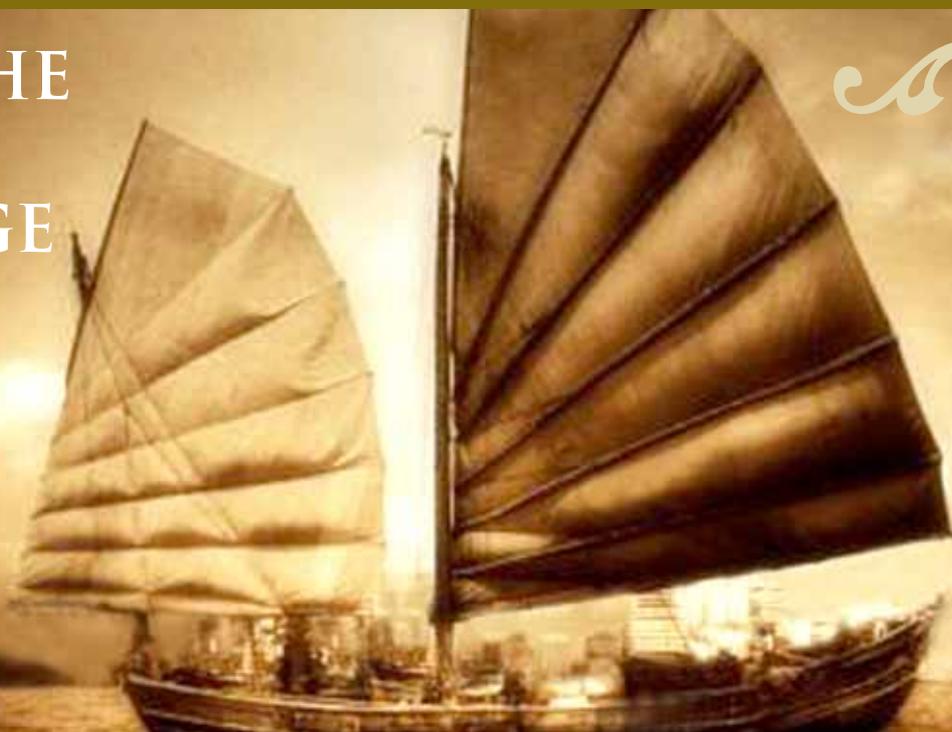


ANNUAL REPORT
2003

RIDING THE
WAVES OF
CHALLENGE



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HWA HONG CORPORATION LIMITED



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Choo Eng
Chairman & Group Managing Director

Ong Mui Eng

Ong Hian Eng

Guan Meng Kuan

Chew Loy Kiat

Goh Kian Hwee

Yong Kun Da Richard

Boon Suan Lee

Ong Eng Loke
Alternate Director to Ong Mui Eng

MANAGEMENT

Ong Choo Eng

Ong Mui Eng

Ong Hian Eng

Chen Chee Kiew
General Manager (Property & Investments)

Tan Yian Hua
Principal Officer/Chief Executive Officer (General Insurance)

Simon Ong Eng Hock
Group Finance Manager

Ong Eng Yaw
Manager, Corporate Development And Strategy

COMPANY SECRETARIES

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

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

REGISTRAR/SHARE REGISTRATION OFFICE

LIM ASSOCIATES (PTE) LTD

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

tel: 6536 5355

fax: 6536 1360

AUDITORS

ERNST & YOUNG

10 Collyer Quay #21-01

Ocean Building

Singapore 049315

Partner In-Charge: Gerard Ee
(financial years ended 1999 to 2003)

REGISTERED OFFICE

38 South Bridge Road
Singapore 058672
website: www.hwahongcorp.com

FINANCE AND ADMINISTRATION

38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028
email: finance@hwahongcorp.com

CORPORATE AND LEGAL GROUP CORPORATE SECRETARIAL SERVICES

38 South Bridge Road #01-01
Singapore 058672
tel: 6538 6818
fax: 6532 6816
email: secretariat@hwahongcorp.com

PRINCIPAL SUBSIDIARY COMPANIES

SINGAPORE WAREHOUSE COMPANY (PRIVATE) LTD.

400 Orchard Road #11-09/10
Orchard Towers
Singapore 238875
tel: 6734 8355
fax: 6733 4288
email: property@hwahongcorp.com

TENET INSURANCE COMPANY LTD

11 Collyer Quay #09-00
The Arcade
Singapore 049317
tel: 6221 2211
fax: 6221 3302
website: www.tenetinsurance.com
email: mail@tenetinsurance.com

PACO INDUSTRIES PTE. LTD./ HWA HONG EDIBLE OIL INDUSTRIES PTE. LTD.

38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028
email: marketing@hwahongcorp.com

The rising business confidence and better stock market enabled the Group to achieve a higher profit than earlier anticipated.



On behalf of the Board of Directors, I am pleased to present to you the audited results of Hwa Hong Group for the financial year ended 31 December 2003.

The Singapore economy started the year on a weak note but slowly gained momentum and by the last quarter of the year, achieved stronger growth. The rising business confidence and better stock market enabled the Group to achieve a higher profit than earlier anticipated. Together with exchange gain of \$4.3 million, the Group profit before tax for the year was \$14.53 million (2002: \$10.21 million). Group profit after tax for 2003 was \$13.50 million as compared to \$10.86 million in 2002. However, revenue decreased from \$53.76 million to \$40.45 million, mainly as a result of lower contribution from Tenet Insurance Company Ltd ("Tenet Insurance") and Jining Ningfeng Chemical Industry Co., Limited ("Jining").

Your Directors are pleased to recommend a final ordinary dividend of 4% less 20% income tax for the year 2003 subject to shareholders' approval at the forthcoming Annual General Meeting. Together with the 4% interim dividend, the total ordinary dividend for the year will amount to 8% as compared to an ordinary dividend of 6% in 2002.

PROPERTY

SINGAPORE WAREHOUSE COMPANY (PRIVATE) LTD. GROUP

Demand for warehouse/industrial space for the year was subdued due to the uncertain economic conditions. Whilst business sentiment had improved during the second half of the year, end users continued to be cautious to lease additional space for expansion. Average occupancy for the Paya Lebar property dropped to 70% as compared to 82.5% in 2002, and average monthly rental rates were also affected by 24%.

The Trademart complex, a joint venture with CapitaLand Limited, managed to achieve an occupancy rate of 72.9% with an average monthly rental rate of \$1.94 per square foot. Tenders for the redevelopment of the Trademart site were called during the year and are being evaluated. In the meantime, a location for a showflat on the site had been selected and construction of the showflat cum sales office is likely to commence in 2004.

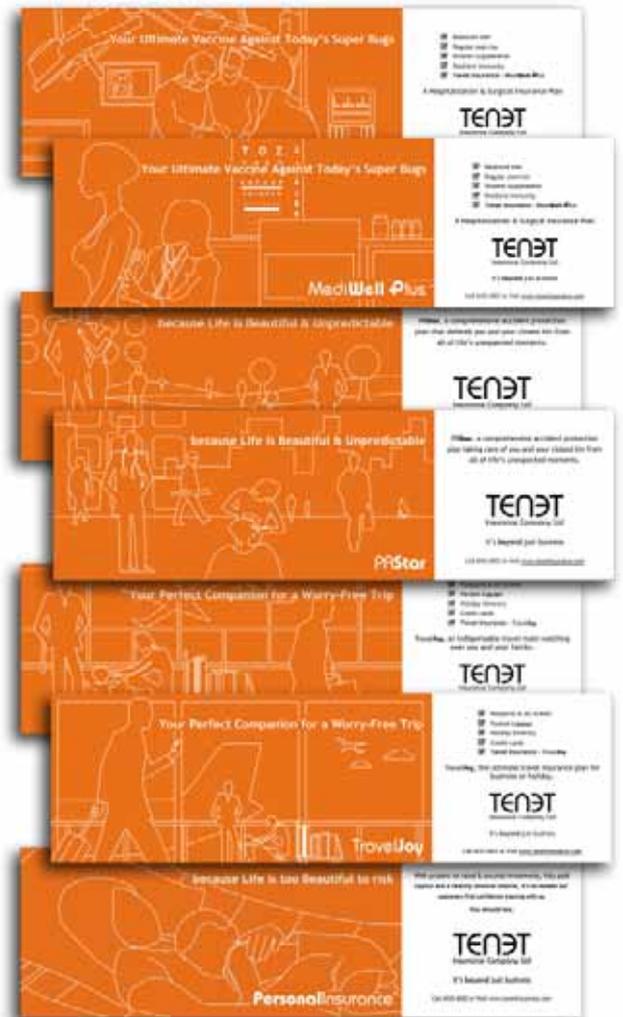
Construction work at *The Pier at Robertson*, a joint venture development with City Developments Limited, is in progress. Over 90 units of apartments were sold and profit contribution is expected to be recognised in 2004.

The residential property market in London was surprisingly resilient and there were no significant drop in property values as was generally forecast for. The Group's portfolio of residential and office properties continued to enjoy good occupancy and contributed to the overall profit for the current year. During the year, 6 units of retirement homes in Northern England were purchased for investment as the Group continues to explore other opportunities in the UK property market.

GENERAL INSURANCE

TENET INSURANCE COMPANY LTD

2003 has been a challenging year for Tenet Insurance. The adverse impact of the war in Iraq, terrorism, the SARS outbreak, a weak economy as well as a planned reduction in motor insurance business led to a drop of 15% in gross written premiums to \$24 million for the full year. Tenet Insurance's conscious effort to reduce its dependence on motor business has paid off. In 2003, premiums from motor business shrunk by \$8.4 million and at the close of 2003, motor business accounted for only one third of Tenet Insurance's premium volume. Premiums from other lines of business grew by \$4.1 million with marine cargo, fire and workmen's compensation showing an aggregate growth of \$3.1 million.



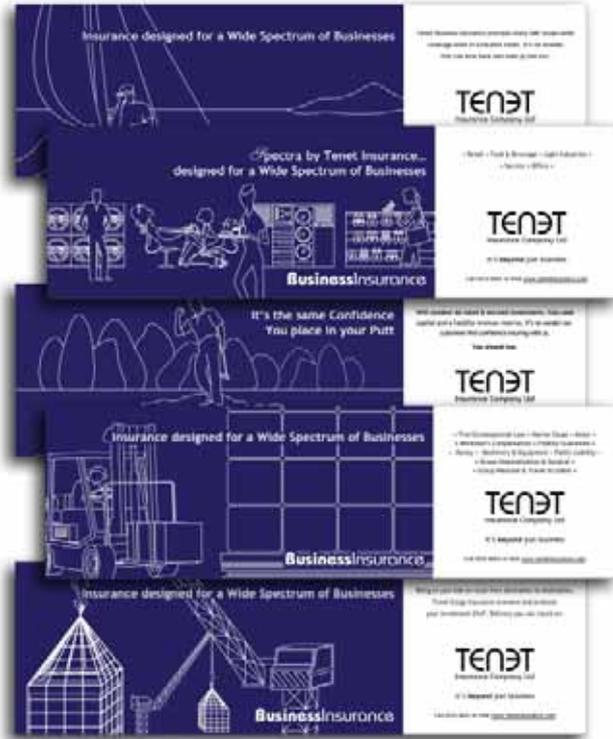
The re-profiling of Tenet Insurance's business portfolio through capping motor business at one third of its overall premiums, as well as its claims cost containment measures has helped to reduce claims cost by \$11 million. Overall company's loss ratio reduced by 31 percentage points to 47% in 2003. Positive developments of prior years' claims saw a \$4.8 million of redundant reserves being released in the current year.

Despite the low interest rates, a weak economy and other external threats in 2003, Tenet Insurance achieved a turnaround and emerged from last year's after tax loss of \$0.6 million to close 2003 with a profit after tax of \$3.7 million.

During the year, the investment committee was reorganised to further enhance the returns of the investible funds and to meet the risk based capital requirements of the insurance industry. The committee is made up of the Principal Officer (who is the Chairperson), the Vice President Finance and a member seconded from Hwa Hong Corporation Limited, its ultimate holding company. This committee meets regularly and reports to the Board of Directors of Tenet Insurance on a monthly basis.

MANUFACTURING AND TRADING

2003 was a difficult year for Jining due to the high prices for the raw materials used in the manufacture of Choline Chloride feed additive. The war in Iraq and SARS outbreak in China resulted in price increases of about 25% for Ethylene Oxide. Shortages in methanol and coal also caused the prices of Trimethylamine and Hydrochloric Acid to increase by about 45% and 20% respectively. Flooding in Shandong pushed up the prices of corn cob and other constituent materials of Choline Chloride.





As Jining was unable to pass on increased costs to its customers to mitigate the rising raw material prices and did not want to sacrifice the quality of Choline Chloride produced, the factory operated on a reduced capacity. Instead, efforts were concentrated on improving the management and production process. In September 2003, the manufacturing of animal feed additive (Choline Chloride) in Jining was certified by the China Quality Certification Centre to be in full compliance with the Guidelines for the Application of the Hazard Analysis Critical Control Points System (HACCP Certificate). Marketing efforts were stepped up with international buyers and participation in trade shows. Looking forward, with acceptance by more international buyers as a result of the quality award, Jining expects to perform better for the current year.

OUTLOOK AND ACKNOWLEDGEMENT

The Singapore economy is expected to improve further in 2004. In 2003, the Group benefited from a stronger stock market in Singapore and foreign exchange gains due to strengthening of Sterling Pound and Australian Dollar. For the current year, it is not likely that the same level of gains can be expected.

Finally, I wish to thank my fellow Directors, staff, shareholders and business associates for their support during the year.

Ong Choo Eng
Chairman
8 March 2004

ONG CHOO ENG, 60

CHAIRMAN AND GROUP MANAGING DIRECTOR
M. SC. (ENG.), M.I.C.E., M.I.E.S.

Mr Ong Choo Eng was appointed a Director on 15 June 1982 and has served as Group Managing Director since 10 February 1989. As Managing Director of the Company, he is not subject to retirement by rotation in accordance with the Company's Articles of Association. Hence, his last retirement and re-election as a Director was on 27 May 1988. Mr Ong was appointed Chairman of the Board on 1 September 1993. He is an executive Director and therefore non-independent. He is also a member of the Company's Remuneration Committee.

