authorising Directors to fix their remuneration				
Special Business					
8	Authority to issue additional shares:-				
	(a) General power to issue shares up to 50% of the issued share capital of the Company				
	(b) Power to issue shares pursuant to the exercise of options granted under the ESOS				
	(c) Power to grant options and to issue shares pursuant to the exercise of options granted under the 2001 Scheme				
9	Any other business				

Dated this _____ day of _____ 2002

Signature(s) of Member(s) or Common Seal

Total Number of Shares Held	
Scrip	
Scripless	

IMPORTANT : PLEASE READ NOTES PRINTED ON THE REVERSE

* Delete as appropriate

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.

Fold 2

Affix
Stamp

The Company Secretary
Hwa Hong Corporation Limited
38 South Bridge Road
Singapore 058672

Fold 1

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

