annual report 2005

HWA HONG CORPORATION LIMITED

The Pier at Robertson

Circulation by Hwa Hong Corporation Limited
38 South Bridge Road Singapore 058672
website: www.hwahongcorp.com

Corporate Information

board of directors

Hans Hugh Miller
Non-Executive Chairman
Ong Choo Eng
Group Managing Director
Ong Mui Eng
Ong Hian Eng
Guan Meng Kuan
Chew Loy Kiat
Goh Kian Hwee
Boon Suan Lee
Ma Kah Woh, Paul
Appointed on 31 March 2006
Wee Sin Tho
Appointed on 31 March 2006
Ong Eng Loke
Alternate Director to Ong Mui Eng

audit committee

Chew Loy Kiat
Chairman
Goh Kian Hwee
Guan Meng Kuan

nominating committee

Goh Kian Hwee
Chairman
Chew Loy Kiat
Guan Meng Kuan

remuneration committee

Hans Hugh Miller
Chairman
Goh Kian Hwee
Guan Meng Kuan

management

Ong Choo Eng
Ong Mui Eng
Ong Hian Eng
Chen Chee Kiew (Mrs)
General Manager (Property & Investments)
Tan Yian Hua
Principal Officer/CEO (General Insurance)
Ong Eng Hock Simon
Chief Financial Officer
Ong Eng Loke
Business Development Manager

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
email: mail@tenetinsurance.com
website: www.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

company secretaries

Ong Bee Leem
Tan Mee Choo

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
Certified Public Accountants
10 Collyer Quay #21-01 Ocean Building
Singapore 049315
Partner In-Charge: Mak Keat Meng
(With effect from financial year ended 31 December 2005)

Chairman's Review

> "I am pleased to present the results of the Group for the year ended 31st December 2005. Group revenue increased to $68.1 million, up $14.1 million from the financial year ended 31st December 2004. Gross profit increased 10.7% in 2005, rising to $27.1 million."

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31st December 2005. Group revenue increased to $68.1 million, up $14.1 million from the financial year ended 31st December 2004. Gross profit increased 10.7% in 2005, rising to $27.1 million.

Profit after taxation was $15.996 million, a decline of 14.3%, relative to restated 2004 group profit. The restatement was necessitated by the adoption of the revised FRS 28 with regards to equity accounting for associated companies and resulted in an increase of previously reported 2004 earnings from $15.939 million to $18.659 million. In addition to the restatement, we incurred an exchange loss of $2.03 million in 2005, as compared to an exchange gain of about $2.7 million in the previous year. The exchange loss which is mainly unrealised arose from the translation of Sterling Pounds bank deposits into Singapore Dollars because of the strengthening of the Singapore Dollars against Sterling Pounds. Other factors impacting profit after taxation in 2005 included primarily the one-time costs related to acquisitions of properties during the year.

Your Directors have recommended a final gross dividend of 1¢ per share for the financial year ended 31st December 2005 payable on 26th May 2006. An interim gross dividend of 1¢ per share was paid on 2nd September 2005.

PROPERTY

SINGAPORE WAREHOUSE COMPANY (PRIVATE) LTD. GROUP

RiverGate (a 50% joint venture with CapitaLand Residential Limited)

The demand for high-end residential properties in Singapore improved significantly in 2005. As a result, the take up rate for developer sales exceeded the 5,850 units achieved in 2004. In line with this strong demand, the first phase of RiverGate development

was successfully launched. As of 31st December 2005, 265 units were sold achieving a total projected future revenue of $471.9 million. In anticipation of the continuing strong demand for high-end residential properties this year, the remaining units of the project are expected to be launched in 2006.

Piling and excavation works are in progress and all major building contracts have been awarded within the budget. The construction is expected to take 40 months and Temporary Occupation Permit is projected for September 2008. The Group will take up its share of gains from the development when the joint venture company, Riverwalk Promenade Pte Ltd, which has day-to-day control of the project, recognises the gains from the sales.

The Pier at Robertson (a 20% joint venture with City Developments Limited)

Construction works at The Pier at Robertson are on schedule with Temporary Occupation Permit expected in the first quarter of 2006. 104 units of apartments totalling 117,795 square feet have been sold and the Group has to-date recognised a profit of $1.27 million.

Industrial Property at Paya Lebar

Rental prices of factories and warehouses remained flat for 2005. Occupation rate at the warehouse remained at 72% and rental rates averaged 91.3 cents per square foot per month. With the Government's divestment programme of industrial properties due to kick off in 2006, we expect some further softening effect on rental rates and prices for industrial properties in 2006.

London Properties

The London housing market advanced 3.8% from 2004. The Group took the opportunity to dispose of some apartments and a commercial property and realised a profit of $6.723 million. During the year, a portfolio of six commercial properties was purchased, of which one was re-sold to meet the terms of the bank loan agreement used to finance the purchase. The remaining five properties are being retained for rental income.

GENERAL INSURANCE

TENET INSURANCE COMPANY LTD

2005 was a year where there were rampant rate cuts across almost all major lines of the general insurance business. From the beginning of the year, Tenet Insurance Company Ltd ("Tenet Insurance") was already preparing itself for a very soft market as rate reductions were evident in the last quarter of 2004. We saw average rate reduction of 15% to 20% for property and casualty classes but private motor insurance was where the battle was at its most aggressive. We took the decision to sit out this price war and as a result our motor insurance premiums decreased by $1.5 million in 2005. Non-motor business grew by $0.6 million, mainly in the areas of personal accident/travel insurance and individual medical. Against such operating conditions, Tenet Insurance managed to record gross written premiums of $23.9 million.

Net incurred claims fell slightly to $4.7 million as compared to $4.9 million in 2004. This was due to positive developments of prior years' claims and the on-going implementation of our claims cost containment measures.

Underwriting profit grew to $2.7 million as compared to $2.5 million in 2004. Together with investment income, which increased by 3% to $3.5 million this year, Tenet Insurance achieved a net profit before tax of $6.2 million.

For 2006, we anticipate the "soft" market conditions to continue due to excess market capacity, with nearly 30 players. Despite competitive conditions in the overall market, we believe current pricing in our key product areas is sufficient for us to achieve adequate returns and moderate growth in gross written premiums in 2006. For personal lines, growth will come from our various initiatives with affinity partners and launch of new and enhanced products. For commercial lines, we expect to benefit from improvement in the economy and increased contribution from brokers and financial advisory firms, leading to growth in our small to mid-sized accounts.

MANUFACTURING AND TRADING

The manufacturing and trading segment posted an operating profit of $1.9 million in 2005 compared with an operating loss of $2.7 million in 2004. This was due mainly to the return to profitability by the Group's investment in 49.5% owned Norwest Holdings Pte Ltd and its subsidiaries ("Norwest Group"), which resulted in a write-back of provision for impairment loss, amounting to $3.5 million.

The Norwest Group is expected to continue to contribute positively to the Group's bottom line. However, the profit contribution is expected to be lower until the full output from the two phosphate rock mines is restored in the third quarter of 2006 after approval for the drilling of a new well in its second phosphate rock mine has been obtained.

OUTLOOK AND ACKNOWLEDGEMENT

The recovery of the high-end property market is likely to persist and price increases can be expected. Although the market has improved in 2005 and into 2006, the positive contribution from the RiverGate development will only be recognised when our joint venture company, Riverwalk Promenade Pte Ltd recognises the gains from the sales in accordance with the progress of the construction. There are no plans for the time being to divest the commercial and residential properties in London as these are tenanted and giving an acceptable rental yield. The profit contribution from the overseas properties in London will therefore be lower than that of the previous year. Tenet Insurance is expected to show modest growth and its investment income will benefit from the higher interest rate environment, although the general insurance market is extremely competitive today with price competition in many lines of business.

Lastly, I wish to thank my fellow Directors, staff, shareholders and business associates for their support during the year. I would also like to thank Mr Richard Yong Kun Da who resigned last year for his past contributions and to welcome Mr Ma Kah Woh, Paul and Mr Wee Sin Tho who will be joining the Board effective from 31 March 2006. Both gentlemen will further strengthen your Board and contribute to guide and set policies for senior management to meet the challenges ahead.

Hans Hugh Miller
Chairman
3 March 2006

Five Year Group Financial Profile

	Note		Financial Year ("FY") 2005	2004	2003	2002	2001
Revenue	1	$'000	68,081	53,939	46,335	63,131	125,250
Profit before taxation	2	$'000	16,128	18,640	14,533	10,208	16,329
Profit after taxation	3	$'000	15,996	18,659	13,505	10,860	12,978
Number of ordinary shares	4	'000	653,504	653,504	653,020	652,960	652,960
Shareholders' funds		$'000	434,178	430,327	424,312	441,396	430,388
Total assets		$'000	531,205	510,954	525,427	700,605	621,970
Net tangible assets per share		cents	66.44	65.85	64.98	67.60	65.91
In respect of the financial year:							
(i) Gross dividend rate							
- interim		%	4	4	4	3	2
- final		%	4	4	4	3	3
- special		%	-	-	-	3	2
(ii) Total net dividend		$'000	10,456	10,456	10,321	11,459	8,831
Dividend cover	5	times	1.53	1.78	1.31	0.95	1.47

Notes

1 The figures for FY 2001 to FY 2003 have been adjusted and restated from those previously reported in those years to take into account the change in the basis of recording revenue from disposal of short term investments as disclosed in the notes to the financial statements for FY 2004.The figures for FY 2002 and FY 2003 have also been adjusted for the restatement of gross premium income to be consistent with current presentation and to comply with revised requirements of the Monetary Authority of Singapore. The figures for FY 2001 have also been adjusted and restated to take into account the change in accounting policy in FY 2002 resulting from application of the benchmark treatment under SAS 29, Financial Reporting of Interests in Joint Ventures. The figures for FY 2001 include revenue from Singapore Piling & Civil Engineering Private Limited, a subsidiary which was disposed of in FY 2001, but exclude revenue from Tenet Insurance Company Ltd, which was an associated company until FY 2002 when it became a wholly owned subsidiary.

2 The figures for FY 2001 and FY 2002 have not been adjusted for the effect of adoption of INT FRS 19, Reporting Currency - Measurement and Presentation of Financial Statements under FRS 21 and FRS 29. As disclosed in the notes to the financial statements for FY 2003, the Group has adopted the allowed alternative treatment and recognised an exchange gain of $1.75 million prospectively. The figures for FY 2004 have also been restated for the effect of adoption of FRS 28 (revised), Investment in Associates.

3 The figures for FY 2001 have been adjusted and restated from those previously reported to take into account the change in accounting policy in FY 2002 arising from adoption of SAS 12 (2001) Income Taxes. The figures for FY 2004 have also been restated for the effect of adoption of FRS 28 (revised), Investment in Associates.

4 The figures for FY 2001 have been adjusted and restated from those previously reported to take into account the change in accounting policy in FY 2002 arising from adoption of SAS 12 (2001) Income Taxes.

5 Dividend cover is arrived at by dividing profit after taxation by the net dividend amount.

Board of Directors

HANS HUGH MILLER
Independent And Non-executive Chairman
B.A. Economics

Mr Hans Hugh Miller was appointed a Director on 3 January 2005 and last re-elected on 20 April 2005. He has been appointed the non-executive Chairman of the Board of Directors on 20 April 2005. He is considered an independent non-executive Director. He is also the Chairman of the Company's Remuneration Committee.

Mr Miller holds a BA degree in economics, Carleton College (Minnesota, USA). He acts as Managing Director and Senior Advisor to Banc of America Securities, LLC (NY, USA); is board vice president of The Harriett Beecher Stowe Center (CT, USA) and chairman of its investment committee; and is a trustee and board member of the Boys and Girls Clubs of Hartford (CT, USA). Mr Miller is past President & CEO of The Hartford International Financial Services Group, LLC (CT, USA), and past Senior Vice President of The Hartford Financial Services Group, Inc, for Planning, Development and Investor Relations. Mr Miller is past chairman of The Committee of American Insurers in Europe and The International Committee of the American Insurance Association, and a past board member of ITT Europe.

ONG CHOO ENG
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. He is an executive Director and therefore non-independent.

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
Non-independent And Executive Director

Mr Ong Mui Eng was appointed a Director on 1 February 1983. He was last re-appointed on 20 April 2005. He is an executive Director and is therefore non-independent. Mr Ong will retire pursuant to Section 153 of the Companies Act, Chapter 50 as he is of 70 years of age and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company scheduled to be held on 26 April 2006.

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
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 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 26 April 2006.

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
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 20 April 2005. He is considered an independent non-executive Director. He is also a member of the Company's Audit Committee, Nominating Committee and Remuneration 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 26 April 2006.

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
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 20 April 2005. 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 26 April 2006.

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

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.

GOH KIAN HWEE
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 20 April 2005. 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.

BOON SUAN LEE
Non-independent And Non-executive Director
F.C.P.A., F.C.I.S.

Mr Boon Suan Lee was appointed a Director on 1 July 1998. He was last re-elected on 23 April 2004. He is considered a non-independent and non-executive Director.

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.

MA KAH WOH, PAUL
Independent And Non-executive Director
C.P.A., F.C.A. (England And Wales)

Mr Ma Kah Woh, Paul was appointed a Director on 31 March 2006. He is considered an independent non-executive Director. Mr Ma 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 26 April 2006.