Mr Ong obtained a Bachelor of Science (Honours) Degree in Civil Engineering and a Master of Science Degree in Advanced Structural Engineering from Queen Mary College, University of London in 1966. He was elected a Fellow of Queen Mary and Westfield College, University of London in 1990. Mr Ong is a member of the Institution of Civil Engineers (UK) and Institution of Engineers (Singapore).

ONG MUI ENG, 69

NON-INDEPENDENT AND EXECUTIVE DIRECTOR

Mr Ong Mui Eng was appointed a Director on 1 February 1983. He was last re-elected on 23 May 2003. He is an executive Director and is therefore non-independent.

Mr Ong is overseeing the finance and administration matters of the Group. Prior to joining the Company, he was a Regional Officer in The Hongkong and Shanghai Banking Corporation Limited.

ONG HIAN ENG, 56

NON-INDEPENDENT AND EXECUTIVE DIRECTOR
B. SC., D.I.C., PH. D., M.S.I.M., C. ENG., F.I. CHEM.E.

Dr Ong Hian Eng was appointed a Director on 24 February 1981. He was last re-elected on 23 May 2003. He is an executive and non-independent Director.

Dr Ong is responsible for overseeing the China manufacturing operations and investments and international marketing of the Group.

He graduated with an Upper Second Class Degree in Chemical Engineering from the University of Surrey in 1969 and completed Doctor of Philosophy (PhD) as a Biochemical Engineer at Imperial College, London in 1972. He is a Corporate Member in the class of fellows of Institution of Chemical Engineers,

London since November 1986 and was a member of the Trade Development Board from January 1995 to December 1996.

He is also a member of the Singapore Shandong Business Council, Singapore Sichuan Trade & Investment Committee and Singapore Chinese Chamber of Commerce & Industry.

GUAN MENG KUAN, 74

NON-INDEPENDENT AND NON-EXECUTIVE DIRECTOR
B. SC. (ENG.), M.I.C.E., M.I.E.S., M.I.E.M.

Mr Guan Meng Kuan was appointed a Director on 1 February 1983. He was last re-appointed on 23 May 2003. He is considered a non-independent and non-executive Director. He is also a member of the Company's Nominating Committee. Mr Guan will retire pursuant to Section 153 of the Companies Act, Chapter 50 as he is over 70 years of age and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 April 2004.

Mr Guan was the Managing Director of Singapore Piling & Civil Engineering Private Limited ("SPACE") from November 1971 to December 1999, after which, he has remained as a Director and acted as a consultant to SPACE until this wholly owned subsidiary of the Company was disposed of on 2 July 2001. Prior to this, he held several head posts of Executive Engineer, Deputy Director and Acting Director of Development Division of Jurong Town Corporation.

Mr Guan holds a Bachelor of Science (Engineering) from the University of London, and is a member of the Institution of Civil Engineers (UK), Institution of Engineers (Singapore) and Institution of Engineers (Malaysia).

CHEW LOY KIAT, 72

INDEPENDENT AND NON-EXECUTIVE DIRECTOR
P.B.M., F.S.I.I. (HON.), A.C.I.I., CHARTERED INSURER, F.S.I.D.

Mr Chew Loy Kiat was appointed a Director on 1 February 1989. He was last re-appointed on 23 May 2003. He is considered an independent non-executive Director. He is also the Chairman of the Company's Audit Committee and a member of the Nominating Committee. Mr Chew will retire pursuant to Section 153 of the Companies Act, Chapter 50 as he is over 70 years of age and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 April 2004.

He is a Chartered Insurer, an Associate of the Chartered Insurance Institute, UK, and a Honorary Fellow of Singapore Insurance Institute.

BOARD OF DIRECTORS

Mr Chew has with him forty-six years working experience in the Singapore insurance industry. He retired from his career in December 1998. He was the Founder Chairman of the Motor Insurers Bureau of Singapore from 1975 to 1999. In addition, he was awarded the Public Service Medal (PBM) by the President of the Republic of Singapore for this service in 1998.

He also serves as Vice-Chairman of Singapore College of Insurance Ltd and Equatorial Reinsurance (Singapore) Limited, and a Senior Consultant of Aon Reinsurance Brokers Asia Pte Ltd.

GOH KIAN HWEE, 49
 INDEPENDENT AND NON-EXECUTIVE DIRECTOR
 LL.B. (HONS)

Mr Goh Kian Hwee was appointed a Director on 1 September 1989. He was last re-elected on 23 May 2002. He is considered an independent non-executive Director. He is also the Chairman of the Company's Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr Goh is a partner of the law firm, Rajah & Tann. He holds a LLB (Honours) Degree from the University of Singapore and has been a practising lawyer since 1980.

YONG KUN DA RICHARD, 62
 INDEPENDENT AND NON-EXECUTIVE DIRECTOR
 DIP. M.S., F.I.MGT

Mr Richard Yong was appointed a Director on 2 January 1990. He was last re-elected on 23 May 2002. He is considered an independent non-executive Director. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit Committee. Mr Yong will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 April 2004.

Mr Yong holds a First Degree in Business Studies from West London College, UK, and Post Graduate in Management Studies from Kingston College of Technology, UK. He is also a Fellow of The Chartered Institute of Management (UK) and The Singapore Institute of Management, and a member of The Institute of Bankers (UK). He acts as a consultant to EFG Financial Advisory Pte Ltd since May 2002.

He also serves as the President/Chairman of The National Kidney Foundation.

BOON SUAN LEE, 59
 NON-INDEPENDENT AND NON-EXECUTIVE DIRECTOR
 F.C.I.S., C.P.A.

Mr Boon Suan Lee was appointed a Director on 1 July 1998. He was last re-elected on 29 May 2001. He is considered a non-independent and non-executive Director. Mr Boon will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 April 2004.

Mr Boon, a certified public accountant, is the Managing Partner of Boon Suan Lee & Co since 1981. He is also a Fellow of The Singapore Association of The Institute of Chartered Secretaries and Administrators. He has extensive tax, corporate and financial experience, having served and headed the tax divisions of various international accounting firms.

He is currently a member of the Taxation and Levies Committee of the Institute of Certified Public Accountants of Singapore.

ONG ENG LOKE, 38
 ALTERNATE DIRECTOR TO ONG MUI ENG
 B. COM., B. SC. (HONS), M.A., M. SOC. SC.

Mr Ong Eng Loke was appointed an Alternate Director to Mr Ong Mui Eng on 18 June 2001. As an Alternate Director, he is not required to submit for retirement at the Company's Annual General Meeting. He shall *ipso facto* cease to be an Alternate Director if his appointor ceases for any reason to be a Director.

Mr Ong is the Fund Manager and Country Head of Korean equities at Tokio Marine Asset Management International Pte Ltd where he helps to manage pension funds and unit trusts out of Tokyo. Tokio Marine Asset Management International Pte Ltd is a subsidiary of Tokio Marine & Fire Insurance, which is part of the Millea Holdings Group in Japan. Prior to this, he was the Fund Manager and Country Head of Korean and Australian equities with OUB Asset Management, and the Portfolio Manager of UOB Asset Management.

Mr Ong graduated with a BComm and Honours BSc (Distinction) in Finance, Actuarial Science and Statistics from the University of Toronto, Canada, and a Master of Arts in Statistics at the York University, Canada, and a Master of Social Science in Applied Economics at the National University of Singapore.

KEY EXECUTIVES

CHEN CHEE KIEW**GENERAL MANAGER (PROPERTY & INVESTMENTS)**

Mrs Chen Chee Kiew joined Singapore Warehouse Company (Private) Ltd. as an Executive in April 1977. In 1983, she was promoted to Business Development Manager, to be in charge of leasing, marketing and managing the whole warehouse for the company. In 1989, she was promoted to the post of General Manager and was responsible for leasing/marketing and management of industrial space for the Singapore Warehouse Building situated at Paya Lebar Road and property projects overseas. In addition, she assists the Managing Director in management of funds.

Chee Kiew graduated with a Bachelor of Social Science (Honours) from the University of Singapore in 1975. She also holds a Diploma in Marketing Management.

TAN YIAN HUA (STELLA)**PRINCIPAL OFFICER/CHIEF EXECUTIVE OFFICER
(GENERAL INSURANCE)**

Ms Tan Yian Hua has been the Principal Officer/Chief Executive Officer of Tenet Insurance Company Ltd ("Tenet Insurance") since September 2000. She joined Tenet Insurance in 1999, first as Head of the Business Insurance Division and subsequently as Chief Operating Officer.

Prior to this, Yian Hua held senior positions with several multi-national insurance companies. Having been in the industry for more than 25 years, she has amassed vast insurance experience and expertise.

Yian Hua is a Fellow of the Chartered Insurance Institute, UK and has a Master in Business Administration from Hull University, UK.

Yian Hua is Vice-President of the General Insurance Association of Singapore and a Member of the Financial Industry Competency Steering Committee.

SIMON ONG ENG HOCK**GROUP FINANCE MANAGER**

Mr Simon Ong Eng Hock joined the Company as Group Finance Manager on 1 October 2002. He manages the accounting functions in the Group and is responsible for the consolidation of the Group's financial statements and the preparation of the financial statements for inclusion in the Annual Report of the Company and its subsidiaries.

Simon is a Fellow of the Association of Chartered Certified Accountants and a non practising member of the Institute of Certified Public Accountants of Singapore.

Prior to joining the Group, Simon was an audit manager in the Singapore Office of a big four accounting firm where he was involved in various audit and special engagements of local and multi-national companies in various industries. He has more than ten years of experience in finance and accounting in Singapore, Canada and the People's Republic of China.

ONG ENG YAW**MANAGER, CORPORATE DEVELOPMENT AND STRATEGY**

Mr Ong Eng Yaw is involved in corporate development and investment for the Group. His duties include the assessment of new investment opportunities for the Group as well as the management of the Group's funds. Eng Yaw's career has primarily been in corporate finance. His primary experience has been in advising companies on various equity capital market transactions including initial public offerings, secondary equity offerings as well as mergers and acquisitions. In addition, he has had experience in corporate strategy and planning as well as venture capital investment. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas and DBS Bank. Eng Yaw holds a Bachelor of Laws (second class upper division) from University College London, an MSc (Investment Management) from Cass Business School and an MBA from INSEAD. He is currently a candidate for the CFA program.

CORPORATE GOVERNANCE REPORT

Hwa Hong Corporation Limited (the "Company") describes its corporate governance practices with regard to the principles of the Code of Corporate Governance (the "Code").

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The principal functions of the board of directors of the Company (the "Board") include:

- setting the business direction for the Company;
- dealing with matters brought up by the Audit Committee in relation to, in particular, the Company's system of internal controls, including financial, operational and compliance controls, and risk management;
- reviewing the operational and financial performance of the Company and the Group, including but not limited to approving announcements relating to the Company's and the Group's financial results and the audited financial statements;
- approving major acquisitions and disposals;
- approving the nominations of directors; and
- responsibility for corporate governance processes and practices.

Although specific guidelines have not been formulated to set forth the matters that require Board's approval, the Board, in general, deals with matters such as conflict of interest issues relating to directors and substantial shareholders, major acquisitions and disposals of assets, dividend and other distributions to shareholders, and those transactions or matters which require Board's approval under the provisions of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") or any applicable regulations.

The Board discharges some of its functions through scheduled meetings and ad-hoc meetings as and when circumstances require. In addition, the Board has established an audit committee, a nominating committee and a remuneration committee, and has delegated some of its duties to these committees. The Company has adopted a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management of the Company.

The Articles of Association of the Company provides that board meetings may be convened in any form of audio or audio-visual communication. The attendance of each director at meetings held by the Board and committees during the year is disclosed below:

BOARD AND AD-HOC COMMITTEE MEETINGS

Name of Director	Board No. of Meetings		Ad-hoc Committee* No. of Meetings	
	Held	Attended	Held	Attended
Ong Choo Eng	4	4	1	1
Ong Mui Eng	4	4	1	1
Ong Hian Eng	4	4	1	1
Guan Meng Kuan	4	4	N.A.	N.A.
Chew Loy Kiat	4	4	N.A.	N.A.
Goh Kian Hwee	4	4	N.A.	N.A.
Yong Kun Da Richard	4	1	N.A.	N.A.
Boon Suan Lee	4	3	N.A.	N.A.

* Committee formed to deal with all matters relating to or in connection with the Scrip Dividend Scheme, the Share Purchase Mandate and the amendment to the Articles of Association of the Company as set out in the Circular to Shareholders dated 15 October 2003.

AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE MEETINGS

Name of Director	Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	Attended	No. of Meetings Held	Attended	No. of Meetings Held	Attended
Ong Choo Eng	N.A.	N.A.	N.A.	N.A.	2	2
Guan Meng Kuan	N.A.	N.A.	2	2	N.A.	N.A.
Chew Loy Kiat	5	5	2	2	N.A.	N.A.
Goh Kian Hwee	5	5	2	2	2	2
Yong Kun Da Richard	5	2	N.A.	N.A.	2	2

During the year, no new director has been appointed and accordingly, orientation-training program is not necessary. The Company continues to disseminate relevant information to keep the Board and key management executives informed of changes in applicable laws and regulations.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board comprises 8 directors and 1 alternate director. Of the 8 directors, the Nominating Committee (“NC”) of the Company considered the 3 executive directors to be non-independent, 3 non-executive directors to be independent, and 2 non-executive directors to be non-independent, having regard to the examples of situations stated in the Code which would deem a director to be not independent.

Although the Articles of Association of the Company allows a maximum number of fifteen directors to be appointed, the NC is of the view that the current Board size of eight directors is appropriate after taking into consideration the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of civil engineering, insurance, law, finance and taxation and banking.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is also the Group Managing Director, and is responsible for ensuring that Board meetings are held as and when necessary and setting its agenda in consultation with fellow directors and other executives, and if warranted, with professional advisers. The NC is of the view that the effectiveness of the Board as a whole has not been impeded by such dual roles.

PRINCIPLE 4: BOARD MEMBERSHIP

In accordance with Article 123 of the Company’s Articles of Association, the Board may delegate any of their powers to committees consisting of such member or members of their body as it thinks fit. The NC was established to perform the following key duties and responsibilities under its terms of reference:

- making recommendations to the Board on all board appointments including the re-nomination of directors having regard to the director’s contribution and performance including, if applicable, as an independent director;
- determining annually whether or not a director is executive, non-executive or considered to be independent;
- determining whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;
- deciding how the Board’s performance may be evaluated and propose objective performance criteria for the Board’s approval; and
- recommending for the Board’s implementation, a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

The NC comprises of the following non-executive directors, the majority of whom are independent:

1. Goh Kian Hwee (Chairman)
2. Guan Meng Kuan
3. Chew Loy Kiat

Under the provisions of the Company's Articles of Association, one-third of the directors for the time being (excluding a Managing Director) shall retire from office at the annual general meeting ("AGM") of the Company in each year provided that all directors (excluding a Managing Director) shall retire from office at least once in every three years. In addition, any director appointed during the year shall retire from office at the close of the next AGM. The retiring directors are eligible to offer themselves for re-election.

Two of the members of the NC, 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 of the Companies Act, Chapter 50 (the "Act"). A director who is a member of the NC and subject to retirement under the relevant provision of the Company's Articles of Association or the Act shall not be involved in the deliberations of his nomination.

The NC has recommended the re-appointment of the retiring directors, namely, Mr Boon Suan Lee, Mr Yong Kun Da Richard, Mr Guan Meng Kuan and Mr Chew Loy Kiat, at the forthcoming AGM of the Company.

An alternate director is not required to submit for retirement at general meeting but his appointment shall *ipso facto* cease when his appointor ceases for whatever reason to be a director.

The NC considered that the multiple board representations held by the directors do not impede their performance in carrying out their duties to the Company. Particulars of present directorships including board committees held by directors of the Company in other listed companies are as follows:

Name of Director	Directorships including Board Committees Held in Other Listed Companies	
	Present	Preceding 3 Years
Ong Choo Eng	MTQ Corporation Limited - director - audit committee member - remuneration committee member BBR Holdings (S) Ltd - director - remuneration committee member Singapore Reinsurance Corporation Limited - director - executive committee member	N.A.
Goh Kian Hwee	Hotel Negara Limited - director - audit committee member Achieva Limited - director - nominating committee chairman - audit committee member - remuneration committee member MAE Engineering Ltd - director - remuneration committee chairman	Transmarco Limited Ayala International Holdings Limited Blu Inc Group (<i>resigned with effect from 4 March 2004</i>) - director - remuneration committee chairman - audit committee member - nominating committee member

Further information regarding directors can be found in the section "Board of Directors" on pages 6 and 7. Information on directors' shareholdings in the Company and its related corporations can be found in the section "Directors' Report" on pages 16 to 18.

PRINCIPLE 5: BOARD PERFORMANCE

The NC meets at least once a year, and as warranted by circumstances, to discharge its functions. In assessing and making recommendation to the Board as to whether the retiring directors are suitable for re-election/re-appointment, the NC takes into account the director's attendance at meetings and his contribution and performance at such meetings. The NC is of the view that the overall performance of the Board as a whole is satisfactory. The Company presently does not have a formal assessment process of evaluating the performance and contribution of each director. The NC is of the view that such evaluation process is deemed unnecessary at the present moment and the issue will be brought up for future reviews should the need arises.

PRINCIPLE 6: ACCESS TO INFORMATION

The Executive Directors and the Senior Management keep the Board apprised of the Group's operations and performance through updates and reports as well as through informal discussions. Prior to any meetings of the Board or committees, directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. In addition, Board members have separate and independent access to the Company's Senior Management should they have any queries or require additional information on the Company's and/or Group's affairs, and the Company Secretary for assistance and liaison of corporate secretarial matters. The Company Secretary attends meetings of the Board and committees, and when required, disseminates the Board's decisions and/or instructions for further action by the relevant parties.

Executive Directors and members of the Audit Committee of the Company have the ultimate authority in ensuring that appropriate procedures are followed and that the requirements of the Act and the provisions of the Listing Manual are complied with.

Where the directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The roles, duties and responsibilities of the Remuneration Committee ("RC") include functions described in the Code and the administration of the Hwa Hong Corporation Limited Executives' Share Option Scheme (*terminated*) and the Hwa Hong Corporation Limited (2001) Share Option Scheme.

The RC comprises a majority of non-executive directors who are independent of management and is chaired by an independent non-executive director:

1. Yong Kun Da Richard (Chairman)
2. Goh Kian Hwee
3. Ong Choo Eng

The Board believes that members of the RC have the requisite knowledge in the field of executive compensation. Expert advice is sought as and when deemed appropriate by the RC.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Board recommends the quantum of Directors' fees for shareholders' approval at AGM. The Directors' fees are payable to the non-executive directors and take into account the director's attendance and responsibilities on the respective committees of the Board.

The RC reviews the remuneration packages of executive directors of the Company and its subsidiaries.

During the year, the Company and its subsidiaries reviewed the employment contracts of its Executive Directors and Senior Management. An international consulting firm was engaged to review the remuneration packages for the Executive Directors and at the same time, the RC took the opportunity to standardise the employment contracts of Senior Management. Formal employment contracts were then entered into with the Executive Directors and Senior Management for a tenure of 5 years.

The remuneration of key executives (who are not directors) and other employees in the Group are subject to annual reviews by the Group Managing Director or the respective executive director in charge. The basis of any annual adjustments and/or increments to the remuneration and bonuses are made based on these reviews.

The Company had put in place a share option scheme known as the "Hwa Hong Corporation Limited (2001) Share Option Scheme" (the "2001 Scheme"), approved by shareholders on 29 May 2001. Under the 2001 Scheme, the number of shares in respect of which options may be granted shall be determined at the discretion of the RC who shall take into account, *inter alia*, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the employee. More information on the 2001 Scheme can be found in the Rules of the 2001 Scheme as set out in Appendix 1 of the Circular to Shareholders dated 4 May 2001. No options have yet been granted under the 2001 Scheme.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The range of remuneration of directors and top 5 key executives (who are not also directors) of the Group are set out below:

Remuneration Band & Name of Director

- (i) Between \$750,001 to \$1,000,000
 - Ong Choo Eng¹
- (ii) Between \$500,001 to \$750,000
 - Ong Hian Eng¹
- (iii) Between \$250,001 to \$500,000
 - Ong Mui Eng¹
- (iv) \$250,000 and below
 - Guan Meng Kuan³
 - Chew Loy Kiat³
 - Goh Kian Hwee³
 - Yong Kun Da Richard³
 - Boon Suan Lee³
 - Ong Eng Loke² (Alternate director to Ong Mui Eng)

¹ Mr Ong Choo Eng, Mr Ong Mui Eng and Dr Ong Hian Eng are brothers and also executive directors of the Company.

² Mr Ong Eng Loke is the son of Mr Ong Mui Eng. He did not receive any remuneration during the year.

³ The fees payable by the Company to these non-executive directors in respect of the financial year ended 31 December 2003 are subject to approval by shareholders as a lump sum at the forthcoming AGM.

Top 5 Key Executives in Remuneration Bands

	Number
(i) Between \$250,001 to \$500,000	1
(ii) \$250,000 and below	4
TOTAL	5

Given the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters, the Company believes that the disclosure of remuneration of individual executives as recommended by the Code, would be disadvantageous to the Group's interests.

Save as disclosed, there were no employees who are immediate family members of a director of the Company and whose aggregate remuneration exceed \$150,000 during the financial year ended 31 December 2003.

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to the shareholders while Management is accountable to the Board.

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. Shareholders are informed of the financial performance of the Group through quarterly results announcements and the various disclosures and announcements made to the SGX-ST via MASNET. The Company provides a platform in its website containing recent information which has been disseminated via MASNET to the SGX-ST and the public.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises three members, all of whom are independent non-executive directors:

1. Chew Loy Kiat (Chairman)
2. Goh Kian Hwee
3. Yong Kun Da Richard

The Board believes that the AC of the Company is appropriately qualified to discharge their responsibilities.

The AC performs, *inter alia*, the following functions:

- reviewing the overall scope of the external audit;
- reviewing the assistance given by the Company's officers to the external auditors;
- reviewing the Group's interim and annual results announcements, the financial statements of the Company and the consolidated financial statements of the Group as well as the auditors' report thereon before they are submitted to the Board for approval;
- reviewing with the external auditors the results of their examination of the Company's system of internal accounting controls;
- reviewing non-audit services provided by the auditors;
- reviewing the independence and objectivity of the external auditors;
- ensuring the adequacy of the internal audit function;
- reviewing the effectiveness and adequacy of the Group's internal controls including financial, operational and compliance controls, and risk management;
- nominating external auditors for appointment; and
- reviewing interested person transactions.

INTERESTED PERSON TRANSACTIONS

Transactions entered into with interested persons during the financial year ended 31 December 2003 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Boon Suan Lee – professional services rendered to Hwa Hong Group by firms in which he has an interest	\$109,702	Nil

The AC has express authority to investigate any matter within its terms of reference. In doing so, it has full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings or be provided with reasonable resources to enable it to discharge its functions.

During the year, the AC met up with the auditors without the presence of Management. The Group Managing Director and the Group Finance Manager were invited to be present at AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group. The external auditors were also invited to be present at most of the AC meetings held during the year to, *inter alia*, deliberate on any matters connected with accounting records and the audit thereof. The representatives of the internal auditors, KPMG, were also invited and present during those deliberations that required their inputs and advice.

The external auditors have confirmed to the AC that no non-audit services have been provided by them to the Group and accordingly, no non-audit fees of any kind have been paid or payable to external auditors. The AC, having undertaken a review of all services provided by the external auditors, is of the opinion that the independence and objectivity of the external auditors have not been affected.

PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges that it should endeavour to ensure that Management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss and the review of the Group's internal control systems should be a concerted and continuing process.

As part of the audit approach, the external auditors have reviewed the effectiveness of key controls over the various significant business processes which could have a material impact on the financial statements with the aim of ensuring that they are adequate for financial statement attestation purposes. The external auditors have concluded that the overall control environment of the Company and the Group is conducive for the promotion of good controls.

Accordingly, the Board is of the opinion that the existing internal controls of the Company and its subsidiaries are not inadequate.

PRINCIPLE 13: INTERNAL AUDIT

KPMG has been engaged on an ad-hoc basis to provide internal audit services or work to such corporations or areas in the Group as deemed appropriate by the AC.

Starting with Tenet Insurance Company Ltd ("Tenet Insurance"), a wholly owned subsidiary, KPMG has carried or will carry out its internal audit activities based on the areas of focus by business processes in Tenet Insurance as follows:

1. Underwriting – Fiscal year 2003;
2. Claims – Fiscal year 2004; and
3. Resource Management (including human resources, information management, and investment/financial management) – Fiscal year 2005.

In early 2003, KPMG has completed internal audit review of the underwriting process (Project One) of Tenet Insurance. Their preliminary findings and recommendations were discussed with the operating management of Tenet Insurance and the final detailed findings and recommendations, incorporating management comments, were documented in an internal audit report to the AC.

PRINCIPLES 14 & 15: COMMUNICATION WITH SHAREHOLDERS

All shareholders of the Company receive the full annual report and notice of AGM. The recent annual report of the Company is available on the Company's website at www.hwahongcorp.com and the notice is advertised in newspapers and also made available on the website. At AGMs, shareholders are given the opportunity to air their views and ask directors or Management questions regarding the Company. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

Under the Company's Articles of Association, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. In view of the methods and forms of voting provided in the Company's Articles of Association on shareholders' participation at general meetings, the Company does not consider it necessary to provide for absentia voting methods, which in its opinion, may not be cost effective.

DEALINGS IN SECURITIES

The Company and its subsidiaries have followed the recommendations of the Best Practices Guide issued by SGX-ST with regards to dealings in the Company's securities.

Date: 8 March 2004

The Directors present their report to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited and its subsidiary companies for the financial year ended 31 December 2003 and balance sheet of the Company as at 31 December 2003.

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 Kun Da Richard
 Boon Suan Lee
 Ong Eng Loke (Alternate Director to Ong Mui Eng)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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, save as disclosed under "Share Options" in this report and the Hwa Hong Corporation Limited Scrip Dividend Scheme as set out in the Circular dated 15 October 2003 to shareholders.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 1.1.2003	At 31.12.2003	At 1.1.2003	At 31.12.2003
	Ordinary shares of \$0.25 each			
Ong Choo Eng	–	–	276,547,520	276,665,520
Ong Mui Eng	4,547,248	4,547,248	263,580,268	263,580,268
Ong Hian Eng	3,062,604	3,062,604	263,643,520	263,643,520
Guan Meng Kuan	5,534,860	5,534,860	–	–
Chew Loy Kiat	840,000	840,000	–	–
Ong Eng Loke (Alternate Director to Ong Mui Eng)	406,500	406,500	264,142,520	264,142,520

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares and share options of the Company or of related corporations, either at the beginning 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 of the Company as at 21 January 2004 were the same as those as at 31 December 2003.

DIRECTORS' INTERESTS IN CONTRACTS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits 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, other than in the normal course of business and except as disclosed in this report and the accompanying financial statements.

SHARE OPTIONS

The share option schemes of the Company are administered by the Remuneration Committee which comprises the following Directors who do not participate in the schemes:-

Yong Kun Da Richard (Chairman)

Goh Kian Hwee

Ong Choo Eng

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").

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.

The principal features of the 2001 Scheme had been set out in previous Directors' Reports.

OTHER INFORMATION REQUIRED TO BE DISCLOSED

No Options were granted under the 2001 Scheme since its Adoption Date.

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 which had been granted to and exercised by Directors of the Company who had previously held offices in an executive capacity in subsidiary companies 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 2003, 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 1.1.2003	Exercised	Lapsed/Cancelled	Balance as at 31.12.2003	Adjusted Subscription Price	Date of Expiration
6.11.1998	60,000	(60,000)	-	-	\$0.25	5.11.2003
2.11.1999	484,000	-	-	484,000	\$0.45	1.11.2004
	544,000	(60,000)	-	484,000		

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 performed, *inter alia*, the functions specified in the Companies Act, Chapter 50. The functions performed are set out in the Corporate Governance Report.