Mr Ma was a senior partner of KPMG Singapore in charge of the Audit & Risk Advisory Practice and Risk Management function until his retirement in September 2003.

He sits on the boards and audit committees of two public listed companies, SMRT Corporation Ltd, a company listed in Singapore, and Golden Harvest Entertainment (Holdings) Limited, a company listed in Hong Kong. He also sits on the boards and audit committees of Asia General Holdings Limited, The Asia Insurance Company Limited and The Asia Life Assurance Society Limited. In addition, he serves as a director and a member of the audit committee and the executive resource and compensation committee of Mapletree Investments Pte Ltd, a Temasek subsidiary involved in property investment and development. He also serves as chairman of the board and a member of the audit committee of Mapletree Logistics Trust Management Ltd., the manager of Mapletree Logistics Trust - a logistics real estate investment trust (REIT) listed in Singapore, and as a director of Ascott Residence Trust Management Limited. He is a director of CapitaLand China Development Fund Pte Ltd, a private equity fund.

Mr Ma is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Certified Public Accountants of Singapore.

WEE SIN THO
Independent And Non-executive Director
B. Soc. Sci. (Hons)

Mr Wee Sin Tho was appointed a Director on 31 March 2006. He is considered an independent non-executive Director. Mr Wee 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 26 April 2006.

Mr Wee is the Chief Investment Officer of National University of Singapore. He sits on the board of a public listed company, Keppel Telecommunications and Transportation Ltd. He is a director of Savu Investments Ltd and a council member of the Singapore Cancer Society. Mr Wee's last held appointment was Chief Executive Officer of HLG Capital Bhd, a holding company in Malaysia with interests in stockbroking and asset management. Earlier in his career, he had also served as Managing Director of United Industrial Corporation Limited, President of Vickers Capital Limited and Chief Executive Officer of Vickers Ballas Holdings Ltd.

He holds a Bachelor of Social Sciences (Hons) Degree - major in economics, from the University of Singapore.

ONG ENG LOKE
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 joined the Company in August 2004 as manager for business development. He is responsible for evaluating new business and investment opportunities in Asia particularly in the North Asian region of China and Korea. He will tap on his past experience in the Korean equity market to set up an in-house Korean equity fund. Prior to his appointment, he was the Vice President of Investment and Country Manager of Korean equities at Tokio Marine Asset Management International Pte Ltd where he had helped to manage pension funds and unit trusts out of Tokyo. He had also worked in OUB Asset Management as the Fund Manager and Country Manager of Korean and Australian equities, and UOB Asset Management as Portfolio Manager for the Australian equity and the Hong Kong conglomerate sector.

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 was appointed a Director of Tenet Insurance Company Ltd ("Tenet Insurance") on 1 June 2005. She has been the Principal Officer/Chief Executive Officer of 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 a member of the Management Committee of the General Insurance Association of Singapore and a member of the Financial Industry Competency Steering Committee.

ONG ENG HOCK SIMON
Chief Financial Officer

Mr Ong Eng Hock Simon is the Chief Financial Officer since 1 July 2004. He 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 LOKE
Business Development Manager

Information concerning Mr Ong Eng Loke is found under "Board of Directors" section of this Annual Report.

Financial Calendar

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2005

Announcement of 2005 Unaudited Results

First Quarter ended 31 March 2005	11 May 2005
Second Quarter ended 30 June 2005	5 August 2005
Third Quarter ended 30 September 2005	9 November 2005
Financial Year ended 31 December 2005	23 February 2006

Annual General Meeting

26 April 2006 (11.00 a.m.)

Dividends

Interim dividend of 1 cent per share (4%) less 20% tax

Date of books closure	22 August 2005
Payment date	2 September 2005

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

Last day for lodgement of transfers for dividend entitlements	Up to 5.00 p.m. on 15 May 2006
Date of books closure	16 May 2006
Payment date	26 May 2006

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2006

Tentative Dates for Announcement of 2006 Unaudited Results

First Quarter of 2006	28 April 2006
Second Quarter of 2006	2 August 2006
Third Quarter of 2006	8 November 2006
Financial Year 2006	22 February 2007

A Total Solution Provider in General Insurance for Almost 50 Years

Since Tenet was established in 1957, we have evolved over the years to support the fast-changing needs of our customers and business partners. Described by Standard & Poor's in February 2004 as a company of 'good' financial security, Tenet has built a strong track record for good asset quality, solid capital base and prudent reinsurance protection.

Today, Tenet offers a broad spectrum of general insurance products and services ranging from personal insurance for individuals and families, to business insurance for companies. Because of our local roots, we are very in tune with the heartbeat of local businesses. Yet our forward looking team of employees is equipped with a global perspective, which makes us well-poised for the future.

Our **Business Insurance Division** focuses on offering a comprehensive portfolio of services to commercial enterprises. We cater to a broad spectrum of industries and niche sectors, including manufacturing concerns, logistic companies, engineering firms, traders and property owners. Besides private entities, we also count public-listed companies as our valued clients.

We write the following classes of Business Insurance:

Property and Pecuniary Insurance
- Property and/or Consequential Loss
- Burglary
- Fidelity Guarantee
- Money

Liability Insurance
- Public Liability
- Bailees and Warehousemen Liability

Marine Insurance
- Marine Cargo
- Pleasure Craft

Statutory Classes of Insurance
- Workmen's Compensation
- Motor

Employee Benefits Insurance
- Group Hospital & Surgical
- Group Travel and/or Personal Accident

For the small business, our hassle-free **'Spectra' Business Packages** incorporate most of the above classes of insurance to cater to various industries, including:
- Food & Beverages
- Light Industrial
- Office
- Retail
- Services

Our **Personal Insurance Division** offers protection packages for individuals and families. Whether it is for travel, personal accident, home, domestic maid, motor or hospitalisation insurance needs, each plan provides comprehensive coverage and options to choose from to best suit their needs and those of their family members. Customised 'scheme' products can also be developed to meet the needs of specific customer groups.

Our comprehensive range of Personal Insurance products includes:
- **PAStar** and **Personal Accident** for accident protection
- **HomeBliss** for a complete cover for the home
- **MediWell Plus** and **MediLite** for a more complete hospitalisation cover
- **TravelJoy** for a worry-free holiday overseas
- **MaidEase** to protect both employer and domestic maid
- **Private Motor** with a host of benefits from our appointed workshops

We pride ourselves as being technology driven. Our online portals have often won the praises of customers and business partners alike for how swiftly and efficiently they have made doing business with Tenet easier.

All of these are driven by our commitment to establish and build relationships based on principles, trust and integrity. Because with Tenet, **it's beyond just business**.




Whether it's for **you** and **your family** or for **your business**, someone you can count on can mean the world to you. At Tenet, you know you can **rely on us** to **care** for all your **personal** and **business insurance needs.**

Tenet, where it's all about **relationship and partnership**, is built on **trust and integrity**. It's also about quality service and swift response to your needs.

Because with us, **it's beyond just business**.

TENET Insurance Company Ltd

Tenet Insurance Company Ltd (a wholly owned company of Hwa Hong Corporation Limited)
11 Collyer Quay #09-00 The Arcade Singapore 049317 Tel: 6221 2211 Fax: 6221 1739 www.tenetinsurance.com

Corporate Governance Report

On 14 July 2005, the Ministry of Finance issued a revised Code of Corporate Governance (the "2005 Code") to replace the existing Code of Corporate Governance issued on 21 March 2001 by the Corporate Governance Committee (the "Code"). Listed companies are to disclose their corporate governance practices with specific reference to the 2005 Code in their annual reports for annual general meetings held from 1 January 2007 onwards.

Hwa Hong Corporation Limited (the "Company") is currently reviewing its corporate governance processes and practices to meet the recommendations set out in the 2005 Code. The Company describes its corporate governance practices with specific reference to the principles of the Code and where appropriate, the 2005 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 Group'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 financial results of the Company and the Group 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 Board committees during the year 2005 is disclosed below:

MEETINGS OF BOARD AND BOARD COMMITTEES HELD IN YEAR 2005

	Board Of Directors	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings held	**4**	**5**	**1**	**1**
Name Of Director	**Attended**	**Attended**	**Attended**	**Attended**
Hans Hugh Miller	4	N.A.	N.A.	N.A.
Ong Choo Eng	4	N.A.	N.A.	1
Ong Mui Eng	4	N.A.	N.A.	N.A.
Ong Hian Eng	4	N.A.	N.A.	N.A.
Guan Meng Kuan	4	N.A.	1	N.A.
Chew Loy Kiat	4	5	1	N.A.
Goh Kian Hwee	4	5	1	1
Yong Kun Da Richard (resigned on 30 December 2005)	4	4	N.A.	1
Boon Suan Lee	4	N.A.	N.A.	N.A.

N.A. - not applicable.

Any incoming director will be given briefings and orientation by the Executive Directors and Management of the Company to familiarise him with the businesses and operations of the Group. The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Directors are also aware that they could access the websites of various agencies to obtain information and updates of any laws, regulations and issues.

When circumstances require, the members of the Board exchange views outside the formal environment of board meetings.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

On 31 March 2006, the Board increased its members by the appointment of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho as non-executive independent Directors. The Board presently comprises ten directors and one alternate director. Out of the ten directors, three are full-time executive directors. The alternate director is also a full-time management executive in the Company. Of the remaining seven non-executive directors, the Nominating Committee ("NC") of the Company considered six directors to be independent and one director to be non-independent.

The NC is of the view that the Board of ten directors is of reasonable size 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, chemical engineering, insurance, law, finance, taxation and banking.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer in the Company are separate. Mr Hans Hugh Miller, an independent non-executive Director, was appointed the Chairman of the Board of Directors of the Company on 20 April 2005. The Group Managing Director is Mr Ong Choo Eng. The Chairman and the Group Managing Director are not related. The Chairman ensures that Board meetings are held as and when necessary and sets its agenda in consultation with Group Managing Director and fellow directors and other executives, and if warranted, with professional advisers.

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 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 new appointments to the Board;
- making recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company's annual general meeting, having regard to the director's contribution and performance;
- determining annually whether or not a director is executive or 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.

The NC comprises of the following non-executive directors, all 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 submit 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 Articles of Association of the Company 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 Ong Mui Eng, Mr Guan Meng Kuan, Mr Chew Loy Kiat, Dr Ong Hian Eng, Mr Ma Kah Woh, Paul and Mr Wee Sin Tho, 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 of the Company do not impede their performance in carrying out their duties to the Company. Particulars of directorships including board committees memberships 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 - investment 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 HONG LEONG ASIA LTD - director - audit committee member JAPAN LAND LTD - director	TRANSMARCO LIMITED AYALA INTERNATIONAL HOLDINGS LIMITED BLU INC GROUP (now known as VANTAGE CORPORATION LIMITED) - director - remuneration committee chairman - audit committee member - nominating committee member MAE ENGINEERING LTD - director - remuneration committee member - nominating committee member ASIAMEDIC LIMITED - director
Ma Kah Woh, Paul	SMRT CORPORATION LTD - director - audit committee member GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED * - director - audit committee chairman	N.A.
Wee Sin Tho	KEPPEL TELECOMMUNICATIONS AND TRANSPORTATION LTD - director - audit committee member	N.A.

* listed in Hong Kong

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 22 to 24.

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 Senior Management should they have any queries or require additional information on the affairs of the Company and the Group.

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 Share Option Scheme of the Company.

The RC currently comprises entirely of non-executive independent directors:

1. Hans Hugh Miller (Chairman) *Appointed on 30 December 2005*
2. Goh Kian Hwee
3. Guan Meng Kuan *Appointed on 30 December 2005*

As and when deemed appropriate by the RC, expert advice is or will be sought.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The RC recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation 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 service contracts and compensation packages of directors of the Company and its subsidiaries.

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 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	Allowance/ Fee %	Based/ Fixed Salary %	Variable Or Performance Related Income/Bonus %	Benefits In Kind %	Other Long Term Incentives %	Total %
(i) $750,001 to $1,000,000						
Ong Choo Eng[1]	-	50	45	5	-	100
(ii) $250,001 to $500,000						
Ong Hian Eng[1]	-	48	31	21	-	100
(iii) $250,000 and below						
Ong Mui Eng[1]	-	77	13	10	-	100
Ong Eng Loke[2] (Alternate director to Ong Mui Eng)	-	79	12	9	-	100
Hans Hugh Miller[3]	100	-	-	-	-	100
Guan Meng Kuan[3]	100	-	-	-	-	100
Chew Loy Kiat[3]	100	-	-	-	-	100
Goh Kian Hwee[3]	100	-	-	-	-	100
Boon Suan Lee[3]	100	-	-	-	-	100
Yong Kun Da Richard[3] (Resigned on 30 December 2005)	100	-	-	-	-	100

1 Mr Ong Choo Eng, Mr Ong Mui Eng and Dr Ong Hian Eng are brothers and also executive directors of the Company, and each of their all-in remuneration exceeded $150,000 for the year 2005.

2 Mr Ong Eng Loke is the son of Mr Ong Mui Eng and his all-in remuneration exceeded $150,000 (but below $250,000) for the year 2005.

3 The fees payable by the Company to these non-executive directors in respect of the financial year ended 31 December 2005 are subject to approval by shareholders as a lump sum at the forthcoming AGM.