The Audit 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.

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF CHIEF EXECUTIVE OFFICER, EACH DIRECTOR OR CONTROLLING SHAREHOLDER

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving the interests of the chief executive officer, each director or controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and no such material contracts still subsist at the end of the financial year except for those disclosed in this report and the accompanying financial statements and except that, a subsidiary company has entered into property joint ventures and related transactions with certain related corporations of Hong Leong Investment Holdings Pte. Ltd., a controlling shareholder of the Company as defined. The joint ventures relate to Hong Property Investments Pte Ltd and the residential development known as *The Pier at Robertson* in which a wholly-owned subsidiary company of the Company has an interest of 30% and 20% respectively.

On behalf of the Directors,

Ong Choo Eng

Director

Ong Mui Eng

Director

Singapore

8 March 2004

STATEMENT BY DIRECTORS

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, consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows 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 2003 and the results of the business, changes in equity and cash flows of the Group for the year then ended; 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.

On behalf of the Directors,

Ong Choo Eng

Director

Ong Mui Eng

Director

Singapore

8 March 2004

AUDITORS' REPORT**TO THE MEMBERS OF HWA HONG CORPORATION LIMITED**

We have audited the accompanying financial statements of Hwa Hong Corporation Limited (the Company) and its subsidiary companies (the Group) for the financial year ended 31 December 2003, set out on pages 21 to 58. 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 consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2003 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding 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 and auditors' report of all subsidiary companies, of which we have not acted as auditor, and the financial statements of subsidiary companies of which an audit is not required by the laws in their countries of incorporation, being financial statements included in the consolidated financial statements. The names of these subsidiary companies are stated in Note 1 to the financial statements.

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

8 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	2003 \$	Group 2002 \$
Revenue	3	40,452,600	53,759,422
Cost of sales	4	(18,347,340)	(34,140,483)
Gross profit		22,105,260	19,618,939
Other income	5	11,785,502	15,084,331
General and administrative costs	6	(15,291,493)	(14,395,189)
Selling and distribution costs		(3,345,082)	(5,185,619)
Other operating costs	7	774,790	(3,897,828)
Operating profit		16,028,977	11,224,634
Finance costs	8	(1,131,698)	(824,813)
Share of results of associated companies		(364,995)	(191,783)
Profit before taxation		14,532,284	10,208,038
Taxation	9	(1,027,536)	652,578
Profit after taxation		13,504,748	10,860,616
Minority interests		63,994	61,251
Profit attributable to shareholders		13,568,742	10,921,867
Earnings per share:-	10		
Basic		2.08¢	1.67¢
Fully diluted		2.08¢	1.67¢

The accounting policies and explanatory notes on pages 27 through 58 form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2003

	Note	Group		Company	
		2003 \$	2002 \$ (restated)	2003 \$	2002 \$
EQUITY					
Share capital	11	163,255,000	163,240,000	163,255,000	163,240,000
Reserves	12	261,056,662	278,156,031	261,056,662	278,156,031
Share capital and reserves		424,311,662	441,396,031	424,311,662	441,396,031
Minority interests		25,862	89,923	–	–
Non-Current Liabilities					
Bank loans (secured)	13	9,879,345	17,111,197	–	–
Deferred taxation	14	5,625,799	6,499,498	45,000	–
Amount due to an associated company, non-trade	15	–	152,626,250	–	–
Other payables	16	150,285	185,992	–	–
Hire purchase creditors	17	36,729	85,734	–	–
Provision for outstanding claims	18	44,445,586	51,240,980	–	–
Provision for unearned premiums	19	10,333,002	12,306,342	–	–
Provision for premium deficiency	19	1,696,000	871,000	–	–
Contingency reserve	20	–	84,792	–	–
		72,166,746	241,011,785	45,000	–
		496,504,270	682,497,739	424,356,662	441,396,031
ASSETS LESS LIABILITIES					
Non-Current Assets					
Fixed assets	21	13,535,737	14,638,041	4,944,823	5,111,170
Negative goodwill	22	–	(3,410,382)	–	–
Investment properties	23	128,129,846	122,446,568	–	–
Investment in subsidiary companies	24	–	–	456,372,466	463,030,416
Investment in associated companies	15	59,255,768	231,599,119	–	–
Long term investments	25	100,355,256	111,924,758	3,322,767	3,322,767
Other receivables	26	356,984	503,161	–	–
Reinsurer's share of technical provisions					
Provision for unearned premium	19	3,210,666	2,393,696	–	–
Provision for outstanding claims	18	7,890,399	10,938,728	–	–
Balance carried forward		312,734,656	491,033,689	464,640,056	471,464,353

BALANCE SHEETS

AS AT 31 DECEMBER 2003

	Note	Group		Company	
		2003 \$	2002 \$ (restated)	2003 \$	2002 \$
Balance brought forward		312,734,656	491,033,689	464,640,056	471,464,353
Current Assets					
Inventories	27	386,631	263,315	–	–
Trade receivables	28	3,913,701	7,071,225	–	–
Deferred acquisition costs	19	1,657,219	2,185,598	–	–
Other receivables	26	4,198,606	6,113,375	1,214,193	818,387
Amounts due from subsidiary companies (non-trade)	24	–	–	10,300	12,578,886
Amounts due from affiliated companies	29	636,095	283,280	619,248	4,712
Amounts due from associated companies	15	93,978,850	93,193,622	–	–
Short term investments	30	43,157,180	49,245,115	–	–
Cash and cash equivalents	31	63,140,358	51,215,524	188,852	785,112
		211,068,640	209,571,054	2,032,593	14,187,097
Current Liabilities					
Trade payables and accruals		3,408,169	3,577,269	–	–
Deferred premium	32	2,488,161	1,591,651	–	–
Other payables	16	8,927,140	9,539,484	2,458,658	1,382,820
Hire purchase creditors	17	49,005	49,005	–	–
Amounts due to subsidiary companies (non-trade)	24	–	–	39,857,329	42,872,599
Bank overdraft, secured	33	129,229	308,026	–	–
Bank loans (secured)	13	10,801,275	2,144,641	–	–
Provision for taxation		1,496,047	896,928	–	–
		27,299,026	18,107,004	42,315,987	44,255,419
Net Current Assets/(Liabilities)		183,769,614	191,464,050	(40,283,394)	(30,068,322)
		496,504,270	682,497,739	424,356,662	441,396,031

The accounting policies and explanatory notes on pages 27 through 58 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	2003 \$	Group 2002 \$
Share capital			
Balance at the beginning of the year		163,240,000	163,240,000
Issue of ordinary shares		15,000	–
Balance at the end of the year	11	163,255,000	163,240,000
Share premium			
Balance at the beginning and the end of the year		8,680,826	8,680,826
Revenue reserve			
Balance at the beginning of the year as previously reported		120,379,597	123,205,166
Adjustment due to change in accounting policy - SAS 12		–	(3,561,262)
Balance at the beginning of the year as restated		120,379,597	119,643,904
Profit for the year		13,568,742	10,921,867
Dividends paid	34	(12,732,719)	(10,186,174)
Balance at the end of the year		121,215,620	120,379,597
Capital reserve			
Balance at the beginning of the year as previously reported		150,590,060	142,588,137
Adjustment due to change in accounting policy - SAS 12		–	(2,719,337)
Balance at the beginning of the year as restated		150,590,060	139,868,800
Effect of changes in tax rate		–	12,320
Effect of adoption of INT FRS 19	2(b)	(4,200,850)	–
Deferred tax arising from investment properties		(109,309)	160,530
Net surplus/(deficit) on revaluation of - investment properties		2,736,374	11,136,415
- associated company		(19,421,867)	–
Adjustment due to disposal of shares in subsidiary companies and associated companies		475,719	(588,005)
Balance at the end of the year		130,070,127	150,590,060
Currency translation adjustment reserve			
Balance at the beginning of the year		(1,494,452)	(1,046,026)
Effect of adoption of INT FRS 19	2(b)	2,450,447	–
Exchange differences arising on consolidation		134,094	(448,426)
Balance at the end of the year		1,090,089	(1,494,452)
Share capital and reserves		424,311,662	441,396,031
Net change in equity from non-owner sources excluding net profits		(17,935,392)	10,272,834

The accounting policies and explanatory notes on pages 27 through 58 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	2003 \$	2002 \$
Cash flow from operating activities:		
Operating profit	16,028,977	11,224,634
Adjustments for:		
Interest income	(7,430,279)	(8,576,962)
Depreciation and impairment loss on fixed assets	1,649,638	1,114,888
Exchange gain arising from adoption of INT FRS 19	(1,750,403)	–
Currency realignment	348,984	42,477
Negative goodwill amortised	(3,410,382)	(8,298,697)
Profit on sale of investment properties	(196,670)	(266,132)
Gain on sale of fixed assets	(14,757)	(1,989)
Gain on sale of a subsidiary company	–	(639,175)
Loss on sale of associated companies	15,334	–
Provision for doubtful receivables from affiliated companies	272,039	3,104,392
Provision for outstanding claims	8,425,635	19,783,172
Write-back of provision for obligation and warranties	–	(5,000,000)
Write-back of provision for unearned premium	(1,435,780)	(2,515,843)
Fixed assets written off	18,003	–
	(3,508,638)	(1,253,869)
Operating income before reinvestment in working capital	12,520,339	9,970,765
Decrease in receivables and short term investments	20,536,139	1,046,971
(Increase)/Decrease in inventories	(123,316)	463,088
(Increase)/Decrease in payables	(1,078,025)	4,378,413
	19,334,798	5,888,472
Cash generated from operations	31,855,137	15,859,237
Net claims paid	(12,172,700)	(17,220,731)
Interest received	6,403,535	7,669,972
Income from interests in associated companies	–	5,000,000
Interest paid	(1,131,698)	(864,066)
Income taxes paid	(341,721)	(91,618)
	(7,242,584)	(5,506,443)
Net cash generated from operating activities	24,612,553	10,352,794
Cash flow from investing activities:		
Purchase of investment properties	(1,506,357)	(13,524,120)
Purchase of fixed assets	(585,976)	(8,733,784)
Decrease in other investments	2,930,183	6,672,062
Proceeds from sale of investment properties	485,131	614,857
Amounts due from associated companies	(872,643)	(2,877,009)
Proceeds from disposal of fixed assets	14,757	58,861
Acquisition of a subsidiary company, net of cash	–	15,115,248
Acquisition of associated companies	(144)	–
Disposal of shares in a subsidiary company, net of cash	–	936,818
Net cash generated from/(used in) investing activities	464,951	(1,737,067)
Balance carried forward	25,077,504	8,615,727

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	2003 \$	2002 \$
Balance brought forward	25,077,504	8,615,727
Cash flow from financing activities:		
Net (repayment of)/proceed from term loans	(210,149)	11,067,415
Decrease in overdraft	(178,797)	(775,067)
Payment from affiliated companies	3,000	75,628
Dividends paid	(12,732,719)	(10,186,174)
Repayment to hire purchase creditors	(49,005)	(49,010)
Proceeds from issue of shares	15,000	-
Net cash (used in)/provided by financing activities	(13,152,670)	132,792
Net increase in cash and cash equivalents	11,924,834	8,748,519
Cash and cash equivalents at the beginning of the year	51,215,524	42,467,005
Cash and cash equivalents at the end of the year (note 31)	63,140,358	51,215,524

The accounting policies and explanatory notes on pages 27 through 58 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

The financial statements for the financial year ended 31 December 2003 were authorised for issue in accordance with a resolution of the directors on 8 March 2004.

1. CORPORATE INFORMATION

Hwa Hong Corporation Limited (the "Company") is a limited liability company, which 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 property rental, investment and development, packing of edible oils, general insurance, manufacturers of chemicals, trading of consumer products and that of business development consultants and advisors, in relation to or in connection with business investments and projects of any kind.

The Group operates in Singapore, Malaysia, United Kingdom and China and employed 182 (2002 : 193) employees as of 31 December 2003. The Company employed 11 (2002 : 11) employees as of 31 December 2003.

The subsidiary and associated companies at 31 December 2003 are:

(a) Subsidiary companies

Name of company	Percentage of interest held by the Group		Place of incorporation	Cost of investment		Principal activities
	2003 %	2002 %		2003 \$'000	2002 \$'000	
Held by the Company						
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	100.0	100.0	Singapore	41,890	30,000	Investment holding.
Tenet Insurance Company Ltd	15.7	32.5	Singapore	7,010	20,158	General insurance.
				<u>195,310</u>	<u>196,568</u>	

31 DECEMBER 2003

1. CORPORATE INFORMATION (CONT'D)

(a) Subsidiary companies (cont'd)

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	2003 %	2002 %		
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.
*** 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.
**** SP Vietnam (Pte.) Ltd.	–	100.0	Singapore	Investment holding.
**** SP International Pte. Ltd.	–	100.0	Singapore	Dormant.
**** SPACE Resources Pte Ltd	–	100.0	Singapore	Dormant.
**** Midasnote Limited	–	70.0	United Kingdom	Property investment.
***** 01-labs.com Pte Ltd	88.0	88.0	Singapore	Dormant.
** (2) Filedoor Limited (Nominee Company)	70.0	70.0	United Kingdom	Property investment.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
***** Jining Ningfeng Chemical Industry Co., Limited	94.0	94.0	The People's Republic of China	Feed chemical manufacturer.
Held by Hwa Hong Capital (Pte) Limited				
Tenet Insurance Company Ltd	84.3	67.5	Singapore	General insurance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

1. CORPORATE INFORMATION (CONT'D)

(b) Associated companies

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	2003 %	2002 %		
Held by Singapore Warehouse Company (Private) Ltd.				
***** Trademart Singapore Pte Ltd	–	50.0	Singapore	Owner of warehouse for rental and storage.
**** Blendkirk Limited	–	50.0	United Kingdom	Property investment.
**** Exceptenigma Limited	–	33.5	United Kingdom	Property investment.
**** Coralsand Limited	–	50.0	United Kingdom	Property investment.
** (1) 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.
** (2) Aronbrook Limited (Nominee Company)	50.0	50.0	United Kingdom	Property investment.
** (2) Vistawell Limited (Nominee Company)	50.0	–	United Kingdom	Property investment.
Held by Thackeray Properties Limited				
*** Matahari 461 Ltd	50.0	50.0	United Kingdom	Property management.

All subsidiary companies are audited by Ernst & Young, Singapore except for:

- * Audited by affiliated firms of Ernst & Young, Singapore
- ** Audited by other firms
 - (1) KPMG, Singapore
 - (2) BDO Stoy Hayward, London
- *** Not required to be audited in the country of incorporation
- **** Dissolved during the year
- ***** In members' voluntary winding up
- ***** Audited by affiliated firm of Ernst & Young, Singapore for consolidation purpose

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The effect of the transition from SAS to FRS is set out in note 2(b).

The financial statements have been prepared on a historical cost basis except that certain fixed assets, investment properties and investments are carried at revalued amounts.

The accounting policies have been consistently applied by the Company and, except for the change in accounting policy discussed more fully below, are consistent with those used in the previous financial year. The financial statements are presented in Singapore Dollars.

(b) Change in accounting policy

On 1 January 2003, the Group adopted INT FRS 19, Reporting Currency – Measurement and Presentation of Financial Statements under FRS 21 and FRS 29. The adoption of the above standard involved the change in accounting policy described below.

In accordance with INT FRS 19, the Group would need to determine its functional currency. Once the functional currency is determined, all transactions in other currencies should be treated as transactions in foreign currencies.

In prior years, two subsidiary companies whose operations are mainly in the United Kingdom measured its transactions in Singapore Dollars. With the adoption of INT FRS 19, the Group has remeasured all its transactions in Sterling Pounds which has the same effect as if the accounting records have been kept in Sterling Pounds. The Group has adopted the allowed alternative treatment and applied the adjustments prospectively.

The adoption of INT FRS 19 has increased the Group's profit before tax by \$1,750,403. There is no impact on the Group's net tangible assets as there was a corresponding decrease in capital reserve of \$4,200,850 and an increase in currency translation adjustment reserve of \$2,450,447.

(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 uniform accounting policies for like transactions and other events in similar circumstances.

The excess of the cost of acquisition of a subsidiary company over the book value of the net underlying assets acquired is dealt with as goodwill arising on consolidation. Such goodwill is amortised against profit and loss account over the period the benefits are expected to be received.

Assets, liabilities and results of the overseas subsidiary companies are translated into Singapore Dollars on the basis outlined in paragraph (p) below.

(d) Intangible assets

(i) 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 receive. Goodwill is stated at cost less accumulated amortisation and any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(d) Intangible assets (cont'd)***(ii) Negative goodwill*

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

Negative goodwill is presented in the same balance sheet classification as goodwill. With respect to investment in associated companies, negative goodwill is included in the carrying value of the investment.

(e) Revenue recognition

Interest income is taken into account on the accrual basis.

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 "deferred premium".

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.

Revenue from rendering of consulting services is recognised by reference to the stage of completion of the contract.

Revenue from dividend income is recognised when the Group's right to receive payment is established.

(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.

(g) Associated companies

An associated company is defined as a company, not being a subsidiary company, 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.

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 investment in associated companies 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.

2. 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:

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

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

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

(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. A provision for impairment loss is made for any decline in value which is considered to be other than temporary.

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

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.

(k) Inventories and work-in-progress

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

Cost includes other direct attributable costs and is determined by the weighted average method. 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) Trade and other receivables

Trade and other receivables 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.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(n) Trade and other payables**

Liabilities for trade and other payables 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.

(o) Deferred taxation

Deferred income taxes are provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(p) Foreign currency translation*Foreign currency transactions*

Monetary assets and liabilities denominated in foreign currencies are translated into Singapore Dollar equivalents using year-end spot foreign exchange rates. Transactions in foreign currencies are recorded at exchange rates approximately those ruling at the transaction dates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are recognised in the profit and loss accounts.

Foreign entities

Assets and liabilities of foreign entities are translated into Singapore Dollar 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.

(q) Affiliated companies

An affiliated company is defined as one other than a related corporation, in which the Company has a substantial equity interest but is not able to nor exercise significant influence over its financial and operating policies.

(r) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(s) Provision for outstanding claims and contingency reserves**

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

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

(t) Provision for unearned premium and premium deficiency

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

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

In addition, a provision is made for premium deficiency where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the provision for unearned premiums in relation to such policies.

(u) Employee benefits*Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

Equity and equity related compensation benefits

The Share Option Scheme allows eligible employees to acquire shares of the Company. No compensation cost or obligation is recognised when the options are granted. When the options are exercised, equity is increased by the amount of proceeds received.

(v) Interest in joint ventures

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. An assessment of interests in joint ventures is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(x) Impairment**

The carrying amounts of the Company's assets, other than investment properties (note 2(i)) are reviewed at each balance sheet date to determine whether there is any indication of any impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment losses are recognised in the profit and loss account.

(y) Share capital

The cost of shares repurchased by the Company is credited against revenue reserve. An amount equivalent to the par value of the shares repurchased is transferred to a capital redemption reserve.

3. REVENUE

Revenue of the Group excludes transactions between companies in the Group.

	2003	Group	2002
	\$		\$
Dividend income from other investments	1,136,245		953,601
Gross written premiums	23,982,538		28,315,809
Rental and storage income	5,130,996		4,754,294
Trading sales	4,103,449		12,748,373
Interest income			
- associated companies	1,918,228		2,226,218
- financial institutions	705,498		796,607
- others	1,317,451		1,530,045
	3,941,177		4,552,870
Profit from sale of other investments	1,408,195		984,475
Consultancy service income	750,000		1,450,000
	<u>40,452,600</u>		<u>53,759,422</u>

4. COST OF SALES

Included in cost of sales is:

	2003	Group	2002
	\$		\$
Write-back of provision for unearned premiums	<u>(1,435,780)</u>		<u>(2,515,843)</u>

31 DECEMBER 2003

5. OTHER INCOME

	Group	
	2003	2002
	\$	\$
Amortisation of premium	(83,053)	(71,366)
Interest income		
- quoted bonds	2,692,382	2,991,135
- financial institutions	328,031	487,002
- others	115,396	450,300
- affiliated companies	353,293	95,655
	3,489,102	4,024,092
Amortisation of negative goodwill	3,410,382	8,298,697
Dividend income from		
- quoted investments	720,713	521,681
- unquoted investments	14,100	8,100
	734,813	529,781
(Loss)/Gain from sale of investments		
- (loss)/gain on redemption of bond, stocks and government securities	(14,485)	61,815
- gain on sale of a subsidiary company	-	639,175
- gain on sale of investment property	196,670	266,132
- (loss)/gain on sale of investments	(1,133,444)	50,265
	(951,259)	1,017,387
Exchange gain, net	4,315,142	393,518
Rental income	157,290	153,713
Management fee	300,000	300,000
Bad debts recovered	-	3,450
Gain on disposal of fixed assets	14,757	1,989
Sundry income	398,328	433,070
	11,785,502	15,084,331

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2003

6. GENERAL AND ADMINISTRATIVE COSTS

Included in general and administrative costs are the following:

	Group	
	2003	2002
	\$	\$
Directors' fees		
- Directors of the Group	(198,000)	(310,000)
- other directors of a subsidiary company	(4,580)	-
Directors' remuneration		
- Directors of the Company	(1,799,493)	(1,256,314)
- other directors of subsidiary companies	(83,697)	(23,016)
	(1,883,190)	(1,279,330)
Auditors' remuneration		
- auditors of the Company		
- current year	(179,020)	(178,890)
- (under)/over provision in respect of prior year	(8,105)	700
	(187,125)	(178,190)
- other auditors of subsidiary companies		
- current year	(40,963)	(25,569)
- under provision in respect of prior year	(15,280)	-
	(56,243)	(25,569)
	(243,368)	(203,759)
<i>* There were no non-audit fees paid to auditors of the Company.</i>		
Depreciation on fixed assets	(1,123,189)	(1,114,888)
Impairment losses on fixed assets	(526,449)	-
Fees paid to firms in which certain directors are members	(130,202)	(106,250)
Provision for doubtful debts		
- trade	-	(278,657)
- non-trade	(28,187)	(19,400)
Write-back of provision for doubtful debts - trade	44,314	41,533
Bad debts written off - trade	-	(695)
Staff costs	(5,810,090)	(5,725,451)
Retrenchment costs	-	(195,127)
CPF contributions	(659,803)	(656,361)

7. OTHER OPERATING COSTS

	Group	
	2003	2002
	\$	\$
Write-back of provision for obligation and warranties	-	5,000,000
Provision for doubtful receivables from affiliated companies	(272,039)	(3,104,392)
Provision for proportionate guarantee	-	(799,500)
(Provision)/Write-back for impairment losses on long term investments		
- quoted equity investments	(1,794,100)	(1,466,850)
- unquoted non-equity investments	(629,703)	(35,000)
- unquoted equity investments	(1,770,127)	(2,737,101)
- unquoted bonds	(3,196)	11,975
Provision for impairment losses on short term quoted equity investments	-	(2,264,557)
Write-back of impairment losses on long term unquoted equity investments	-	1,466,850
Write-back/(Provision) of impairment losses on short term investments		
- quoted equity investments	5,235,662	18,018
- quoted government securities	9,189	9,411
- unquoted bonds	(896)	359
Miscellaneous	-	2,959
	774,790	(3,897,828)

31 DECEMBER 2003

8. FINANCE COSTS

	2003	Group	2002
	\$		\$
Interest expense			
Bank loans and overdrafts	(1,117,667)		(815,236)
Hire purchase	(6,615)		(6,615)
Others	(7,416)		(2,962)
	<u>(1,131,698)</u>		<u>(824,813)</u>

9. TAXATION

Major components of income tax expense for the year ended 31 December were:

	2003	Group	2002
	\$		\$
Current taxation in respect of profit for the year	(2,007,577)		(505,524)
(Under)/Over provision in respect of prior years	(508)		437,550
	<u>(2,008,085)</u>		<u>(67,974)</u>
Share of tax of associated companies	(2,459)		(37,841)
Deferred taxation in respect of current year	(607,911)		(354,750)
Over provision in respect of prior years	1,590,919		–
Tax benefit relating to utilisation of group tax relief	–		1,113,143
	<u>(1,027,536)</u>		<u>652,578</u>
Tax expense reported in equity related to capital reserve	<u>109,309</u>		<u>(172,850)</u>

A reconciliation of the statutory tax rate to the Group's and Company's effective tax rate applicable to profit before taxation for the years ended 31 December is as follows:

	2003	Group	2002
	\$		\$
Domestic statutory tax rates	22.0		22.0
Adjustments:			
Non allowable items	(6.8)		(18.0)
Over provision of tax	(10.6)		(4.3)
Utilisation of tax losses brought forward	–		(1.1)
Deferred tax not recognised	2.8		–
Others	(0.3)		(4.6)
Effective tax rate	<u>7.1</u>		<u>(6.0)</u>

The taxation charge for the Group is lower than the amount determined by applying the Singapore income tax rate of 22% (2002 : 22%) to the profit before taxation mainly due to the non allowable items.

The Group has estimated tax losses of \$5,621,000 (2002 : \$5,897,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to Section 23 and 37 of the Income Tax Act, Cap 134 and agreement by the Inland Revenue Authority of Singapore.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

10. EARNINGS PER SHARE

- (a) Basic earnings per share ("EPS") is calculated by dividing the Group profit attributable to shareholders of \$13,568,742 (2002 : \$10,921,867) by the weighted average number of ordinary shares in issue during the year of 652,975,123 (2002 : 652,960,000).
- (b) Fully diluted EPS is calculated after adjusting for the effect of dilutive options under the Hwa Hong Corporation Limited Executives' Share Option Scheme ("ESOS") as follows:

	Company	
	2003 \$	2002 \$
Weighted average number of ordinary shares in issue during the year	652,975,123	652,960,000
Increase in weighted average number of ordinary shares on the assumed exercise of options under the ESOS	95,077	19,998
Weighted average number of ordinary shares used in the calculation of fully diluted EPS	653,070,200	652,979,998

The potential ordinary shares from the exercise of the options under ESOS would be treated as anti-dilutive if their conversion to ordinary shares increase the earnings per share.

11. SHARE CAPITAL

	Group and Company			
	2003		2002	
	No. of shares	\$	No. of shares	\$
Authorised				
Balance at the beginning and the 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 the beginning of the year				
- ordinary shares of \$0.25 each	652,960,000	163,240,000	652,960,000	163,240,000
Issue of ordinary shares of \$0.25 each for cash at par	60,000	15,000	-	-
Balance at the end of the year				
- ordinary shares of \$0.25 each	653,020,000	163,255,000	652,960,000	163,240,000

At an Extraordinary General Meeting of the Company held on 7 November 2003, shareholders of the Company (the "Shareholders") approved, *inter alia*, the mandate for the Company to purchase or acquire its issued ordinary shares, subject to certain conditions as detailed in the Company's Circular to Shareholders dated 15 October 2003.

The Directors believe that share repurchase is an expedient and cost-effective way for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to Shareholders.

The company did not repurchase any shares during the financial year.