Top 5 Key Executives In Remuneration Bands	Number
(i) $250,001 to $500,000	2
(ii) $250,000 and below	3
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.

One of the key executives who has resigned during the year and whose all-in remuneration exceeded $250,000 (but below $500,000) for the year 2005 is the son of Mr Ong Choo Eng, the Group Managing Director. Save as disclosed, none of the employees of the Company and its subsidiaries were an immediate family of any director or the Chief Executive Officer, and whose remuneration exceeded $150,000 in the year 2005.

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 SGXNET. The Company provides a platform in its website containing recent information which has been disseminated via SGXNET 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. Guan Meng Kuan *Appointed on 30 December 2005*

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

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

- reviewing the overall scope of the external audit;
- reviewing the assistance given by the Group'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 prior to submission to the Board for approval and release;
- reviewing with the external auditors the results of their examination of the Group's system of internal accounting controls;
- reviewing non-audit services provided by the auditors;
- reviewing the independence and objectivity of the external auditors;
- reviewing 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 2005 were 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 Corporation Limited Group by firms in which he has an interest	$104,300	Not applicable**
Goh Kian Hwee - professional services rendered to Hwa Hong Corporation Limited Group by a firm in which he is a member	$117,556	Not applicable**

** There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The above transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The AC has express authority to investigate any matter within its terms of reference. It has full access to 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 Chief Financial Officer 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 certain AC meetings held during the year to, *inter alia*, deliberate on accounting and auditing matters.

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.

A company's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organisation and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedure.

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. These processes include revenue accounting, purchasing, inventory, cash and fixed assets management, especially where these affect the reliability of financial reporting. The findings from their review of internal controls have been discussed with the respective line management and heads of departments.

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 as previously reported. The review of Information Management had been conducted in fiscal year 2005 and the remaining processes on Human Resources, Investment Management and Financial Management will be reviewed in fiscal year 2006.

In early 2003, KPMG has completed internal audit review of the underwriting process of Tenet Insurance. KPMG has also carried out and completed its internal audit on the claims process of Tenet Insurance in the year 2004. A follow up on the audit issues arising from these reviews on the underwriting process in 2003 and the claims process in 2004, together with the internal audit review of information management of Tenet Insurance, have been carried out and completed by KPMG in the year 2005. 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 with the notice of AGM. Recent annual reports of the Company are available on the Company's website at www.hwahongcorp.com. The notice of AGM is also advertised in newspapers and made available on the SGXNET. At AGMs, shareholders are given the opportunity to air their views and ask directors or Management questions regarding the Company and the Group. 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.

Directors' Report

The Directors present their report to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited and its subsidiaries for the financial year ended 31 December 2005 and balance sheet of the Company as at 31 December 2005.

DIRECTORS

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

Hans Hugh Miller	*(Appointed on 3 January 2005; Chairman with effect from 20 April 2005)*
Ong Choo Eng	*(Group Managing Director)*
Ong Hian Eng	
Ong Mui Eng	
Guan Meng Kuan	
Chew Loy Kiat	
Goh Kian Hwee	
Boon Suan Lee	
Ong Eng Loke	*(Alternate director to Ong Mui Eng)*

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At an extraordinary general meeting of the Company held on 7 November 2003, shareholders of the Company had approved, *inter alia*, a scrip dividend scheme known as Hwa Hong Corporation Limited Scrip Dividend Scheme (the "Scrip Dividend Scheme"), which provides an opportunity for shareholders of the Company to make an election to receive dividends in the form of ordinary shares in the Company, instead of cash. Pursuant to the Scrip Dividend Scheme, Directors who are also shareholders of the Company may elect to receive his dividend entitlements in the form of ordinary shares in the Company if the Directors of the Company have determined that the Scrip Dividend Scheme is to apply to a particular dividend.

Except as disclosed aforesaid and under "Share Options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for 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 1.1.2005	At 31.12.2005	At 1.1.2005	At 31.12.2005
	Ordinary shares of $0.25 each			
Ong Choo Eng	–	100,000	276,900,520	177,277,896
Ong Mui Eng	4,547,248	4,547,248	263,580,268	163,957,644
Ong Hian Eng	3,062,604	3,062,604	263,643,520	164,020,896
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	164,519,896

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares of the Company or of related corporations, either at the beginning of the financial year or date of appointment (in the case of Mr Hans Hugh Miller who was appointed on 3 January 2005), 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 2006 were the same as those as at 31 December 2005.

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 are not entitled to participate in the schemes:

Hans Hugh Miller (Chairman)
Goh Kian Hwee
Guan Meng Kuan

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") and the adoption of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme"). The ESOS is no longer in operation.

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.

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.

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 notes in the financial statements, and except that Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly owned subsidiary, 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 venture relates to Hong Property Investments Pte Ltd and the residential development known as *The Pier at Robertson* in which SWC has an interest of 30% and 20% respectively.

AUDITORS

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

On behalf of the Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
3 March 2006

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 cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 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
3 March 2006

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 subsidiaries (the Group) set out on pages 27 to 87 for the financial year ended 31 December 2005. 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 Singapore Companies Act, Cap. 50 (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 of the Company as at 31 December 2005 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 required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants
Singapore

Mak Keat Meng
Partner
3 March 2006

Consolidated Profit And Loss Accounts

for the financial year ended 31 December 2005

	Note	Group 2005 $	2004 (restated) $
Revenue	3	68,081,166	53,938,650
Cost of sales	4	(40,991,366)	(29,473,009)
Gross profit		27,089,800	24,465,641
Other income	5	10,333,922	11,183,429
General and administrative costs	6	(17,052,825)	(14,810,414)
Selling and distribution costs		(3,841,583)	(3,639,605)
Other operating income	7	986,861	849,364
Operating profit		17,516,175	18,048,415
Finance costs	8	(1,753,930)	(1,043,955)
Share of results of associates and unincorporated joint venture		365,274	1,635,998
Profit before taxation		16,127,519	18,640,458
Taxation	9	(131,725)	18,626
Profit after taxation		15,995,794	18,659,084
Attributable to equity holders of the Company		16,003,456	18,677,284
Minority interests		(7,662)	(18,200)
		15,995,794	18,659,084
Earnings per share:	10		
Basic		2.45¢	2.86¢
Fully diluted		2.45¢	2.86¢

The accounting policies and explanatory notes on pages 34 through 87 form an integral part of the financial statements.

Balance Sheets

as at 31 December 2005

	Note	Group 2005 $	Group 2004 (restated) $	Company 2005 $	Company 2004 (restated) $
EQUITY					
Share capital	11	163,376,000	163,376,000	163,376,000	163,376,000
Reserves	12	270,802,378	266,951,067	270,788,345	266,868,227
Share capital and reserves		434,178,378	430,327,067	434,164,345	430,244,227
Minority interests		–	7,662	–	–
Total Equity		434,178,378	430,334,729	434,164,345	430,244,227
Non-Current Liabilities					
Bank loans (secured)	13	25,527,219	8,607,657	–	–
Deferred taxation	14	4,255,189	2,625,384	49,500	45,000
Other payables	16	38,108	163,348	–	–
		29,820,516	11,396,389	49,500	45,000
Technical provisions					
Provision for outstanding claims	18	34,024,987	39,895,325	–	–
Provision for unearned premiums	19	11,777,387	11,841,073	–	–
Provision for premium deficiency	19	2,245,000	2,021,000	–	–
		48,047,374	53,757,398	–	–
		512,046,268	495,488,516	434,213,845	430,289,227
ASSETS LESS LIABILITIES					
Non-Current Assets					
Property, plant and equipment	20	14,030,806	14,999,810	4,527,447	4,730,652
Investment properties	21	108,089,585	109,855,747	–	–
Investment in subsidiaries	22	–	–	471,043,093	460,204,709
Investment in associates	15	61,605,730	62,037,158	642,799	716,560
Investment securities	23	78,992,604	84,369,737	3,038,510	3,052,540
Other receivables	24	414,373	318,833	–	–
Reinsurers' share of technical provisions					
Provision for unearned premiums	19	2,695,287	3,169,110	–	–
Provision for outstanding claims	18	6,473,731	8,551,617	–	–
Balance carried forward		272,302,116	283,302,012	479,251,849	468,704,461

	Note	Group 2005 $	Group 2004 (restated) $	Company 2005 $	Company 2004 (restated) $
Balance brought forward		272,302,116	283,302,012	479,251,849	468,704,461
Current Assets					
Inventories	25	144,297	367,926	–	–
Trade receivables	26	4,243,430	3,503,323	–	–
Deferred acquisition costs	19	2,267,430	2,254,435	–	–
Tax recoverable		2,495,635	1,020,607	–	–
Other receivables	24	8,360,717	5,491,683	74,646	79,659
Amounts due from subsidiaries (non-trade)	22	–	–	2,589,655	11,421,466
Amounts due from associates	15	114,071,834	105,851,266	123,981	88,293
Investment securities	27	63,875,320	51,646,071	–	–
Cash and cash equivalents	28	63,444,275	57,517,794	86,029	91,023
		258,902,938	227,653,105	2,874,311	11,680,441
Current Liabilities					
Trade payables and accruals		1,377,673	1,958,255	–	–
Advance premiums		1,195,024	973,687	–	–
Other payables	16	9,871,383	9,705,498	828,068	1,484,013
Hire purchase creditors	17	–	36,729	–	–
Amount due to an associate	15	446,333	446,333	446,333	446,333
Amounts due to subsidiaries (non-trade)	22	–	–	46,577,914	48,138,329
Bank overdraft, secured	29	457,380	458,481	–	–
Bank loans (secured)	13	4,952,064	1,170,882	–	–
Provision for taxation		858,929	716,736	60,000	27,000
		19,158,786	15,466,601	47,912,315	50,095,675
Net Current Assets/(Liabilities)		239,744,152	212,186,504	(45,038,004)	(38,415,234)
		512,046,268	495,488,516	434,213,845	430,289,227

The accounting policies and explanatory notes on pages 34 through 87 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2005

2005	Share Capital $	Share Premium $	Revenue Reserve $
Balance at the beginning of the year as previously reported	163,376,000	8,777,626	126,718,112
Reclassification	–	–	(849,292)
Effects of adopting FRS 28	–	–	1,862,553
Balance at the beginning of the year as restated	163,376,000	8,777,626	127,731,373
Effects of adopting FRS 39	–	–	(94,247)
Balance at 1 January 2005 as restated	163,376,000	8,777,626	127,637,126
Exchange difference arising on consolidation	–	–	–
Deferred tax	–	–	–
Profit for the year	–	–	16,003,456
Surplus/(deficit) on revaluation of investment properties	–	–	–
Adjustment on disposal of investment properties	–	–	–
Net gain/(loss) on fair value changes	–	–	–
Exchange difference arising from translation of monetary items that form part of net investment in foreign subsidiary	–	–	–
Dividends paid (Note 30)	–	–	(10,456,063)
Balance at the end of the year	163,376,000	8,777,626	133,184,519

2004	Share Capital $	Share Premium $	Revenue Reserve $
Balance at the beginning of the year as previously reported	163,255,000	8,680,826	121,215,620
Effects of adopting FRS 28	–	–	(857,135)
Reclassification	–	–	(849,292)
Balance at the beginning of the year as restated	163,255,000	8,680,826	119,509,193
Exchange difference arising on consolidation	–	–	–
Issue of ordinary shares	121,000	96,800	–
Profit for the year as previously reported	–	–	15,957,596
Effects of adopting FRS 28	–	–	2,719,688
Profit for the year as restated	–	–	18,677,284
Surplus/(deficit) on revaluation of investment properties	–	–	–
Deferred tax	–	–	–
Adjustment on disposal of investment properties	–	–	–
Dividends paid (Note 30)	–	–	(10,455,104)
Balance at the end of the year	163,376,000	8,777,626	127,731,373

The accounting policies and explanatory notes on pages 34 through 87 form an integral part of the financial statements.

Attributable to equity holders of the Company				
Capital Reserve $	Fair Value Reserve $	Currency Translation Adjustment Reserve $	Minority Interests $	Total $
125,015,911	–	3,805,767	7,662	427,701,078
849,292	–	–	–	–
–	–	771,098	–	2,633,651
125,865,203	–	4,576,865	7,662	430,334,729
–	6,439,561	–	–	6,345,314
125,865,203	6,439,561	4,576,865	7,662	436,680,043
–	–	(3,036,849)	–	(3,036,849)
(90,935)	(1,410,229)	–	–	(1,501,164)
–	–	–	(7,662)	15,995,794
2,472,637	–	–	–	2,472,637
(10,528,589)	–	–	–	(10,528,589)
–	4,889,344	–	–	4,889,344
–	–	(336,775)	–	(336,775)
–	–	–	–	(10,456,063)
117,718,316	9,918,676	1,203,241	–	434,178,378

Attributable to equity holders of the Company				
Capital Reserve $	Fair Value Reserve $	Currency Translation Adjustment Reserve $	Minority Interests $	Total $
130,070,127	–	1,090,089	25,862	424,337,524
–	–	771,098	–	(86,037)
849,292	–	–	–	–
130,919,419	–	1,861,187	25,862	424,251,487
–	–	2,715,678	–	2,715,678
–	–	–	–	217,800
–	–	–	(18,200)	15,939,396
–	–	–	–	2,719,688
–	–	–	(18,200)	18,659,084
(3,008,115)	–	–	–	(3,008,115)
154,208	–	–	–	154,208
(2,200,309)	–	–	–	(2,200,309)
–	–	–	–	(10,455,104)
125,865,203	–	4,576,865	7,662	430,334,729

Consolidated Cash Flow Statement

for the financial year ended 31 December 2005

	2005 $	2004 $
Cash flow from operating activities:		
Operating profit	17,516,175	18,048,415
Adjustments for:		
Interest income	(8,502,920)	(7,510,698)
Depreciation and impairment loss on property, plant and equipment	1,191,381	1,098,771
Currency realignment	(266,667)	(1,835,626)
Gain on sale of investment properties	(6,722,667)	(3,222,840)
Loss/(gain) on sale of property, plant and equipment	16,485	(113,325)
Write-back of provision for obligation and warranties	(799,500)	–
Provision for doubtful receivables from associate	190,816	411,122
Movement on provision for outstanding claims	4,715,246	4,912,469
Provision/(write-back) for unearned premiums	572,180	(68,509)
(Write-back)/provision for impairment loss on investment properties	(382,369)	–
Property, plant and equipment written off	155,220	–
	(9,832,795)	(6,328,636)
Operating income before reinvestment in working capital	7,683,380	11,719,779
Increase in receivables and investment securities	(15,546,310)	(10,564,960)
Decrease in inventories	223,629	18,705
Increase/(decrease) in payables	480,900	(826,934)
	(14,841,781)	(11,373,189)
Cash (used in)/generated from operations	(7,158,401)	346,590
Net claims paid	(8,507,698)	(10,123,948)
Interest received	8,502,920	7,721,495
Interest paid	(1,753,930)	(1,043,955)
Income taxes paid	(1,303,637)	(3,606,892)
	(3,062,345)	(7,053,300)
Net cash used in operating activities carried forward	(10,220,746)	(6,706,710)

The accounting policies and explanatory notes on pages 34 through 87 form an integral part of the financial statements.

	2005 $	2004 $
Net cash used in operating activities brought forward	(10,220,746)	(6,706,710)
Cash flow from investing activities:		
Purchase of investment properties	(54,166,510)	–
Purchase of property, plant and equipment	(410,325)	(1,306,779)
Decrease in other investments	17,213,999	15,200,422
Proceeds from sale of investment properties	51,401,020	19,417,771
Amounts due from associates	(8,220,568)	(11,784,123)
Proceeds from disposal of property, plant and equipment	122,760	279,313
Net cash generated from investing activities	5,940,376	21,806,604
Cash flow from financing activities:		
Net increase/(decrease) in term loans	20,700,744	(10,902,081)
Decrease/(increase) in overdraft	(1,101)	329,252
Payment from an associate	–	136,680
Dividends paid	(10,456,063)	(10,455,104)
Repayment to hire purchase creditors	(36,729)	(49,005)
Proceeds from issue of shares	–	217,800
Net cash generated from/(used in) financing activities	10,206,851	(20,722,458)
Net increase/(decrease) in cash and cash equivalents	5,926,481	(5,622,564)
Cash and cash equivalents at the beginning of the year	57,517,794	63,140,358
Cash and cash equivalents at the end of the year (note 28)	63,444,275	57,517,794

The accounting policies and explanatory notes on pages 34 through 87 form an integral part of the financial statements.

The financial statements for the financial year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 3 March 2006.

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 subsidiaries 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.

The subsidiaries and associates at 31 December 2005 are:

a) Subsidiaries

Name of company	Percentage of interest held 2005 %	Percentage of interest held 2004 %	Place of incorporation	Cost of investment 2005 $'000	Cost of investment 2004 $'000	Principal activities
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	41,890	Investment holding.
Tenet Insurance Company Ltd	15.7	15.7	Singapore	7,010	7,010	General insurance.
				195,310	195,310	

1. CORPORATE INFORMATION (cont'd)

a) Subsidiaries (cont'd)

	Name of company	Percentage of interest held 2005 %	2004 %	Place of incorporation	Principal activities
	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.
	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.
***	Filedoor Limited	70.0	70.0	United Kingdom	Property investment. *(Nominee company)*
***	Vantagepro Investment Limited	100.0	–	British Virgin Islands	Investment holding.
	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	84.3	Singapore	General insurance.
	Held by Paco Industries Pte. Ltd.				
*****	Jining Paco Chemical Industry Co., Ltd	100.0	100.0	The People's Republic of China	Dormant.

1. CORPORATE INFORMATION (cont'd)

a) Subsidiaries (cont'd)

	Name of company	Percentage of interest held 2005 %	2004 %	Place of incorporation	Principal activities
	Held by Vantagepro Investment Limited				
***	Capital Ely Limited	82.0	–	United Kingdom	Property investment. *(Nominee company)*
***	Capital East Limited	82.0	–	United Kingdom	Property investment. *(Nominee company)*
***	Capital Fitzroy Limited	82.0	–	United Kingdom	Property investment. *(Nominee company)*
***	Capital Hatton Limited	82.0	–	United Kingdom	Property investment. *(Nominee company)*
***	Capital 18 Vestry Limited	82.0	–	United Kingdom	Property investment. *(Nominee company)*
***	Capital 20 Vestry Limited	82.0	–	United Kingdom	Property investment. *(Nominee company)*
	Collectively known as Capital Group				

b) Associates

	Name of company	Percentage of interest held 2005 %	2004 %	Place of incorporation	Principal activities
	Held by the Company				
	Singamet Trading Pte. Ltd.	20.0	20.0	Singapore	Property investment.
	Held by Singapore Warehouse Company (Private) Ltd.				
**	Riverwalk Promenade Pte Ltd	50.0	50.0	Singapore	Leasing of property for rental income and property development.
**	Hong Property Investments Pte Ltd	30.0	30.0	Singapore	Property investment.
***	Aronbrook Limited	50.0	50.0	United Kingdom	Property investment. *(Nominee company)*
***	Vistawell Limited	50.0	50.0	United Kingdom	Property investment. *(Nominee company)*

1. CORPORATE INFORMATION (cont'd)

b) Associates (cont'd)

	Name of company	Percentage of interest held 2005 %	2004 %	Place of incorporation	Principal activities
	Held by Thackeray Properties Limited				
***	Matahari 461 Ltd	50.0	50.0	United Kingdom	Property management.
	Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
	Norwest Holdings Pte Ltd	49.5	49.5	Singapore	Investment holding.

All subsidiaries are audited by Ernst & Young, Singapore except for :-

* Audited by affiliated firms of Ernst & Young, Singapore
** Audited by other firms - KPMG, Singapore
*** Not required to be audited in the country of incorporation
**** Audited by affiliated firm of Ernst & Young, Singapore for consolidation purpose
***** Not required to be audited as the company is dormant

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except that certain property, plant and equipment, investment properties and available-for sale financial assets have been measured at their fair values.

The financial statements are presented in Singapore Dollars.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

a) Adoption of new FRSs

On 1 January 2005, the Group and the Company adopted new and revised standards mandatory for annual financial periods beginning on or after 1 January 2005.

- FRS 39, Financial Instruments: Recognition and Measurement
- FRS 28 (revised), Investment in Associates
- FRS 104, Insurance Contracts

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

a) Adoption of new FRSs (cont'd)

i) FRS 39, Financial Instruments: Recognition and Measurement

The Group and the Company had adopted FRS 39 prospectively on 1 January 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method.

At 1 January 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in revenue reserve while the differences between carrying values and fair values of available-for-sale financial assets were recognised in the fair value reserve. For investments carried at amortised cost, any differences between the carrying values and amortised costs were recognised in revenue reserve.

At 1 January 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any differences between the carrying values and amortised costs were recognised in revenue reserve.

In accordance with FRS 39, all derivative financial instruments held by the Group and the Company are recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit and loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in revenue reserve at 1 January 2005.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 January 2005 resulted in the following adjustments at that date:

* Debit of $94,247 to the Group's revenue reserve.

* Credit of $6,439,561 to the Group's fair value reserve.

ii) FRS 28 (revised), Investment in Associates

The Group had previously accounted for its investment in Norwest Holdings Pte Ltd and its subsidiaries ("Norwest Group") and Singamet Trading Pte. Ltd. using the cost method as the investments were held with a view to disposal. The revised FRS 28 requires the use of the equity method unless the investment is classified as held for sale in accordance with FRS 105. The Directors consider that these investments no longer meet the criteria in FRS 105 and accordingly have accounted for these investments using the equity method effective 1 January 2005. The effect of the change is as follows:

* Increase in revenue reserve and currency translation adjustment reserve as at 1 January 2005 by $1,862,553 and $771,098 respectively.

* Increase in profit before taxation for the year ended 31 December 2005 by $1,527,032 (2004 : $2,719,688).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

a) Adoption of new FRSs (cont'd)

iii) FRS 104, Insurance Contracts

The Group has applied FRS 104 retrospectively. The adoption of FRS 104 has resulted in additional disclosure in Notes 2.21, 2.22, 2.23, 2.24, 2.25 and 18.

b) Adoption of revised FRS

In addition, the Group adopted the following revised standards which did not result in any change in accounting policies:

FRS 1 (revised), Presentation of Financial Statements
FRS 2 (revised), Inventories
FRS 8 (revised), Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised), Events after the Balance Sheet Date
FRS 16 (revised), Property, Plant and Equipment
FRS 17 (revised), Leases
FRS 21 (revised), The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised), Related Party Disclosures
FRS 27 (revised), Consolidated and Separate Financial Statements
FRS 31 (revised), Interests in Joint Ventures
FRS 32 (revised), Financial Instruments: Disclosure and Presentation
FRS 33 (revised), Earnings Per Share

c) FRS and INT FRS not yet effective

The Group has not applied the following FRSs and INT FRSs that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006/2007:

i) FRS 106, Exploration for and Evaluation of Mineral Resources

This Standard requires an entity to determine a policy specifying which expenditures are recognised as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources. After recognition, an entity shall apply either the cost model or the revaluation model to the exploration and evaluation assets.

The Directors will consider the two models above and choose the method which is most appropriate, taking into account the circumstances, when the Standard comes into effect from 1 January 2006.

ii) INT FRS 104, Determining Whether an Arrangement Contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

iii) INT FRS 105, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This interpretation is not expected to be relevant to the activities of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies (cont'd)

c) FRS and INT FRS not yet effective (cont'd)

iv) FRS 40, Investment Property

This Standard is effective for annual financial periods beginning on or after 1 January 2007 and permits entities to choose either:

a) a fair value model, under which an investment property is measured, after initial measurement, at fair value with changes in fair value recognised in profit and loss; or

b) at cost model. The cost model is specified in FRS 16 and requires an investment property to be measured after initial measurement at depreciated cost (less any accumulated impairment losses). An entity that chooses the cost model discloses the fair value of its investment property. FRS 8 applies to any change in accounting policies that is made when an entity choose to use cost model. The effect of the change in accounting policies includes the reclassification of any amount held in revaluation surplus for investment property.

The Directors will consider the two models above and choose the method which is most appropriate, taking into account the circumstances, when the Standard comes into effect from 1 January 2007.

v) FRS 19 (revised), Employee Benefits

This Standard requires disclosure of additional information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefits cost. The amendment to FRS 19 will result in additional disclosures being included but will have no recognition or measurement impact.

The Group expects that the adoption of the pronouncements listed above will have no impact on the financial statements in the period of initial application.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Insurance contract liabilities - Assumptions and sensitivities

The major classes of general insurance written by a subsidiary of the Group include motor, workmen's compensation, property, personal accident, travel and marine. For general insurance contracts, claim provisions (comprising provision for claims reported by policyholders and claims incurred but not reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

i) Insurance contract liabilities - Assumptions and sensitivities (cont'd)

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claim provisions are discounted using the yields available on Singapore Government bonds of durations matched to the expected term of the claim payments.

The measurement process primarily includes projection of future claim costs through a combination of actuarial and statistical projection techniques like the Chain Ladder and Bornheutter-Ferguson method. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar businesses are used in developing claim estimates. Claim provisions are separately analysed by loss adjustors or separately projected by the actuaries. The claim projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors, and claim numbers for each accident year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables like legislative change, uncertainty in the estimation process etc is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision, although certified by an independent actuary, is not known with certainty at the balance sheet date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

The table below indicates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process. The table demonstrates the effect of changes in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions may have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumptions changes had to be done on an individual basis.

Assumptions	Change in assumptions %	Increase in net claims outstanding[1] S$'000	Change in assumptions %	Decrease in net claims outstanding[2] S$'000
Initial expected loss ratio	+ 5%	111	– 5%	(111)
Incurred development tail factor	+ 5%	495	– 5%	(495)
Claim handling expenses	+ 5%	1,269	– 5%	(1,269)
Provision for adverse deviation	+ 5%	915	– 5%	(915)

[1] Increase in net claims outstanding will result in reduction in profit before tax.
[2] Decrease in net claims outstanding will result in an increase in profit before tax.

The carrying value of the Group's insurance contract liabilities as at December 2005 was $34,024,987 (2004: $39,895,325).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

ii) Reinsurance - Assumption and methods

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurers' share of technical provisions.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The carrying value of reinsurers' share of outstanding claims as at 31 December 2005 was $6,473,731 (2004 : $8,551,617).