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12. RESERVES

	Group		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Share premium	8,680,826	8,680,826	8,680,826	8,680,826
Revenue reserve	121,215,620	120,379,597	21,614,676	32,054,606
Capital reserve	130,070,127	150,590,060	230,761,160	237,420,599
Currency translation adjustment reserve	1,090,089	(1,494,452)	–	–
	261,056,662	278,156,031	261,056,662	278,156,031

Movement in reserves for the Group is disclosed in the Consolidated Statement of Changes in Equity. Movement in reserves for the Company is set out below:

	Company	
	2003 \$	2002 \$
Revenue reserve		
Balance at the beginning of the year	32,054,606	16,646,562
Profit for the year	2,292,789	25,594,218
Dividends paid	(12,732,719)	(10,186,174)
Balance at the end of the year	21,614,676	32,054,606
Capital reserve		
Balance at the beginning of the year	237,420,599	241,820,116
Net deficit on revaluation of subsidiary companies	(6,659,439)	(4,399,517)
Balance at the end of the year	230,761,160	237,420,599

13. BANK LOANS (SECURED)

	Group	
	2003 \$	2002 \$
Non current portion of long term bank loans	9,879,345	17,111,197
Current portion of long term bank loans	8,737,474	681,223
Short term bank loans	2,063,801	1,463,418
	10,801,275	2,144,641
Total bank loans	20,680,620	19,255,838
Amount repayable within one year	10,801,275	2,144,641
Amount repayable between two and five years	9,879,345	3,406,115
Amount repayable after five years	–	13,705,082
	20,680,620	19,255,838

Long term bank loans of \$18,616,819 (2002 : \$17,792,420) and short term bank loan of \$1,356,012 (2002 : \$Nil) are secured by a fixed charge over subsidiary companies' investment properties. Repayments are made quarterly. Interest is charged at 1.5% and 1.25% per annum over LIBOR.

Short term bank loans of \$707,789 (2002 : \$1,463,418) have varying maturities and are secured by a fixed charge over a subsidiary company's plant & machinery. Interest is charged at 5.04% to 6.6% per annum.

NOTES TO THE FINANCIAL STATEMENTS

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14. DEFERRED TAXATION

Deferred taxation is due to temporary difference associated with:

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Foreign income not remitted	2,833,419	3,916,011	–	–
Revaluation of investment property	2,692,796	2,583,487	–	–
Others	99,584	–	45,000	–
	5,625,799	6,499,498	45,000	–

15. ASSOCIATED COMPANIES

	Group	
	2003	2002
	\$	\$
Unquoted shares, at cost	53,000,288	103,211,251
Share of reserves	6,255,480	128,387,868
	59,255,768	231,599,119
Loans due from associated companies	93,978,850	93,193,622
Amount due to an associated company, non-trade	–	(152,626,250)
	153,234,618	172,166,491
The share of reserves is made up as follows:		
Capital reserve	907,285	122,867,989
Revenue reserve	5,348,195	5,519,879
	6,255,480	128,387,868

Loans due from associated companies of \$10,776,904 (2002 : \$10,003,925) and \$83,201,946 (2002 : \$83,189,697) are charged at 2.5% - 3% (2002 : 3% - 4%) and 1.81481% - 2.17743% (2002 : 2.02415% - 2.65033%) per annum respectively. All loans due from associated company have no fixed terms of repayment.

Loans due from associated companies include an amount of \$83,201,946 (2002 : \$83,189,697) which is subordinated to the repayment of borrowings of an associated company.

The amount due to an associated company was unsecured and interest free.

16. OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current				
Deposits	255,572	365,882	–	–
Unclaimed dividends	37,217	37,217	37,217	37,217
Deferred reinsurance commissions (note 19)	1,151	–	–	–
Cash collateral (including interest payable)	2,114,498	1,141,067	–	–
Deferred income	583,688	–	583,688	–
Provision for corporate guarantee	799,500	799,500	799,500	799,500
Accrued expenses	2,091,604	1,903,139	671,800	253,000
Sundry payables	3,043,910	5,292,679	366,453	293,103
	8,927,140	9,539,484	2,458,658	1,382,820
Non-current				
Tenancy deposits	150,285	185,992	–	–

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17. HIRE PURCHASE CREDITORS

	Group		Group	
	Minimum payment 2003 \$	Present value of payments 2003 \$	Minimum payment 2002 \$	Present value of payments 2002 \$
Within one year	55,620	49,005	55,620	49,005
After one year but not more than five years	41,690	36,729	97,310	85,734
Total minimum payments	97,310	85,734	152,930	134,739
Less : Amounts representing finance charges	(11,576)	–	(18,191)	–
Present value of minimum payments	85,734	85,734	134,739	134,739

Interest rate implicit in the hire purchase agreement is approximately 2.7% (2002 : 2.7%).

18. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2003 \$	2002 \$
Gross outstanding claims	44,445,586	51,240,980
Reinsurers' share of outstanding claims	(7,890,399)	(10,938,728)
Net outstanding claims	36,555,187	40,302,252
Movement in provision:		
Balance at the beginning of the year	40,302,252	–
Due to acquisition of a subsidiary company	–	37,739,811
Net claims paid	(12,172,700)	(17,220,731)
Net claims incurred	8,425,635	19,783,172
Net outstanding claims	36,555,187	40,302,252

19. PROVISION FOR UNEARNED PREMIUM

	Group	
	2003 \$	2002 \$
Gross unearned premium	10,333,002	12,306,342
Reinsurers' share of unearned premium	(3,210,666)	(2,393,696)
Gross deferred acquisition costs	(1,657,219)	(2,185,598)
Provision for premium deficiency	1,696,000	871,000
Deferred reinsurance commissions (note 16)	1,151	–
Net outstanding claims	7,162,268	8,598,048
Movement in provision:		
Balance at the beginning of the year	8,598,048	–
Due to acquisition of a subsidiary company	–	11,113,891
Write-back during the year	(1,435,780)	(2,515,843)
Balance at the end of the year	7,162,268	8,598,048

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20. CONTINGENCY RESERVE

A contingency reserve is held in respect of a subsidiary company's credit and political risks insurance portfolio in accordance with its accounting policy.

21. FIXED ASSETS

	Leasehold land and buildings \$	Plant and machinery \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
Group				
<i>Cost</i>				
As at 1 January 2003	13,115,482	237,028	6,152,414	19,504,924
Additions	–	33,204	552,772	585,976
Disposals	–	–	(161,820)	(161,820)
Written off	–	–	(236,500)	(236,500)
Currency realignment	14,528	46,910	(88,660)	(27,222)
As at 31 December 2003	13,130,010	317,142	6,218,206	19,665,358
<i>Accumulated depreciation</i>				
As at 1 January 2003	587,522	139,267	4,140,094	4,866,883
Charge for the year	284,805	63,460	774,924	1,123,189
Impairment loss	–	–	526,449	526,449
Disposals	–	–	(143,817)	(143,817)
Written off	–	–	(236,500)	(236,500)
Currency realignment	2,396	14,282	(23,261)	(6,583)
As at 31 December 2003	874,723	217,009	5,037,889	6,129,621
Charge for 2002	333,253	55,867	725,768	1,114,888
<i>Net book value</i>				
As at 31 December 2003	12,255,287	100,133	1,180,317	13,535,737
As at 31 December 2002	12,527,960	97,761	2,012,320	14,638,041

As at 31 December 2003, the net book value of fixed assets under hire purchase agreements for the Group amounted to \$116,667 (2002 : \$186,667).

The Group's properties are listed in note 41 to the financial statements.

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21. FIXED ASSETS (CONT'D)

	Leasehold land and buildings \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
Company			
<i>Cost</i>			
At 1 January 2003	5,165,495	990,340	6,155,835
Additions	–	44,680	44,680
Written off	–	(236,500)	(236,500)
At 31 December 2003	5,165,495	798,520	5,964,015
<i>Accumulated depreciation</i>			
At 1 January 2003	360,385	684,280	1,044,665
Charge for the year	120,128	90,899	211,027
Written off	–	(236,500)	(236,500)
At 31 December 2003	480,513	538,679	1,019,192
Charge for 2002	120,128	87,459	207,587
<i>Net book value</i>			
At 31 December 2003	4,684,982	259,841	4,944,823
At 31 December 2002	4,805,110	306,060	5,111,170

22. NEGATIVE GOODWILL

	2003 \$	Group 2002 \$
Balance at the beginning of the year	3,410,382	–
Additions during the year	–	11,709,079
Amortisation during the year	(3,410,382)	(8,298,697)
Balance at the end of the year	–	3,410,382

Negative goodwill arose on the acquisition of Tenet Insurance Company Ltd during the year ended 31 December 2002 and was recognised in the profit and loss account in accordance with the Group's accounting policy as stated in note 2(d)(ii).

NOTES TO THE FINANCIAL STATEMENTS

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23. INVESTMENT PROPERTIES

	Group	
	2003	2002
	\$	\$
Investment properties, at valuation	128,129,846	122,446,568
Balance at the beginning of the year as previously reported	122,446,568	93,461,027
Share of interest in investment properties held by a nominee company	–	10,073,136
Balance at the beginning of the year as restated	122,446,568	103,534,163
Currency realignment	1,683,172	233,845
Addition during the year	1,506,357	13,524,120
Disposal during the year	(242,625)	(5,981,975)
Surplus arising on revaluation of investment properties	2,736,374	11,136,415
Balance at the end of the year	128,129,846	122,446,568

These are freehold properties in Singapore and the United Kingdom which are stated at directors' valuation based on professional valuation carried out by Allied Appraisal Consultants Pte Ltd and Meredith & Co Chartered Surveyors in December 2003. The valuations have been done on the basis of open market valuation.

The net revaluation surplus of \$2,736,374 (2002 : surplus of \$11,136,415) is taken to the capital reserve.

The Group's investment properties are listed in note 41 to the financial statements.

An investment property in Singapore amounting to \$36,554,000 (2002 : \$38,174,000) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary company. The banking facilities were not utilised during the financial year.

Investment properties in the United Kingdom amounting to \$28,097,317 (2002 : \$24,403,493) are mortgaged to a bank to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2003 amounted to \$19,972,831 (2002 : \$17,792,420).

The rest of the investment properties are not under mortgage.

24. SUBSIDIARY COMPANIES

	Company	
	2003	2002
	\$	\$
Unquoted shares, at directors' valuation	456,372,466	463,030,416
Amounts due to subsidiary companies, non-trade	(39,857,329)	(42,872,599)
Amounts due from subsidiary companies, non-trade	10,300	575,967
Loans receivable from subsidiary companies	–	12,002,919
Amounts due from subsidiary companies, non-trade	10,300	12,578,886
	416,525,437	432,736,703

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

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25. LONG TERM INVESTMENTS

	Group		Company	
	2003 \$	2002 \$ (restated)	2003 \$	2002 \$
Investments, net of provision for impairment losses:				
- quoted equity investments	899,480	2,693,580	-	-
- quoted bonds	26,798,443	27,129,693	1,000,010	1,000,010
- unquoted equity investments	2,769,351	9,783,603	270,227	270,227
- unquoted non-equity investments	22,688,700	21,814,341	52,530	52,530
- unquoted bonds	39,342,668	42,641,266	2,000,000	2,000,000
- unincorporated joint venture	7,856,614	7,862,275	-	-
	100,355,256	111,924,758	3,322,767	3,322,767

Unincorporated joint venture relates to the Group's interest in *The Pier at Robertson*, a joint venture residential development with an external party. The Group's interest in the joint venture is 20%.

Investments are stated after providing for impairment losses on:

- quoted equity investments (note 25a)	(8,074,780)	(6,280,680)	-	-
- unquoted equity investments (note 25b)	(10,909,875)	(9,139,748)	(83,440)	(83,440)
- unquoted non-equity investments (note 25c)	(1,125,427)	(530,724)	-	(35,000)
- unquoted bonds (note 25d)	(399,738)	(396,542)	-	-
	(20,509,820)	(16,347,694)	(83,440)	(118,440)

Quoted investments at market value:

- equity investments	6,284,246	2,694,138	-	-
- bonds	26,470,675	28,933,754	1,010,000	1,010,000
	32,754,921	31,627,892	1,010,000	1,010,000

25a. PROVISION FOR IMPAIRMENT LOSSES ON QUOTED EQUITY INVESTMENTS

	Group	
	2003 \$	2002 \$
Balance at the beginning of the year	(6,280,680)	(4,813,830)
Charge to profit and loss account	(1,794,100)	(1,466,850)
Balance at the end of the year	(8,074,780)	(6,280,680)

25b. PROVISION FOR IMPAIRMENT LOSSES ON UNQUOTED EQUITY INVESTMENTS

	Group		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Balance at the beginning of the year	(9,139,748)	(8,544,635)	(83,440)	(83,440)
Due to disposal of shares				
in a subsidiary company	-	675,138	-	-
Write-back during the year	-	1,466,850	-	-
Charge to profit and loss account	(1,770,127)	(2,737,101)	-	-
Balance at the end of the year	(10,909,875)	(9,139,748)	(83,440)	(83,440)

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25c. PROVISION FOR IMPAIRMENT LOSSES ON UNQUOTED NON-EQUITY INVESTMENTS

	Group		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Balance at the beginning of the year	(530,724)	(495,724)	(35,000)	–
Charge to profit and loss account	(629,703)	(35,000)	–	(35,000)
Amount written off during the year	35,000	–	35,000	–
Balance at the end of the year	(1,125,427)	(530,724)	–	(35,000)

25d. PROVISION FOR IMPAIRMENT LOSSES ON UNQUOTED BONDS

	Group	
	2003 \$	2002 \$
Balance at the beginning of the year	(396,542)	–
Due to acquisition of a subsidiary company	–	(408,517)
Write-back during the year	–	11,975
Charge to profit and loss account	(3,196)	–
Balance at the end of the year	(399,738)	(396,542)

26. OTHER RECEIVABLES

	Group		Company	
	2003 \$	2002 \$ (restated)	2003 \$	2002 \$
Tax recoverable	1,100,441	1,829,051	1,122,579	740,662
Prepayments and deposits	653,902	148,720	63,779	49,259
Sundry receivables	735,104	2,107,849	–	–
Dividend receivable	192,306	180,360	–	–
Interest receivable	1,405,116	1,677,437	23,167	24,024
Staff loans	106,937	160,841	–	–
Other loan receivable	–	4,543	–	–
Staff advances	132	132	–	–
Other recoverables	4,668	4,442	4,668	4,442
	4,198,606	6,113,375	1,214,193	818,387

	Group	
	2003 \$	2002 \$
Staff loans	329,747	427,588
Due within 12 months	(106,937)	(160,841)
Due after 12 months	222,810	266,747
Staff loans due after 12 months	222,810	266,747
Other loan receivable	1,120,013	1,217,959
Less : Allowance for doubtful receivables		
Balance at the beginning of the year	(977,002)	–
Due to acquisition of a subsidiary company	–	(1,024,834)
Charge to profit and loss account	(28,187)	(19,400)
Exchange differences arising on translation	19,350	67,232
Balance at the end of the year	(985,839)	(977,002)
	356,984	507,704
Other loan receivable due within 12 months	–	(4,543)
Total other receivables included in non-current assets	356,984	503,161

The loan receivable is unsecured, interest-free and is not expected to be repaid within the next twelve months.