2.4 Principles of Consolidation

The consolidated financial statements comprise the financial statements of Hwa Hong Corporation Limited (the parent company) and its controlled subsidiaries as at the balance sheet date.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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

The financial statements of subsidiaries 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 cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition of a subsidiary over the fair value of the net underlying assets acquired is dealt with as goodwill arising on consolidation.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

Assets, liabilities and results of the foreign subsidiaries are translated into Singapore Dollars on the basis outlined in Note 2.19 below.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Intangible assets

i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 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 provision for unexpired risks is made in accordance with the accounting policy. Premium for any period in excess of one year is classified as "Provision for Unearned Premiums".

Premium for policy that is issued prior to the date of commencement of the risk is classified as "Advance Premiums".

Revenue from rental of investment properties 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.

Sales proceeds from sale/redemption of equity and non equity investments are recognised as revenue on trade date.

2.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The investments in subsidiaries are stated in the financial statements of the Company at fair values. Any surplus or deficit arising from this revaluation is taken direct to fair value reserve.

2.8 Associates

An associate is defined as a company, not being a subsidiary, in which the Group has a long term equity interest of between 20% and 50% and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the results of associates is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is included in the investment in associates in the consolidated balance sheet. The results of the associates 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.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Property, plant and equipment and depreciation

Property, plant and equipment 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 and freehold property	-	43 to 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.

2.10 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 reserve arising from previous revaluations of investments properties sold during the financial year regarded as having become realised and are transferred to the profit and loss account.

2.11 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial asset not held for trading as financial assets at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial assets (cont'd)

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

iii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously included in fair value reserve is recognised in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

2.12 Investment securities

Investment securities are classified as held-to-maturity investments or available-for-sale financial assets, as appropriate.

The accounting policies for the aforementioned categories of financial assets are stated in Note 2.11.

2.13 Impairment

i) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Impairment (cont'd)

i) Impairment of financial assets (cont'd)

a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asse t's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from fair value reserve to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

ii) Impairment of non financial assets

The carrying amounts of the Group's non financial assets, other than investment properties are reviewed at each balance sheet date to determine whether there is any indication of any impairment. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Impairment (cont'd)

ii) Impairment of non financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.14 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.

2.15 Trade and other receivables

Trade and other receivables, including amounts due from subsidiaries and associates, are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13.

2.16 Loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Trade and other payables

Liabilities for trade and other payables, which are normally settled on 30-90 day terms, and payables to subsidiaries and associates are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.18 Income taxes

i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

ii) Deferred tax

Deferred income tax is provided, using the liability method, on 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 liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Functional and foreign currency

i) Functional currency transactions

The Directors have determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollar. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Singapore Dollar.

ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Company's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as currency translation adjustment reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the currency translation adjustment reserve until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the currency translation reserve.

iii) Foreign currency translation

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 currency translation adjustment reserve.

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.

2.20 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.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

2.21 Provision for outstanding claims

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Provision for unearned premiums and premium deficiency

At the end of each year, a provision for unearned premiums 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 premiums 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.

The provision for unearned premiums for marine cargo at the end of the period is calculated based on 25 per cent of the amount of premiums written during the period after deducting local reinsurance premiums and overseas reinsurance premiums, to the extent of reinsurance deposits withheld from those overseas reinsurers.

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.

2.23 Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependant on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Any contract not considered insurance contracts under the FRS are classified as investment contracts

2.24 Deferred acquisition costs

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs ("DAC") is capitalised and amortised over the life of the contract. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and the carrying value is written down to the recoverable amount.

2.25 Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of unearned premiums. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately charged to the profit and loss account by establishing an unexpired risk provision which is included under provision for unearned premium.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.26 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.

Employee share option plans

Employees (including senior executives) of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

i) Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charged or credited for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.27 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 carrying value of interests in joint ventures is made when there are indications that the assets have been impaired or the impairments losses recognised in prior years no longer exist.

2.28 Derecognition of financial assets and liabilities

i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.29 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.30 Share buyback

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.

	Group	
	2005	2004
	$	$
Dividend income from other investments	2,198,172	1,165,684
Gross written premiums	23,941,370	24,747,843
Rental and storage income	4,904,732	4,728,166
Trading sales	2,266,716	2,619,015
Interest income		
- associates	3,195,715	2,204,123
- financial institutions	1,068,050	1,030,278
- others	674,139	1,091,167
	4,937,904	4,325,568
Proceeds from sale of investment securities	29,779,922	16,352,374
Consultancy service income	52,350	–
	68,081,166	53,938,650

4. COST OF SALES

Included in cost of sales is:

	Group	
	2005	2004
	$	$
Provision/(write-back) for unearned premiums	572,180	(68,509)

5. OTHER INCOME

	Group	
	2005	2004
	$	$
Amortisation of premium	(72,743)	(105,769)
Interest income		
- quoted bonds	2,069,353	2,490,130
- financial institutions	961,696	300,267
- others	496,147	320,395
- associates	37,819	74,338
	3,565,015	3,185,130
Dividend income from		
- quoted investments	1,378,571	1,020,386
- unquoted investments	50,368	60,969
	1,428,939	1,081,355
(Loss)/gain from sale of investments		
- gain/(loss) on redemption of bonds, stocks and government securities	22,028	(28,397)
- gain on sale of investment properties	6,722,667	3,222,840
- gain on sale of other investments	40,579	210,627
	6,785,274	3,405,070
Exchange (loss)/gain	(2,028,799)	2,742,158
Management fee income from an associate	300,000	300,000
(Loss)/gain on disposal of property, plant and equipment	(16,485)	113,325
Gain on commutations	47,613	137,726
Sundry income	325,108	324,434
	10,333,922	11,183,429

6. GENERAL AND ADMINISTRATIVE COSTS

	Group	
	2005	2004 (restated)
	$	$
Directors' fees		
- Directors of the Company	(311,000)	(211,000)
- other directors of a subsidiary	(5,675)	(5,340)
Directors' remuneration		
- Directors of the Company	(1,722,628)	(1,446,332)
- other directors of subsidiaries	(493,500)	(74,997)
	(2,216,128)	(1,521,329)
Auditors' remuneration		
- auditors of the Company		
- current year	(198,950)	(179,510)
- underprovision in respect of prior year	(10,818)	(3,465)
	(209,768)	(182,975)
- other auditors of subsidiaries		
- current year	(52,390)	(56,809)
- underprovision in respect of prior year	–	(18,594)
	(52,390)	(75,403)
	(262,158)	(258,378)

* *There were no non-audit fees paid to auditors of the Company.*

Depreciation on property, plant and equipment	(1,191,381)	(1,098,771)
Fees paid to firms in which certain directors are members	(221,856)	(216,286)
Write-back/(provision) for doubtful debt		
- trade	56,099	56,435
- non-trade	180,671	12,293
Staff cost (including executive directors)	(8,121,471)	(7,515,540)
CPF contribution	(499,815)	(551,453)

7. OTHER OPERATING INCOME

	Group	
	2005	2004
	$	$
Write-back of provision for obligations and warranties	799,500	–
Write-back of impairment loss on investment property	382,369	–
Property, plant and equipment written off	(155,220)	–
Provision for doubtful receivables from associates	(190,816)	(411,122)
Write-back/(provision) of impairment losses on investment securities, non-current		
- quoted equity investments	–	1,346,905
- unquoted non-equity investments	–	(68,000)
- unquoted equity investment	–	30,000
- unquoted bonds	141,127	(3,377)
Write-back/(provision) of impairment losses on investment securities, current		
- quoted equity investments	–	(53,053)
- quoted government securities	9,901	9,082
- unquoted bonds	–	(1,071)
	986,861	849,364

8. FINANCE COSTS

	Group	
	2005	2004
	$	$
Interest expense		
Bank loans and overdrafts	(1,753,930)	(1,037,340)
Hire purchase	–	(6,615)
	(1,753,930)	(1,043,955)

9. TAXATION

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

	Group	
	2005	2004
	$	$
Current taxation in respect of profit for the year	(1,450,835)	(1,383,529)
Over/(underprovision) in respect of prior years	1,437,290	(1,444,053)
	(13,545)	(2,827,582)
Share of taxes of associates	5,006	–
Deferred taxation in respect of current year	(123,186)	157,802
Overprovision of deferred taxation in respect of prior years	–	2,688,406
	(131,725)	18,626
Tax expense reported in equity	1,501,164	154,208

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

	Group	
	2005	2004
	%	%
Domestic statutory tax rates	20.0	20.0
Adjustments:		
Non-taxable items	(10.2)	(30.5)
(Over)/underprovision of tax	(8.9)	7.8
Deferred tax not recognised	1.2	5.1
Others	(1.3)	(2.5)
Effective tax rate	0.8	(0.1)

The Group has estimated tax losses of $7,145,000 (2004 : $7,277,000) 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.

10. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the Group profit attributable to equity holders of $16,003,456 (2004 : $18,677,284) by the weighted average number of ordinary shares in issue during the year of 653,504,000 (2004 : 653,357,205). There are no dilutive EPS as there are no options granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

11. SHARE CAPITAL

	Group and Company			
	2005		2004	
	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	653,504,000	163,376,000	653,020,000	163,255,000
Issue of shares for cash at a premium of $nil (2004 : $0.20)	–	–	484,000	121,000
Balance at the end of the year	653,504,000	163,376,000	653,504,000	163,376,000

Share repurchase

At the Extraordinary General Meeting of the Company held on 7 November 2003, shareholders of the Company had approved the grant of a general mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares of $0.25 each (the "Share Purchase Mandate"). The terms of the Share Purchase Mandate were set out in the Company's Circular to Shareholders dated 15 October 2003. The Share Purchase Mandate was renewed on 20 April 2005.

The Directors believe that share repurchase is an expedient, effective 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.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

12. RESERVES

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Share premium	8,777,626	8,777,626	8,777,626	8,777,626
Revenue reserve	133,184,519	127,731,373	16,592,963	23,497,198
Capital reserve	117,718,316	125,865,203	–	234,593,403
Fair value reserve	9,918,676	–	245,417,756	–
Currency translation adjustment reserve	1,203,241	4,576,865	–	–
	270,802,378	266,951,067	270,788,345	266,868,227

12. RESERVES (cont'd)

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

	Company	
	2005	2004
	$	$
Share premium		
Balance at the beginning of the year	8,777,626	8,680,826
Premium on issue of shares	–	96,800
Balance at the end of the year	8,777,626	8,777,626

	Company	
	2005	2004
	$	$
Revenue reserve		
Balance at the beginning of the year	23,497,198	21,614,676
Profit for the year	3,551,828	12,337,626
Dividends paid	(10,456,063)	(10,455,104)
Balance at the end of the year	16,592,963	23,497,198

	Company	
	2005	2004 (restated)
	$	$
Capital reserve		
Balance at the beginning of the year as previously reported	232,042,592	230,761,160
Adjustment to carrying value of subsidiaries as a result of adoption of FRS 28	2,550,811	2,550,811
Balance at the beginning of the year as restated	234,593,403	233,311,971
Net surplus on revaluation of subsidiaries	–	1,281,432
Adoption of FRS 39	(234,593,403)	–
Balance at the end of the year	–	234,593,403

	Company	
	2005	2004 (restated)
	$	$
Fair value reserve		
Balance at the beginning of the year as previously reported	–	–
Adoption of FRS 39	234,579,370	–
Balance at the beginning of the year as restated	234,579,370	–
Surplus on revaluation of subsidiaries	10,838,386	–
Balance at the end of the year	245,417,756	–

13. BANK LOANS (SECURED)

	Group	
	2005	2004
	$	$
Non-current portion of long term bank loans	25,527,219	8,607,657
Current portion of long term bank loans	485,276	198,406
Short term bank loans	4,466,788	972,476
	4,952,064	1,170,882
Total bank loans	30,479,283	9,778,539
Amount repayable within one year	4,952,064	1,170,882
Amount repayable between two and five years	25,527,219	8,607,657
	30,479,283	9,778,539

Long term bank loans of $26,012,495 (2004: $8,806,063) and short term bank loan of $813,715 (2004: $872,976) are secured by a fixed charge over subsidiaries' investment properties. Repayments are made quarterly. Interest is charged at 1.5% and 1.25% (2004: 1.5% and 1.25%) per annum over LIBOR.

Short term bank loans $3,653,073 (2004 : Nil) are guaranteed by a subsidiary.

Certain short term bank loans amounting to $Nil (2004: $99,500) which have varying maturities and are secured by a fixed charge over a subsidiary's plant & machinery have been repaid during the year. Interest is charged at 5.49% to 6.9% (2004: 5.49% to 6.9%) per annum.

14. DEFERRED TAXATION

Deferred taxation is due to temporary difference associated with:

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Revaluations of available-for-sale financial assets to fair value	1,410,229	–	–	–
Revaluation of investment properties	2,618,416	2,527,481	–	–
Differences in depreciation and capital allowances	154,711	52,903	–	–
Others	71,833	45,000	49,500	45,000
	4,255,189	2,625,384	49,500	45,000

15. ASSOCIATES

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Unquoted shares, at cost	58,750,288	58,750,288	800,000	800,000
Less provision for impairment losses	–	–	(157,201)	(83,440)
Share of reserves	2,855,442	3,286,870	–	–
	61,605,730	62,037,158	642,799	716,560
The share of reserves is made up as follows:				
Capital Reserve	907,285	907,285	–	–
Revenue Reserve	1,177,059	1,608,487	–	–
Currency realignment adjustment reserve	771,098	771,098	–	–
	2,855,442	3,286,870	–	–
Loans due from associates	113,763,688	105,762,973	–	–
Trade amount due from an associate	53,194	–	–	–
Non trade amounts due from associates	4,214,249	3,870,786	266,607	244,931
Less : Provision for doubtful debts	(3,959,297)	(3,782,493)	(142,626)	(156,638)
	254,952	88,293	123,981	88,293
Amounts due from associates	114,071,834	105,851,266	123,981	88,293
Analysis of provision for doubtful debts:				
Balance at the beginning of the year	(3,782,493)	(3,376,431)	(156,638)	(156,638)
Amount utilised	14,012	5,060	–	–
Writeback/(charge) to profit and loss account	(190,816)	(411,122)	14,012	–
Balance at the end of the year	(3,959,297)	(3,782,493)	(142,626)	(156,638)
Loan due to an associate	446,333	446,333	446,333	446,333

Loans due from associates of $12,311,283 (2004:$11,460,247) and $101,452,405 (2004:$94,302,726) bears interest at 2.5% (2004:2.5%) and 2.5% - 3.995% (2004:1.85% - 2.61%) per annum respectively. All loans due from associates are repayable on demand.

Included in loans due from associates is an amount of $12,311,283 (2004:$11,460,247) that is due from a company which is a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.

Loans due from associates include an amount of $101,452,405 (2004:$94,302,726) which is subordinated to the borrowings on an associate.

The non-trade amounts due from associates are unsecured and repayable on demand. Except for an amount of $541,245 (2004:$595,272) which bears interest at 5.5% - 8.44% (2004:5.12% to 9%) the balance of the non-trade amounts due from associates are non-interest bearing.

Loan due to an associate is non-trade, non-interest bearing and is repayable on demand.

15. ASSOCIATES (cont'd)

The summarised financial information of the associates are as follows:

	2005 $	2004 $
Assets and liabilities:		
Non-current assets	23,236,506	17,287,973
Current assets	600,216,619	532,898,450
Total assets	623,453,125	550,186,423
Non-current liabilities	(543,019,091)	(226,884,077)
Current liabilities	(55,123,517)	(350,348,327)
Total liabilities	(598,142,608)	(577,232,404)
Results		
Revenue	24,900,498	38,819,526
(Loss)/profit for the year	(668,037)	284,913

16. OTHER PAYABLES

	Group		Company	
	2005 $	2004 $	2005 $	2004 $
Current				
Deposits	195,552	110,854	–	–
Unclaimed dividends	70,198	37,217	70,198	37,217
Deferred reinsurance commissions	111,871	160,833	–	–
Cash collateral received from insurer's customers	3,075,467	2,845,616	–	–
Deferred income	588,021	49,583	93,078	49,583
Provision for corporate guarantee	–	799,500	–	799,500
Accrued expenses	2,805,422	3,004,017	538,179	500,921
Sundry payables	3,024,852	2,697,878	126,613	96,792
	9,871,383	9,705,498	828,068	1,484,013
Non-current				
Tenancy deposits	38,108	163,348	–	–

17. HIRE PURCHASE CREDITORS

	Group			
	Minimum payment 2005 $	Present value of payments 2005 $	Minimum payment 2004 $	Present value of payments 2004 $
Within one year	–	–	41,690	36,729
After one year but not more than five years	–	–	–	–
Total minimum payments	–	–	41,690	36,729
Less: Amounts representing finance charges	–	–	(4,961)	–
Present value of minimum payments	–	–	36,729	36,729

Interest rate implicit in the hire purchase agreement in 2004 is approximately 2.7%.

18. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2005 $	2004 $
Gross outstanding claims	34,024,987	39,895,325
Reinsurers' share of outstanding claims	(6,473,731)	(8,551,617)
Net outstanding claims	27,551,256	31,343,708
Movement in provision:		
Balance at the beginning of the year	31,343,708	36,555,187
Net claims paid	(8,507,698)	(10,123,948)
Net claims incurred	4,715,246	4,912,469
Balance at the end of the year	27,551,256	31,343,708

Loss development triangles

Reproduced below is an exhibit that shows the development of claims over a period of time:

	Net Claims Paid in each Year of Development							
Accident Year	**1998** $'000	**1999** $'000	**2000** $'000	**2001** $'000	**2002** $'000	**2003** $'000	**2004** $'000	**2005** $'000
Prior years	18,351	7,689	3,706	2,897	2,013	612	201	(39)
1998	7,159	6,605	3,340	1,899	542	491	226	84
1999		6,919	7,039	2,660	1,423	312	501	188
2000			7,339	6,262	2,040	422	445	190
2001				6,518	4,203	1,586	845	258
2002					7,000	5,270	1,317	1,171
2003						3,480	2,612	630
2004							3,977	2,805
2005								3,220
Total	25,510	21,213	21,424	20,236	17,221	12,173	10,124	8,507

18. PROVISION FOR OUTSTANDING CLAIMS (cont'd)

	Net Claims Outstanding at the End of each Year of Development							
Accident Year	**1998** $'000	**1999** $'000	**2000** $'000	**2001** $'000	**2002** $'000	**2003** $'000	**2004** $'000	**2005** $'000
Prior years	36,350	21,406	12,341	7,806	4,350	2,812	1,270	740
1998	11,783	9,790	7,606	3,857	2,181	1,270	542	296
1999		18,346	11,162	6,986	3,595	2,925	1,377	588
2000			16,017	7,797	3,716	2,636	1,809	717
2001				11,341	5,791	4,354	2,339	1,331
2002					20,668	10,151	6,246	3,091
2003						12,405	4,792	2,148
2004							12,969	5,900
2005								12,740
Total	48,133	49,542	47,126	37,787	40,301	36,553	31,344	27,551

Incurred claims development experience during 2005 for prior years' claims has been favourable for all lines of business. In line with the recommendation of its actuary, the insurance subsidiary adjusted its prior years' provision for outstanding claims and recognised a write back of $9.4 million and $9.2 million of provision for outstanding claims for prior years in the profit and loss account for the year ended 31 December 2005 and 31 December 2004, respectively. These amounts have been netted off from the net claims incurred figures above.

19. PROVISION FOR UNEARNED PREMIUMS

	Group	
	2005 $	**2004** $
Gross unearned premium	11,777,387	11,841,073
Reinsurers' share of unearned premium	(2,695,287)	(3,169,110)
Gross deferred acquisition costs	(2,267,430)	(2,254,435)
Provision for premium deficiency	2,245,000	2,021,000
Deferred reinsurance commissions (Note 16)	111,871	160,833
	9,171,541	8,599,361
Movement in provision:		
Balance at the beginning of the year	8,599,361	8,667,870
Provision/(write-back) during the year	572,180	(68,509)
Balance at the end of the year	9,171,541	8,599,361

20. PROPERTY, PLANT AND EQUIPMENT

Group Cost or valuation	Freehold office property *At valuation*	Leasehold land and buildings	Plant and machinery	Furniture, motor vehicles, computers and other equipment	Total
		At cost			
	$	$	$	$	$
At 1 January 2004, as restated	1,450,000	13,130,010	317,142	6,218,206	21,115,358
Currency realignment	–	(7,782)	(7,430)	(47,350)	(62,562)
Additions	–	155,220	–	1,151,559	1,306,779
Disposals	–	–	–	(1,047,988)	(1,047,988)
At 31 December 2004 and 1 January 2005, as restated	1,450,000	13,277,448	309,712	6,274,427	21,311,587
Currency realignment	–	21,897	38,304	6,924	67,125
Additions	–	–	–	410,325	410,325
Revaluation	79,000	–	–	–	79,000
Disposals	–	(330,097)	–	(440,266)	(770,363)
Elimination of accumulated depreciation on revaluation	(29,000)	–	–	–	(29,000)
Reclassification	–	359,763	805,105	(1,164,868)	–
At 31 December 2005	1,500,000	13,329,011	1,153,121	5,086,542	21,068,674
Accumulated depreciation and impairment					
At 1 January 2004	–	874,723	217,009	5,037,889	6,129,621
Currency realignment	–	(2,066)	(4,028)	(28,521)	(34,615)
Depreciation charge for the year	–	285,275	75,675	737,821	1,098,771
Disposals	–	–	–	(882,000)	(882,000)
At 31 December 2004 and 1 January 2005	–	1,157,932	288,656	4,865,189	6,311,777
Currency realignment	–	4,416	33,395	1,797	39,608
Depreciation charge for the year	29,000	283,338	23,826	855,217	1,191,381
Disposals	–	(35,631)	–	(440,267)	(475,898)
Elimination of accumulated depreciation on revaluation	(29,000)	–	–	–	(29,000)
Reclassification	–	47,974	731,479	(779,453)	–
At 31 December 2005	–	1,458,029	1,077,356	4,502,483	7,037,868
Net book value					
At 31 December 2005	1,500,000	11,870,982	75,765	584,059	14,030,806
At 31 December 2004 (restated)	1,450,000	12,119,516	21,056	1,409,238	14,999,810

20. PROPERTY, PLANT AND EQUIPMENT (cont'd)

During the financial year, an office property occupied by a subsidiary was reclassified from investment property to property, plant and equipment.

As at 31 December 2005, the net book value of motor vehicle under hire purchase agreements for the Group amounted to Nil (2004: $49,667).

The Group's properties are listed in note 37 to the financial statements.

Company Cost	Leasehold land and buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
At 1 January 2004 and 31 December 2004	5,165,495	798,520	5,964,015
Disposals	–	(13,120)	(13,120)
At 31 December 2005	5,165,495	785,400	5,950,895
Accumulated depreciation and impairment			
At 1 January 2004	480,513	538,679	1,019,192
Depreciation charge for the year	120,128	94,043	214,171
At 31 December 2004 and 1 January 2005	600,641	632,722	1,233,363
Depreciation charge for the year	120,128	83,077	203,205
Disposals	–	(13,120)	(13,120)
At 31 December 2005	720,769	702,679	1,423,448
Net book value			
At 31 December 2005	4,444,726	82,721	4,527,447
At 31 December 2004	4,564,854	165,798	4,730,652

21. INVESTMENT PROPERTIES

	Group	
	2005 $	2004 (restated) $
Investment properties, at valuation	108,089,585	109,855,747
Balance at the beginning of the year	109,855,747	126,679,846
Currency realignment	(3,580,736)	4,625,094
Additions during the year	54,166,510	–
Disposals during the year	(55,206,942)	(18,441,078)
Writeback of provision for impairment loss	382,369	–
Surplus/(deficit) arising on revaluation of investment properties	2,472,637	(3,008,115)
Balance at the end of the year	108,089,585	109,855,747

21. INVESTMENT PROPERTIES (cont'd)

These are freehold properties in Singapore, Malaysia and the United Kingdom which are stated at directors' valuation based on professional valuation carried out by Allied Appraisal Consultants Pte Ltd (December 2005), Param and Associates (January 2005) and Meredith & Co Chartered Surveyors (December 2005) respectively. The valuations have been done on the basis of open market valuation.

The net revaluation surplus/(deficit) of $2,472,637 (2004 : deficit of $3,008,115) is taken to the capital reserve. The revaluation surplus for the Malaysian property of $382,369 is taken to the profit and loss account as it is a writeback of provision for impairment loss which was previously charged to profit and loss account.

The Group's investment properties are listed in note 37 to the financial statements.

An investment property in Singapore, amounting to $33,514,000 (2004 : $33,514,000) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary. The banking facilities were not utilised during the financial year.

Investment properties in the United Kingdom, amounting to $14,309,057 (2004 : $14,309,057) are mortgaged to a bank to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2005 amounted to $26,826,210 (2004 : $9,679,039).

22. SUBSIDIARIES

	Company	
	2005	**2004**
	$	$
Unquoted shares, at directors' valuation	471,043,093	460,204,709
Amounts due to subsidiaries, non-trade	(46,577,914)	(48,138,329)
Amounts due from subsidiaries, non-trade	2,589,655	11,421,466
	427,054,834	423,487,846

Balances with subsidiaries are unsecured, interest free and repayable on demand.

23. INVESTMENT SECURITIES - NON CURRENT

	Group		Company	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Held to maturity				
- Quoted bonds	25,834,613	24,562,207	1,000,010	1,000,010
- Unquoted bonds	35,999,738	45,724,040	2,000,000	2,000,000
Available-for-Sale				
- Quoted equity	4,485,250	2,242,625	–	–
- Unquoted equity	2,919,887	3,061,229	–	–
- Unquoted non-equity	448,457	496,684	38,500	52,530
- Unincorporated joint venture	9,304,659	8,282,952	–	–
	78,992,604	84,369,737	3,038,510	3,052,540

In 2004, these assets were carried at cost less provision for impairment losses.

Unincorporated joint venture relates to the Group's interest in a joint venture residential development with a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte Ltd. The Group's interest in the joint venture is 20%. Included in unincorporated joint venture is an amount of $1,172,401 (2004 : $370,701) relating to the Group's share of its revenue reserve.