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27. INVENTORIES

	2003	Group	2002
	\$		\$
At cost			
Raw materials	269,062		186,372
Work-in-progress	74,572		–
Finished goods	42,997		76,943
	<u>386,631</u>		<u>263,315</u>

28. TRADE RECEIVABLES

	2003	Group	2002
	\$		\$
Trade receivables are stated after provision for doubtful debts of	(706,765)		(817,441)
Analysis of provision for doubtful debts:			
Balance at the beginning of the year	(817,441)		(44,335)
Due to acquisition of a subsidiary company	–		(2,355,007)
Charge to profit and loss account	–		(278,657)
Amount utilised	62,673		1,819,025
Write-back of provision	44,314		41,533
Exchange differences arising from translation	3,689		–
Balance at the end of the year	<u>(706,765)</u>		<u>(817,441)</u>

29. AMOUNTS DUE FROM AFFILIATED COMPANIES

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Amounts due from affiliated companies, non-trade	2,675,240	1,958,107	775,886	161,350
Amounts due from affiliated companies, trade	–	60,272	–	–
Loans due from affiliated companies	1,337,286	1,369,293	–	–
	<u>4,012,526</u>	<u>3,387,672</u>	<u>775,886</u>	<u>161,350</u>
Less : Provision for doubtful debts	(3,376,431)	(3,104,392)	(156,638)	(156,638)
	<u>636,095</u>	<u>283,280</u>	<u>619,248</u>	<u>4,712</u>
Analysis of provision for doubtful debts:				
Balance at the beginning of the year	(3,104,392)	–	(156,638)	–
Charge to profit and loss account	(272,039)	(3,104,392)	–	(156,638)
Balance at the end of the year	<u>(3,376,431)</u>	<u>(3,104,392)</u>	<u>(156,638)</u>	<u>(156,638)</u>

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

The loans due from affiliated companies bear interest of 5.12% - 9% (2002 : 6% - 9%) per annum, are unsecured and have no fixed terms of repayment.

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30. SHORT TERM INVESTMENTS

	2003 \$	Group 2002 \$ (restated)
Investments, net of provision for impairment losses:		
- quoted equity investments	25,477,180	20,094,893
- quoted bonds, debenture and loan stocks	1,000,000	-
- quoted government securities	3,500,000	5,200,000
- unquoted bonds and floating rate notes	13,180,000	23,950,222
	<u>43,157,180</u>	<u>49,245,115</u>
Investments are stated after providing for impairment losses on:		
- quoted equity investments (note 30a)	-	(5,420,845)
- quoted government securities (note 30b)	(9,901)	(19,090)
- unquoted bonds and floating rate notes (note 30c)	(896)	-
	<u>(10,797)</u>	<u>(5,439,935)</u>
Quoted investments at market value:		
- equity investments	27,109,951	20,094,893
- bonds, debenture and loan stocks	1,000,000	-
- government securities	3,617,950	5,200,000
	<u>31,727,901</u>	<u>25,294,893</u>

30a. PROVISION FOR IMPAIRMENT LOSSES ON QUOTED EQUITY INVESTMENTS

	2003 \$	Group 2002 \$
Balance at the beginning of the year	(5,420,845)	(1,161,376)
Due to acquisition of a subsidiary company	-	(2,012,930)
Charge to profit and loss account	-	(2,264,557)
Write-back during the year	5,235,662	18,018
Amount written off during the year	185,183	-
Balance at the end of the year	<u>-</u>	<u>(5,420,845)</u>

30b. PROVISION FOR IMPAIRMENT LOSSES ON QUOTED GOVERNMENT SECURITIES

	2003 \$	Group 2002 \$
Balance at the beginning of the year	(19,090)	-
Due to acquisition of a subsidiary company	-	(28,501)
Write-back during the year	9,189	9,411
Balance at the end of the year	<u>(9,901)</u>	<u>(19,090)</u>

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30c. PROVISION FOR IMPAIRMENT LOSSES ON UNQUOTED BONDS AND FLOATING RATE NOTES

	Group	
	2003	2002
	\$	\$
Balance at the beginning of the year	–	–
Due to acquisition of a subsidiary company	–	(359)
Write-back during the year	–	359
Charge to profit and loss account	(896)	–
Balance at the end of the year	(896)	–

31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Fixed deposits	55,303,869	46,114,024	–	480,864
Cash and bank balances	7,836,489	5,101,500	188,852	304,248
	63,140,358	51,215,524	188,852	785,112
Included in above are:				
Fixed deposits held as cash collateral against performance bonds issued on behalf of customers	2,066,731	1,118,512	–	–
Cash collateral for banking facilities granted to subsidiary companies	2,679,750	2,502,450	–	–
Fixed deposits pledged to the Monetary Authority of Singapore as statutory deposit required under Insurance Act	500,000	500,000	–	–
	5,246,481	4,120,962	–	–

32. DEFERRED PREMIUM

This is in respect of premiums for policies in excess of one year which are carried forward in accordance with the Group's accounting policy. The amount stated is net of reinsurance premiums and commissions payable as follows:

	Group	
	2003	2002
	\$	\$
Gross deferred premium	4,272,870	2,828,098
Reinsurance premium	(1,142,825)	(785,671)
Commission payable	(641,884)	(450,776)
	2,488,161	1,591,651

33. BANK OVERDRAFT, SECURED

The bank overdrafts are covered by a corporate guarantee given by a subsidiary company and supported by a first charge over the subsidiary company's fixed deposits. Interest is charged at 0.75% per annum over the Sterling Pound base rate.

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34. DIVIDENDS

	Group	
	2003	2002
	\$	\$
In respect of financial year ended 31 December 2001:		
- second and final dividend of 3% less 22% tax	-	(3,819,815)
- bonus dividend of 2% less 22% tax	-	(2,546,544)
In respect of financial year ended 31 December 2002:		
- interim dividend of 3% less 22% tax	-	(3,819,815)
- final ordinary dividend of 3% less 22% tax	(3,819,815)	-
- special dividend of 3% less 22% tax	(3,819,815)	-
In respect of financial year ended 31 December 2003:		
- interim dividend of 4% less 22% tax	(5,093,089)	-
	<u>(12,732,719)</u>	<u>(10,186,174)</u>

The Directors of the Company have recommended a final ordinary dividend of 4% less 20% tax amounting to about \$5,224,256, based on the number of shares in issue for the time being, be paid in respect of the financial year under review, subject to shareholders' approval at the Annual General Meeting of the Company.

35. INTEREST IN JOINT VENTURE

The Group has a 50%, 70% and 50% interest in the assets, liabilities, revenue and expenses of Aronbrook Limited, Filedoor Limited and Vistawell Limited respectively. Aronbrook Limited, Filedoor Limited and Vistawell Limited are nominee companies which hold the United Kingdom properties in trust for the subsidiary companies.

	Group	
	2003	2002
	\$	\$
Current assets	1,563,801	1,167,753
Non-current assets	28,097,317	24,403,493
Total assets	<u>29,661,118</u>	<u>25,571,246</u>
Current liabilities	(11,302,187)	(1,710,954)
Non-current liabilities	(9,879,345)	(17,111,197)
Net assets	<u>8,479,586</u>	<u>6,749,095</u>
Revenue	1,758,455	1,184,701
Other income	8,450	10,578
Expenses	(1,445,389)	(1,113,756)
Profit	<u>321,516</u>	<u>81,523</u>

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36. 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:

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Management fees received from subsidiary companies	–	–	(595,140)	(590,240)
Insurance premiums paid to a subsidiary company	–	–	14,478	15,624
Corporate and secretarial services fee received from subsidiary companies	–	–	(5,472)	(78)

Other transactions with related parties are disclosed in notes 3 and 5.

37. COMMITMENT AND CONTINGENCIES**(a) Contingent liabilities**

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Guarantees given to financial institutions in connection with facilities given to a subsidiary company and associated companies	37,652,811	35,294,870	15,000,000	15,000,000

(b) Commitments

	Group		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Capital expenditure commitments	14,900,000	14,900,000	–	–

38. OPERATING LEASE COMMITMENTS

The Group has minimum operating lease commitments in respect of leases of office space and factory building for its subsidiary companies.

	Group	
	2003	2002
	\$	\$
Within one year	251,562	729,573
Between two and five years	33,990	314,878
After five years	84,048	96,767
	369,600	1,141,218

Rental expense was \$729,573 (2002 : \$773,493) for the financial year ended 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS

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39. DIRECTORS' REMUNERATION

The number of Directors of the Company whose emoluments fall within the following bands are as follows:

	2003	2002
\$500,000 and above	2	1
\$250,000 to \$499,999	1	2
Below \$250,000	6	6
	9	9

40. GROUP SEGMENTAL INFORMATION

At 31 December 2003, the Group is organised into three main business segments:

- (i) Warehousing and Property – rental of residential and commercial properties and warehousing operations.
- (ii) Insurance and Investment – general insurance and investment holding.
- (iii) Manufacturing and Trading – manufacturing and trading of chemicals and packing and trading of edible oils.

Inter-segment transactions are determined on an arm's length basis. Segment assets consist primarily of investment properties, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude item such as taxation. Capital expenditure comprises additions to fixed assets and investment properties.

The Group's three business segments operate in three main geographical areas:

- (i) Singapore – the areas of operation mainly arise from investment holding, warehousing operations, general insurance activities and trading of chemicals and edible oils.
- (ii) United Kingdom – the areas of operation mainly arise from rental of residential and commercial properties.
- (iii) Other countries – the main activities are manufacturing and trading of chemicals.

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40. GROUP SEGMENTAL INFORMATION (CONT'D)

By Business Segments

	Warehousing & Property		Insurance & Investment	
	2003 \$	2002 \$	2003 \$	2002 \$
Segment Revenue				
External	5,130,996	4,488,162	31,218,155	36,584,711
Inter Segment	–	–	106,161,608	35,247,404
Total Revenue	5,130,996	4,488,162	137,379,763	71,832,115
Operating profit/(loss)	4,730,266	3,300,121	105,357,378	41,407,339
Finance costs				
Share of results of associates				
Profit before tax				
Tax				
Profit after tax				
Minority interest				
Profit attributable to shareholders				
Segment Assets	134,715,976	127,835,538	819,428,087	845,530,137
Investment in associated companies	10	10	59,255,758	231,599,109
	134,715,986	127,835,548	878,683,845	1,077,129,246
Unallocated Assets				
Total Assets				
Segment Liabilities	(48,495,570)	(46,481,510)	(111,047,740)	(271,522,149)
Unallocated Liabilities				
Total Liabilities				
Capital expenditure	1,794,979	–	264,150	8,150,390
Depreciation and impairment loss on fixed assets	101,534	457	847,826	898,700
Other non-cash expenses/(income) (Write-back)/Provision for impairment losses	22,000	–	28,187	(4,013,055)
	–	–	11,166,420	2,259,794

By Geographical Segments

	Singapore		United Kingdom	
	2003 \$	2002 \$	2003 \$	2002 \$
Revenue				
External	34,357,946	39,156,322	4,032,743	3,401,872
Inter Segment	106,525,175	35,248,926	–	–
Total Revenue	140,883,121	74,405,248	4,032,743	3,401,872
Segment Assets	1,001,685,941	1,223,709,606	93,948,174	60,930,865
Capital expenditure	484,847	8,156,214	1,574,282	–

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Manufacturing & Trading		Eliminations		Total	
2003	2002	2003	2002	2003	2002
\$	\$	\$	\$	\$	\$
4,103,449	12,748,373	–	(61,824)	40,452,600	53,759,422
1,902,373	634,442	(108,063,981)	(35,881,846)	–	–
6,005,822	13,382,815	(108,063,981)	(35,943,670)	40,452,600	53,759,422
(2,117,711)	(6,414,709)	(91,940,956)	(27,068,117)	16,028,977	11,224,634
				(1,131,698)	(824,813)
				(364,995)	(191,783)
				14,532,284	10,208,038
				(1,027,536)	652,578
				13,504,748	10,860,616
				63,994	61,251
				13,568,742	10,921,867
4,440,199	8,982,876	(576,510,316)	(593,284,453)	382,073,946	389,064,098
–	–	–	–	59,255,768	231,599,119
4,440,199	8,982,876	(576,510,316)	(593,284,453)	441,329,714	620,663,217
				82,473,582	79,941,526
				523,803,296	700,604,743
(2,572,086)	(17,481,288)	69,771,471	85,226,002	(92,343,925)	(250,258,945)
				(7,121,847)	(8,859,844)
				(99,465,772)	(259,118,789)
33,204	583,394	–	–	2,092,333	8,733,784
700,278	215,731	–	–	1,649,638	1,114,888
306,138	3,216,629	–	–	356,325	(796,426)
840,000	2,737,101	(13,053,249)	–	(1,046,829)	4,996,895
Others		Eliminations		Total	
2003	2002	2003	2002	2003	2002
\$	\$	\$	\$	\$	\$
2,061,911	11,201,228	–	–	40,452,600	53,759,422
1,538,806	632,920	(108,063,981)	(35,881,846)	–	–
3,600,717	11,834,148	(108,063,981)	(35,881,846)	40,452,600	53,759,422
4,679,497	9,248,725	(576,510,316)	(593,284,453)	523,803,296	700,604,743
33,204	577,570	–	–	2,092,333	8,733,784

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41. MAJOR PROPERTIES OWNED BY THE GROUP

Location	Type/Usage	Area
<i>Held by the Company</i>		
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.
<i>Held by Subsidiary Companies</i>		
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.
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Freehold. Office.	Gross floor area of about 1,690 sq. feet.
50% interest in Riverview House Beavor Lane Hammersmith London W6, United Kingdom	Freehold. Office building.	Gross floor area of about 40,000 sq. feet.
70% interest in 55 Greek Street London W1D 3DT United Kingdom	Freehold. Commercial.	Gross floor area of about 17,000 sq. feet.