24. OTHER RECEIVABLES

	Group		Company	
	2005	2004 (restated)	2005	2004
	$	$	$	$
Loans receivable	–	2,674,122	–	–
Prepayments and deposits	5,279,304	289,668	47,945	50,815
Sundry receivables	1,555,081	973,000	–	–
Dividend receivable	344,014	292,533	–	–
Interest receivable	1,125,458	1,194,319	23,167	23,101
Staff loans	44,554	44,872	–	–
Staff advances	1,771	8,424	–	–
Other recoverables	10,535	14,745	3,534	5,743
	8,360,717	5,491,683	74,646	79,659

Included in prepayment and deposit is an amount of $4,870,764 (2004 : nil) being deposit paid for the purchase of 15 units in The RiverGate residential development.

24. OTHER RECEIVABLES (cont'd)

	Group	
	2005	2004
	$	$
Staff loans	132,667	222,738
Due within 12 months	(44,554)	(44,872)
Due after 12 months	88,113	177,866
Staff loans due after 12 months	88,113	177,866
Other loan receivable	1,096,845	1,077,362
Less : Allowance for doubtful receivables		
Balance at the beginning of the year	(936,395)	(985,839)
Write-back to profit and loss account	180,671	12,293
Exchange differences arising on translation	(14,861)	37,151
Balance at the end of the year	(770,585)	(936,395)
Total other receivables included in non-current assets	414,373	318,833

The staff loans are unsecured and interest charged at 2% per annum on reducing balance. The staff loans have remaining loan period of between $2^1/_2$ and $4^1/_2$ years and are repayable by monthly instalment.

25. INVENTORIES

	Group	
	2005	2004
	$	$
At cost		
Raw materials	112,242	249,891
Work-in-progress	–	49,241
Finished goods	32,055	68,794
	144,297	367,926

26. TRADE RECEIVABLES

	Group	
	2005	2004
	$	$
Trade receivables are stated after provision for doubtful debts of	(462,760)	(528,594)
Analysis of provision for doubtful debts:		
Balance at the beginning of the year	(528,594)	(706,765)
Amount utilised	2,474	121,736
Write-back of provision	56,099	56,435
Exchange differences arising from translation	7,261	–
Balance at the end of the year	(462,760)	(528,594)

27. INVESTMENTS SECURITIES - CURRENT

	Group	
	2005	2004 (restated)
	$	$
Held to maturity		
- Unquoted bonds	4,750,000	11,319,880
Available for sale		
- Quoted equity	43,319,884	27,232,748
- Unquoted equity	50,000	1,113,860
- Quoted government securities	–	3,500,000
- Unquoted bonds and FRN	10,738,200	4,247,500
- Investment under fund management	5,017,236	4,232,083
	63,875,320	51,646,071

In 2004, these assets were carried at cost less provision for impairment losses.

Amounts placed under investment fund management can be analysed as follows:

	Group	
	2005	2004
	$	$
Quoted investments	4,575,424	3,881,110
Cash held by fund manager	441,812	350,973
	5,017,236	4,232,083

The Group places fund with certain professional fund managers who are given discretionary powers within certain guidelines to invest the funds

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Fixed deposits	44,359,571	52,475,087	–	–
Cash and bank balances	19,084,704	5,042,707	86,029	91,023
	63,444,275	57,517,794	86,029	91,023
Included in above are:				
Fixed deposits held as cash collateral against performance bonds issued on behalf of customers	3,075,467	2,759,047	–	–
Cash collateral for banking facilities granted to subsidiaries	2,663,100	2,857,050	–	–
Fixed deposits pledged to the Monetary Authority of Singapore as statutory deposit required under Insurance Act	500,000	500,000	–	–
	6,238,567	6,116,097	–	–

29. BANK OVERDRAFTS, SECURED

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

30. DIVIDENDS

	Group	
	2005	2004
	$	$
In respect of financial year ended 31 December 2003:		
- final ordinary dividend of 4% less 20% tax	–	(5,227,552)
In respect of financial year ended 31 December 2004:		
- interim dividend 4% less 20% tax	–	(5,227,552)
- final ordinary dividend of 4% less 20% tax	(5,228,031)	–
In respect of financial year ended 31 December 2005:		
- interim dividend of 4% less 20% tax	(5,228,032)	–
	(10,456,063)	(10,455,104)

The Directors of the Company have recommended a final ordinary dividend of 4% less 20% tax amounting to about $5,228,032 be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.

31. INTEREST IN JOINT VENTURE

The Group has a 50%, 70%, 50% and 82% interest in the assets, liabilities, revenue and expenses of Aronbrook Limited, Filedoor Limited, Vistawell Limited and Capital Group respectively. Aronbrook Limited, Filedoor Limited, Vistawell Limited and Capital Group are nominee companies which hold the United Kingdom properties in trust for the subsidiaries.

	Group	
	2005	2004
	$	$
Current assets	3,088,241	1,001,264
Non-current assets	37,810,001	14,353,819
Total assets	40,898,242	15,355,083
Current liabilities	(2,649,530)	(1,817,358)
Non-current liabilities	(25,527,219)	(8,607,657)
Net assets	12,721,493	4,930,068
Revenue	1,958,440	1,468,666
Other income	(6,801)	1,294,809
Expenses	(3,402,988)	(1,195,338)
(Loss)/profit	(1,451,349)	1,568,137

32. 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	
	2005	2004	2005	2004
	$	$	$	$
Management fees received and receivables from subsidiaries	–	–	(2,061,047)	(11,636,316)
Insurance premiums paid to a subsidiary	–	–	10,677	5,596
Corporate bookkeeping and secretarial services fee received from subsidiaries	–	–	(5,472)	(8,484)

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

33. COMMITMENT AND CONTINGENCIES

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
a) Contingent liabilities				
Guarantees given to financial institutions in connection with facilities given to a subsidiary and an associate	–	–	15,000,000	15,000,000
b) Commitments				
Capital expenditure commitments	22,883,056	8,800,000	–	–
Capital contribution for new subsidiary	304,000	304,000	–	–
Unquoted investment	7,356,594	9,008,000	–	–

34. OPERATING LEASE COMMITMENTS

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

	Group	
	2005	2004
	$	$
Within one year	5,163	4,975
Between two and five years	20,650	19,900
After five years	218,890	215,915
	244,703	240,790

Rental expense was $5,897 (2004 : $5,911) for the financial year ended 31 December 2005.

35. DIRECTORS' REMUNERATION

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

	2005	2004
$500,000 and above	1	1
$250,000 to $499,999	1	1
Below $250,000	7	7
	9	9

36. GROUP SEGMENTAL INFORMATION

At 31 December 2005, 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, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment 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.

36. GROUP SEGMENTAL INFORMATION (cont'd)

By Business Segments

	Warehousing & Property		Insurance & Investment	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Segment Revenue				
External	4,904,732	4,728,167	48,608,726	46,591,469
Inter Segment	34,090	29,100	5,099,996	8,370,391
Total Revenue	4,938,822	4,757,267	53,708,722	54,961,860
Operating Profit/(loss)	7,443,751	5,693,704	15,184,466	22,067,879
Finance Costs				
Share of results of associates				
Profit before taxation				
Tax				
Profit after taxation				
Minority Interest				
Profit attributable to Shareholders				

By Geographical Segments

	Singapore		United Kingdom	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Revenue				
External	64,030,674	49,586,643	3,910,518	3,776,094
Intersegment	6,094,352	9,881,279	–	–
Total Revenue	70,125,026	59,467,922	3,910,518	3,776,094

Manufacturing & Trading		Eliminations		Total	
2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)
$	$	$	$	$	$
14,567,708	2,619,014	–	–	68,081,166	53,938,650
960,266	1,481,788	(6,094,352)	(9,881,279)	–	–
15,527,974	4,100,802	(6,094,352)	(9,881,279)	68,081,166	53,938,650
1,938,290	(2,707,223)	(7,050,332)	(7,005,945)	17,516,175	18,048,415
				(1,753,930)	(1,043,955)
				365,274	1,635,998
				16,127,519	18,640,458
				(131,725)	18,626
				15,995,794	18,659,084
				7,662	18,200
				16,003,456	18,677,284

Others		Eliminations		Total	
2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)
$	$	$	$	$	$
139,974	575,913	–	–	68,081,166	53,938,650
–	–	(6,094,352)	(9,881,279)	–	–
139,974	575,913	(6,094,352)	(9,881,279)	68,081,166	53,938,650

36. GROUP SEGMENTAL INFORMATION (cont'd)

By Business Segments

	Warehousing & Property		Insurance & Investment	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Segment Assets	135,324,088	118,868,443	855,171,830	838,677,191
Investment in Associated Companies	10	10	56,491,306	58,517,926
	135,324,098	118,868,453	911,663,136	897,195,117
Unallocated assets				
Total Assets				
Segment Liabilities	(36,696,699)	(26,065,846)	(110,895,761)	(121,218,976)
Unallocated Liabilities				
Total Liabilities				
Capital Expenditure	54,172,065	2,377	404,563	1,134,241
Depreciation	146,419	140,640	913,768	805,338
(Write-back)/provision for impairment loss	–	–	(151,028)	(764,297)
Other Non Cash (Income)/expenses	(369,806)	(24,919)	41,996	(13,816)

By Geographical Segments

	Singapore		United Kingdom	
	2005	2004 (restated)	2005	2004 (restated)
	$	$	$	$
Segment Assets	1,039,720,493	1,018,121,594	98,687,211	81,216,158
Capital Expenditure	410,118	1,148,992	54,166,510	–

Manufacturing & Trading		Eliminations		Total	
2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)
$	$	$	$	$	$
2,392,667	1,839,991	(611,475,852)	(592,518,295)	381,412,733	366,867,330
8,614,414	3,519,222	(3,500,000)	–	61,605,730	62,037,158
11,007,081	5,359,213	(614,975,852)	(592,518,295)	443,018,463	428,904,488
				88,186,591	82,050,629
				531,205,054	510,955,117
(11,173,819)	(7,336,356)	94,137,311	87,616,659	(64,628,968)	(67,004,519)
				(32,397,708)	(13,615,869)
				(97,026,676)	(80,620,388)
207	170,161	–	–	54,576,835	1,306,779
131,194	152,793	–	–	1,191,381	1,098,771
(3,500,000)	767,315	3,500,000	(1,263,504)	(151,028)	(1,260,486)
519,770	1,082,042	(1,264,563)	(640,927)	(1,072,603)	402,380

Others		Eliminations		Total	
2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)
$	$	$	$	$	$
4,273,202	4,135,660	(611,475,852)	(592,518,295)	531,205,054	510,955,117
207	157,787	–	–	54,576,835	1,306,779

37. MAJOR PROPERTIES OWNED BY THE GROUP

Location	Company	Type/Usage	Area
Property, plant and equipment			
i) Leasehold land and buildings			
38 South Bridge Road Singapore 058672	Hwa Hong Corporation Limited	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.
11 Collyer Quay #09-00 The Arcade Singapore 049317	Tenet Insurance Company Ltd	99 years lease from 1980. Office.	Gross floor area of about 8,027 sq. feet. Net lettable area of 6,974 sq. feet.
ii) Freehold office property			
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Singapore Warehouse Company (Private) Ltd.	Freehold. Office.	Gross floor area of about 1,690 sq. feet.
Investment Properties			
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Singapore Warehouse Company (Private) Ltd.	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	Phrata Sdn. Bhd.	Freehold. Factory and ancillary office.	Land area of about 32,375 sq. metres. Gross floor area of about 5,205 sq. metres.

37. MAJOR PROPERTIES OWNED BY THE GROUP (cont'd)

Location	Company	Type/Usage	Area
Investment Properties (cont'd)			
58 Queensgate London SW7, United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments.	–
115B Queensgate London SW7, United Kingdom	Thackeray Properties Limited	Freehold. 4 units of residential apartments.	–
15/17 Hornton Street London W8, United Kingdom	Pumbledon Limited	Freehold. 11 units of residential apartments.	–
82% interest in 36-38 Hatton Garden London EC1N 8EB	Vantagepro Investment Limited	Freehold. Predominantly Office but includes 3 small retail units.	Floor area of 2,082.1 sq. metres (22,412 sq. feet).
82% interest in 27-29 Fitzroy Street London W1T 6DS	Vantagepro Investment Limited	Freehold office building.	Floor area of 376.2 sq. metres (4,049 sq. feet).
82% interest in 10-18 Vestry Street London N1 7RE	Vantagepro Investment Limited	Freehold office building.	Floor area of 928.9 sq. metres (9,998 sq. feet).
82% interest in 20-22 Vestry Street London N1 7RE	Vantagepro Investment Limited	Freehold office building.	Floor area of 662.3 sq. metres (7,130 sq. feet).
82% interest in 65-69 East Road London N1 6AH	Vantagepro Investment Limited	Freehold office building.	Floor area of 603.4 sq. metres (6,495 sq. feet).
50% interest in Hollins Hall United Kingdom	Pumbledon Limited	Freehold. 4 units of retirement homes.	–

37. MAJOR PROPERTIES OWNED BY THE GROUP (cont'd)

Location	Company	Type/Usage	Area
Investment Properties (cont'd)			
60, 60B, 60C Martin Road Singapore 239065/7/8	Riverwalk Promenade Pte Ltd	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	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 58,362 sq. feet.
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 7,328 sq. feet.