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41. MAJOR PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Type/Usage	Area
<i>Held by Subsidiary Companies (cont'd)</i>		
11 Collyer Quay #09-00 The Arcade Singapore 049317	99 years lease from 1980. Office.	Gross floor area of about 8,027 sq. feet. Net lettable area of 6,974 sq. feet.
50% interest in Hollins Hall United Kingdom	Freehold. 6 units of retirement homes.	–
<i>Held by Associated Companies</i>		
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.

42. FINANCIAL RISK MANAGEMENT**(i) Financial risk management objectives and policies**

Exposure to interest rate risks, liquidity risks, credit and foreign currency risks arise in the normal course of business. The Group's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to its placements in fixed deposits and debt obligations with financial institutions and hire purchase agreements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Information relating to the Group's interest rate exposure is also disclosed in the notes to the financial statements.

(b) Liquidity risk

The Group manages liquidity risks through short-term funding obtained from overdraft facilities, when necessary.

(c) Credit risk

The carrying amount of trade and other debtors and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group's exposure to credit risk is monitored on an ongoing basis. At balance sheet date, there was no significant concentration of credit risks.

42. FINANCIAL RISK MANAGEMENT (CONT'D)**(i) Financial risk management objectives and policies (cont'd)***(d) Foreign currency risk*

The Group does not use foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the US Dollars and Sterling Pounds. Wherever possible, the Group manages its exchange risk arising from effect of changes in exchange rate on its foreign investment properties by financing its purchase using bank borrowings denominated in the currency of the country in which the asset is situated.

(ii) Fair values

The fair value of financial assets and liabilities reported in the balance sheet approximate the carrying amount of those assets and liabilities except for unquoted equity investments. In the management's opinion, it is not practicable to determine the fair values of the unquoted equity investments held as long-term investments and carried at carrying value of \$2,769,351 (2002 : \$9,783,603). The expected cash flows from these investments are believed to be in excess of their carrying amount.

No disclosure of fair value is made for balances with subsidiary companies, holding companies and staff loan, as it is not practical to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

43. COMPARATIVES

Certain comparatives in the Consolidated Profit and Loss Account have been reclassified to conform with current year's presentation.

The following comparative figures in the Balance Sheets have been reclassified to conform with current year's presentation:

	Group	
	2002	2002
	As	As previously
	reclassified	reported
	\$	\$
Long term investments	111,924,758	107,479,369
Short term investments	49,245,115	53,690,504
Other receivables	6,113,375	8,298,973
Deferred acquisition costs	2,185,598	-
Interest in joint venture (note 35)		
Current liabilities	(1,710,954)	(1,029,731)
Non-current liabilities	(17,111,197)	(24,043,893)

SHAREHOLDING STATISTICS

AS AT 8 MARCH 2004

Authorised share capital	:	\$300,000,000
Issued and fully paid share capital	:	\$163,258,000
Number of shareholders	:	4,860
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 - 999	170	3.50	62,066	0.01
1,000 - 10,000	2,543	52.33	14,748,368	2.26
10,001 - 1,000,000	2,121	43.64	101,031,562	15.47
1,000,001 and above	26	0.53	537,190,004	82.26
Total	4,860	100.00	653,032,000	100.00

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. HSBC (Singapore) Nominees Pte Ltd	132,245,776	20.25
2. Oversea-Chinese Bank Nominees Pte Ltd	102,576,000	15.71
3. United Overseas Bank Nominees Pte Ltd	46,483,700	7.12
4. Hong Leong Enterprises Pte. Ltd.	45,664,000	6.99
5. DBS Nominees Pte Ltd	34,646,248	5.31
6. Ong Holdings (Private) Limited	31,686,000	4.85
7. Tudor Court Gallery Pte Ltd	29,940,000	4.58
8. Starich Investments Pte. Ltd.	24,942,000	3.82
9. Welkin Investments Pte Ltd	21,296,000	3.26
10. Ely Investments (Pte) Ltd.	13,507,000	2.07
11. Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
12. Citibank Nominees Singapore Pte Ltd	8,818,000	1.35
13. UOB Kay Hian Pte Ltd	8,567,548	1.31
14. Guan Meng Kuan	5,550,860	0.85
15. Raffles Nominees Pte Ltd	3,049,600	0.47
16. Chew Cheng Hoi Investments Pte Ltd	2,153,584	0.33
17. HSBC Private Bank (Suisse) SA	1,900,000	0.29
18. Kim Eng Securities Pte. Ltd.	1,806,300	0.28
19. Hong Leong Finance Nominees Pte Ltd	1,729,000	0.26
20. Goodland Private Limited	1,600,000	0.25
	529,647,112	81.11

AS AT 8 MARCH 2004

EXTRACT FROM REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%
Ong Choo Eng	–	276,765,520	276,765,520	42.38
Ong Mui Eng	4,547,248	263,580,268	268,127,516	41.06
Ong Hian Eng	3,062,604	263,643,520	266,706,124	40.84
Ong Kwee Eng	–	265,259,020	265,259,020	40.62
Ong Eng Loke	406,500	264,142,520	264,549,020	40.51
Ong Eng Yaw	25,000	263,258,520	263,283,520	40.32
Ong Holdings (Private) Limited	227,081,676	36,176,844	263,258,520	40.31
Hong Leong Enterprises Pte. Ltd.	45,664,000	24,942,000	70,606,000	10.81
Hong Leong Investment Holdings Pte. Ltd.	–	121,842,248	121,842,248	18.66
Kwek Holdings Pte Ltd	–	121,842,248	121,842,248	18.66
Davos Investment Holdings Private Limited	–	121,842,248	121,842,248	18.66

- Notes:**
- Ong Holdings (Private) Limited (“OH”) is deemed under Section 7 of the Companies Act, Chapter 50 (the “Act”) to have an interest in the shares held by its wholly owned subsidiaries, Bee Tong Trading Company Private Limited (“Bee Tong”) and International Foundation Engineering Pte. Ltd. (“IFE”).
 - Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong and IFE, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong, IFE and OME Investment Holding Pte Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, Bee Tong and IFE, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Ong Hian Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong, IFE and Fica (Pte) Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Ong Mui Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, Bee Tong and IFE, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong, IFE and Ely Investments (Pte) Ltd., in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Hong Leong Enterprises Pte. Ltd. (“HLE”) is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd. (“Starich”), in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Hong Leong Investment Holdings Pte. Ltd. is deemed under Section 7 of the Act to have an interest in the shares held by HLE, Starich, Tudor Court Gallery Pte Ltd, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Kwek Holdings Pte Ltd is deemed under Section 7 of the Act to have an interest in the shares referred to in Note 9 above, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
 - Davos Investment Holdings Private Limited is deemed under Section 7 of the Act to have an interest in the shares referred to in Note 9 above, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

PERCENTAGE OF PUBLIC FLOAT

Based primarily on the Register of Substantial Shareholders, the percentage of the Company’s public float as at 8 March 2004 was about 34.06% of the Company’s issued share capital and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited had been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of the Company will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Friday, 23 April 2004 at 11.00 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 2003. **Resolution 1**
2. To declare a final ordinary dividend of 1 cent per share or 4%, less 20% income tax, in respect of the financial year ended 31 December 2003. **Resolution 2**
3. To approve the payment of fees amounting to \$198,000 to the Non-Executive Directors of the Company for the financial year ended 31 December 2003 (2002: \$210,000). **Resolution 3**
4. To re-elect the following Directors retiring by rotation in accordance with Article 105 of the Company's Articles of Association:
 - (a) Mr Boon Suan Lee **Resolution 4**
(Note: Mr Boon Suan Lee is considered a non-executive and non-independent Director.)
 - (b) Mr Yong Kun Da Richard **Resolution 5**
(Note: Mr Yong Kun Da Richard, if re-elected, will remain as Chairman of the Remuneration Committee and a member of the Audit Committee. He is considered an independent non-executive Director.)
5. To consider and, if thought fit, to pass the following resolutions:
 - (a) "That pursuant to Section 153(6) of the Companies Act, Chapter 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."
(Note: Mr Guan Meng Kuan, if re-elected, will remain as a member of the Nominating Committee. He is considered a non-executive and non-independent Director.) **Resolution 6**
 - (b) "That pursuant to Section 153(6) of the Companies Act, Chapter 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."
(Note: Mr Chew Loy Kiat, if re-elected, will remain as Chairman of the Audit Committee and a member of the Nominating Committee. He is considered an independent non-executive Director.) **Resolution 7**
6. To appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

8. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:
 - 8A. "That authority be and is hereby given to the Directors of the Company to: **Resolution 9**
 - (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into shares,at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"); and
 - (iii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

8B. "That pursuant to Section 161 of the Companies Act, Chapter 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."

Resolution 10

8C. "That pursuant to Section 161 of the Companies Act, Chapter 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 shareholders 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."

Resolution 11

8D. "That pursuant to Section 161 of the Companies Act, Chapter 50, approval be and is hereby given to the Directors of the Company to allot and issue shares in the Company as may be required to be allotted and issued pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme approved by shareholders in general meeting on 7 November 2003, and to do all acts and things which they may consider necessary or expedient to carry the same into effect."

Resolution 12

8E. "That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or
- (ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held; or
- (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

- (c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

"Maximum Price", in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined hereinafter),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's Central Limit Order Book (CLOB) trading system as shown in any publication of the SGX-ST or other sources;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

Resolution 13

“Market Day” means a day on which the SGX-ST is open for trading in securities; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.”

BY ORDER OF THE BOARD

TAN MEE CHOO

SECRETARY

Singapore, 7 April 2004

Note

A member entitled to attend and vote at the meeting may appoint not more than two proxies to attend and vote in his stead. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies 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 appointed for holding the meeting.

Explanatory Notes to Special Business

Resolution 9, if passed, will empower the Directors to issue shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of shares to be issued pursuant to this Resolution, including shares to be issued in pursuance of Instruments made or granted pursuant thereto, will be subject to the 50% limit and the 20% sub-limit. The 50% limit and the 20% sub-limit will be calculated based on the issued share capital of the Company at the time of the passing of this Resolution, after adjusting for:

- (a) new shares arising upon the conversion or exercise of convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and
- (c) any subsequent consolidation or subdivision of shares.

The authority conferred by this Resolution will continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless previously revoked or varied at a general meeting.

Resolution 10, if passed, gives authority to the Directors to issue shares in the capital of 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.

Resolution 11, if passed, gives authority to the Directors 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).

Resolution 12, if passed, gives authority to the Directors to issue shares in the capital of the Company pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme approved at the Extraordinary General Meeting of the Company held on 7 November 2003.

Resolution 13, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) issued and fully paid ordinary shares of the Company on the terms of the mandate set out in the attached Appendix to the Notice of Annual General Meeting (the “Share Purchase Mandate”). The authority conferred by this Resolution will continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless previously revoked or varied at a general meeting.

As mentioned in paragraph 3.4 of the attached Appendix to the Notice of Annual General Meeting, the Company intends to use the Group's internal resources to finance its purchases or acquisitions of shares under the Share Purchase Mandate. For illustrative purposes only, the financial effects of purchases or acquisitions of shares under the Share Purchase Mandate on the audited financial statements of the Company and the Group for the financial year ended 31 December 2003, based on certain stated assumptions, are set out in paragraph 3.5 of the Appendix to the Notice of Annual General Meeting.

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy shares in Hwa Hong Corporation Limited, 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.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*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 Shareholdings	
			No. of Shares	%
*and/or				

or failing *him/her/them, 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 **Fifty-First Annual General Meeting** of the Company ("AGM") to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 23 April 2004 at 11.00 a.m. and at any adjournment thereof.

(*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM and at any adjournment thereof.)

Resolution No.	Ordinary Business	To be used on a Show of Hands ^(a)		To be used in the Event of a Poll ^(b)	
		For	Against	No. of Votes For	No. of Votes Against
1	Adoption of reports and financial statements				
2	Declaration of final ordinary dividend				
3	Approval of payment of fees to Non-Executive Directors				
4	Re-election of Mr Boon Suan Lee				
5	Re-election of Mr Yong Kun Da Richard				
6	Re-appointment of Mr Guan Meng Kuan				
7	Re-appointment of Mr Chew Loy Kiat				
8	Appointment of Auditors and authorising Directors to fix their remuneration				
	Any other business				
	Special Business				
9	Authority to issue shares and to make or grant Instruments up to stipulated limits				
10	Authority to issue shares under the Hwa Hong Corporation Limited Executives' Share Option Scheme				
11	Authority to grant options and to issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme				
12	Authority to issue shares under the Hwa Hong Corporation Limited Scrip Dividend Scheme				
13	Renewal of Share Purchase Mandate				

(a) Please indicate your vote "For" or "Against" with a ✓ within the box provided.

(b) If you wish to exercise your votes "For" or "Against", please indicate your vote with a ✓ within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2004

Total Number of Shares Held	
CDP Register	
Members' Register	

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

IMPORTANT: PLEASE SEE 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 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 and the number of shares registered in your name in the Register of Members in respect of share certificates held by you. 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, Chapter 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



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.

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FINANCIAL CALENDAR

Financial year-end

31 December

Tentative Dates for Announcement of 2004 unaudited results

First Quarter

14 May 2004

Second Quarter

13 August 2004

Third Quarter

10 November 2004

Full year

11 February 2005

Annual General Meeting

23 April 2004 (11.00 a.m.)

Dividends for year ended 31 December 2003

Interim dividend of 1 cent per share (4%) less 22% tax

Date of books closure

5 September 2003

Payment date

19 September 2003

Proposed final ordinary dividend of 1 cent per share (4%) less 20% tax

Last day of lodgement of transfers for dividend entitlements

Up to 5.00 p.m. on 6 May 2004

Date of books closure

7 May 2004

Payment date

21 May 2004



HWA HONG CORPORATION LIMITED



38 South Bridge Road Singapore 058672 website: www.hwahongcorp.com email: secretariat@hwahongcorp.com

HWA HONG CORPORATION LIMITED **annual report 2003**