38. 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) *Underwriting risk*

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Group seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to the security of reinsurers. The Group adopted the actuary's view on its claims and premium liabilities at balance sheet date.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Underwriting risk (cont'd)

The table below sets out the concentration of the claims and premium liabilities (in percentage terms) at balance sheet date:

	Net Claims Liabilities %	Net Premium Liabilities %
Motor	55	33
Workmen's Compensation	24	24
Fire	2	6
Marine Cargo	3	3
General Accident	16	34
	100	100

c) Liquidity risk

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

d) Credit risk

The carrying amount of trade and other receivables 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.

e) 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.

39. FINANCIAL INSTRUMENTS

i) Credit risk

There are no significant concentrations of credit risk within the Group or the Company.

ii) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

a) Financial instruments carried at fair value

The Group and Company have carried all investment securities that are classified as available-for-sale financial assets, and all derivative financial instruments, at their fair value as required by FRS 39.

b) Financial instruments whose carrying amount approximate fair value

The carrying amounts of cash and short term deposits, current trade and other receivables, bank overdrafts, current trade and other payables, amounts due from subsidiaries and associates and current bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

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 $2,919,887 (2004 : $3,061,229). The expected cash flows from these investments are believed to be in excess of their carrying amount.

c) Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the group and company's financial instruments that are carried in the financial statements at other than fair values as at 31 December.

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2005	2004	2005	2004	2005	2004	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Non-current								
Quoted bonds	25,834	24,562	24,773	25,435	1,000	1,000	1,000	1,000
Unquoted bonds	35,999	45,724	33,841	43,987	2,000	2,000	2,000	2,000
Current								
Government securities	–	3,500	–	3,507	–	–	–	–
Quoted equities	–	27,232	–	32,863	–	–	–	–

39. FINANCIAL INSTRUMENTS (cont'd)

ii) Fair values (cont'd)

c) Financial instruments carried at other than fair value (cont'd)

The fair value of quoted bonds, Government securities and quoted equities are their bid price at the balance sheet date. The fair value of unquoted bonds is the indicative market price obtained from various financial institutions. The Directors consider these prices provide an appropriate approximation of the fair value of the unquoted bonds.

iii) Interest rate risk

The following tables sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

Group	Effective Interest rate	Total $'000	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000
2005					
Bonds	1.97% - 8.62%	77,320	39,390	33,656	4,274
Fixed deposits	0.52% - 4.82%	44,359	44,359	–	–
Bank loans	3.5% - 7.95%	30,479	30,479	–	–
Loan due from associated companies	2.5% - 3.995%	113,763	113,763	–	–

	Effective Interest rate	Total $'000	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000
2004					
Bonds	1.5% - 8.62%	85,853	35,007	47,068	3,778
Fixed deposits	0.52% - 5.26%	52,475	52,475	–	–
Bank loans	1.25% - 1.5% over LIBOR	9,778	9,778	–	–
Loan due from associated companies	1.84% - 2.61%	105,763	105,763	–	–
Hire purchase creditors	2.7%	37	37	–	–

40. COMPARATIVES

Certain comparatives figures for the year ended 31 December 2004 have been reclassified from the previous financial year due to the following reasons:

i) accounting for the impact of FRS 28 (revised), and
ii) reclassification of investment property to property, plant and equipment.

The financial statements in 2004 were restated as follows:

	Group $	Company $
Profit and loss accounts		
Share of results of associates as previously reported	(1,083,690)	–
Effect of adopting of FRS 28 (revised)	2,719,688	–
Share of results of associates as restated	1,635,998	–
Balance sheets		
Property, plant and equipment as previously reported	13,549,810	–
Reclassification from investment properties	1,450,000	–
Property, plant and equipment as restated	14,999,810	–
Investment properties as previously reported	111,305,747	–
Reclassification to property, plant and equipment	(1,450,000)	–
Investment properties as restated	109,855,747	–
Revenue reserve as previously reported	121,215,620	–
Effect of adopting of FRS 28 (revised)	(857,135)	–
Reclassification to capital reserve	(849,292)	–
Revenue reserve as restated	119,509,193	–
Capital reserve as previously reported	130,070,127	–
Reclassification from revenue reserve	849,292	–
Capital reserve as restated	130,919,419	–
Currency translation adjustment reserve as previously reported	1,090,089	–
Effect of adopting of FRS 28 (revised)	771,098	–
Investment properties as restated	1,861,187	–

40. COMPARATIVES (cont'd)

The financial statements in 2004 were restated as follows:

	Group $	Company $
Investment in associates as previously reported	57,801,376	–
Effect of adopting of FRS 28 (revised)		
- reclassification from non-current investment securities	1,602,131	716,560
- share of post-acquisition reserves	2,633,651	–
Investment in associates as restated	62,037,158	716,560
Non-current investment securities as previously reported	85,525,535	3,322,767
Effect of adopting of FRS 28 (revised)		
- reclassification to investment in associates	(1,602,131)	(716,560)
- reclassification to amounts due to an associate	446,333	446,333
Non-current investment securities as restated	84,369,737	3,052,540
Amount due to an associate as previously reported	–	–
Reclassification from non-current investment securities	446,333	446,333
Amount due to an associate as restated	446,333	446,333

Shareholding Statistics

as at 13 March 2006

Class of equity security	:	Ordinary shares
Voting rights of ordinary shareholders	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	174	3.99	63,065	0.01
1,000 - 10,000	2,239	51.38	13,131,585	2.01
10,001 - 1,000,000	1,914	43.92	89,922,994	13.76
1,000,001 and above	31	0.71	550,386,356	84.22
Total	4,358	100.00	653,504,000	100.00

TWENTY LARGEST SHAREHOLDERS (As shown in the Register of Members and Depository Register)

	Name	No. of Shares	%
1.	HSBC (Singapore) Nominees Pte Ltd	83,680,152	12.80
2.	Oversea-Chinese Bank Nominees Private Limited	73,088,000	11.18
3.	Hong Leong Enterprises Pte. Ltd.	45,664,000	6.99
4.	United Overseas Bank Nominees (Private) Limited	40,243,700	6.16
5.	City Developments Realty Limited	33,355,000	5.10
6.	Ong Kay Eng	31,723,934	4.85
7.	Ong Hoo Eng	30,994,753	4.74
8.	Tudor Court Gallery Pte Ltd	29,940,000	4.58
9.	DBS Nominees (Private) Limited	25,593,248	3.92
10.	Starich Investments Pte. Ltd.	24,942,000	3.82
11.	Welkin Investments Pte Ltd	21,296,000	3.26
12.	Mayban Nominees (Singapore) Private Limited	17,039,000	2.61
13.	Ely Investments (Pte) Ltd.	13,642,000	2.09
14.	Ong Joo Gim	12,784,603	1.96
15.	Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
16.	Citibank Nominees Singapore Pte Ltd	9,210,000	1.41
17.	OCBC Nominees Singapore Private Limited	8,954,000	1.37
18.	Ong Eng Hui David	8,780,634	1.34
19.	UOB Kay Hian Private Limited	6,288,300	0.96
20.	Guan Meng Kuan	5,550,860	0.85
		534,255,680	81.75

PERCENTAGE OF PUBLIC FLOAT

Based on information available to the Company as at 13 March 2006, approximately 31.365% of the issued ordinary shares of the Company is held by the public and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

EXTRACT FROM REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%
Ong Holdings (Private) Limited	141,162,840	22,473,056	163,635,896	25.040
Ong Choo Eng	100,000	177,277,896	177,377,896	27.143
Ong Mui Eng	4,547,248	163,957,644	168,504,892	25.785
Ong Hian Eng	3,062,604	164,020,896	167,083,500	25.567
Ong Kwee Eng	–	165,236,396	165,236,396	25.285
Ong Eng Loke	406,500	164,519,896	164,926,396	25.237
Ong Eng Yaw	25,000	163,635,896	163,660,896	25.044
Hong Leong Enterprises Pte. Ltd.	45,664,000	24,942,000	70,606,000	10.804
City Developments Realty Limited	33,355,000	–	33,355,000	5.104
City Developments Limited	–	33,355,000	33,355,000	5.104
Hong Leong Investment Holdings Pte. Ltd.	–	150,342,248	150,342,248	23.006
Kwek Holdings Pte Ltd	–	150,342,248	150,342,248	23.006
Davos Investment Holdings Private Limited	–	150,342,248	150,342,248	23.006
Ong Kay Eng	31,723,934	10,381,378	42,105,312	6.443
Ong Hoo Eng	46,994,753	–	46,994,753	7.191

Notes:

1 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 ("BT") and International Foundation Engineering Pte. Ltd. ("IFE").

2 Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, 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.

3 Ong Mui Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, BT 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.

4 Ong Hian Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, 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.

5 Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, BT 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.

6 Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, 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.

7 Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT 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.

8 The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on the last notification to the Company on 30 May 2003. HLE is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd., being a company 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.

9 The aggregate interest of City Developments Realty Limited ("CDRL") is based on the last notification to the Company on 13 February 2006.

10 The aggregate interest of City Developments Limited ("CDL") is based on the last notification to the Company on 13 February 2006. CDL is deemed under Section 7 of the Act to have an interest in the shares held by its wholly owned subsidiary, CDRL.

11 The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on the last notification to the Company on 13 July 2005. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Millennium Securities Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 70,606,000 shares held directly and indirectly by HLE, being companies 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.

12 The aggregate interest of each of Kwek Holdings Pte Ltd ("KH") and Davos Investment Holdings Private Limited ("Davos") is based on the last notification to the Company on 13 July 2005. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 150,342,248 shares held directly and indirectly by HLIH, in which each is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

13 Ong Kay Eng is deemed to have an interest in 1,600,000 shares held by HSBC (Singapore) Nominees Pte Ltd, 744 shares registered in the name of his spouse and 8,780,634 shares registered in the name of Ong Eng Hui David pursuant to Section 7 of the Act.

Hwa Hong Corporation Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Third Annual General Meeting of Hwa Hong Corporation Limited (the "Company") will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Wednesday, 26 April 2006 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 2005. **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 2005. **Resolution 2**

3. To approve the payment of fees amounting to S$311,000 to the non-executive Directors of the Company for the financial year ended 31 December 2005 (2004: S$211,000). **Resolution 3**

4. To re-elect Dr Ong Hian Eng who is retiring by rotation in accordance with Article 105 of the Articles of Association of the Company. **Resolution 4**
   (Note: Dr Ong Hian Eng is an executive and non-independent Director.)

5. To re-elect the following Directors who are retiring in accordance with Article 96 of the Articles of Association of the Company:

   (a) Mr Ma Kah Woh, Paul **Resolution 5**
   (Note: Mr Ma Kah Woh, Paul was appointed on 31 March 2006. He is considered an independent non-executive Director.)

   (b) Mr Wee Sin Tho **Resolution 6**
   (Note: Mr Wee Sin Tho was appointed on 31 March 2006. He is considered an independent non-executive Director.)

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

   (a) "That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Ong Mui Eng be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 7**
   (Note: Mr Ong Mui Eng is an executive and non-independent Director.)

   (b) "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." **Resolution 8**
   (Note: Mr Guan Meng Kuan, if re-elected, will remain as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee. He is considered an independent non-executive Director.)

   (c) "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." **Resolution 9**
   (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.)

7. To appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 10**

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

SPECIAL BUSINESS

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

9A. "That authority be and is hereby given to the Directors of the Company to: **Resolution 11**

(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 number of issued shares of the Company (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company with registered addresses in Singapore are not given the opportunity to participate in the same on a *pro rata* basis, then the shares to be issued under such circumstances (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the number of issued shares of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the number of issued shares shall be based on the number of issued shares of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent consolidation or subdivision of shares;

and, in relation to an Instrument, the number of shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) 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."

9B. "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 offer and 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 of the Company in general meeting on 29 May 2001 and as may be amended from time to time and to allot and issue shares in the Company upon the exercise of any such options (notwithstanding that the exercise thereof or such allotment and issue 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, provided always that the aggregate number of shares to be issued pursuant to the Hwa Hong Corporation Limited (2001) Share Option Scheme shall not exceed 5 per cent. of the total number of issued shares of the Company from time to time." **Resolution 12**

9C. "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 of the Company 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 13**

9D. "That: **Resolution 14**

(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 total number of Shares of the Company (excluding any Shares which are held as treasury shares) 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

"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, 10 April 2006

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 11, 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 total number of issued shares of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) 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 12, if passed, gives authority to the Directors to grant options and to issue shares in connection with the Hwa Hong Corporation Limited (2001) Share Option Scheme (notwithstanding that such issue of shares may take place after the expiration of this approval).

Resolution 13, 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 14, 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 in the capital of the Company (the "Shares") on the terms of the mandate (the "Share Purchase Mandate") set out in the attached Appendix to the Notice of Annual General Meeting (the "Appendix"). 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.

The Company intends to use the Group's internal resources to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

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 2005, based on certain stated assumptions, are set out in paragraph 4.6 of the Appendix.

Hwa Hong Corporation Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

IMPORTANT:

1. For investors who have used their CPF monies to buy shares in Hwa Hong Corporation Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent 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.

Proxy Form

*I/We, _____ (Name)

of _____ (Address)

being *a Member/Members of **HWA HONG CORPORATION LIMITED** (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of 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-Third Annual General Meeting** of the Company ("AGM") to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on **26 April 2006** 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 Dr Ong Hian Eng				
5	Re-election of Mr Ma Kah Woh, Paul				
6	Re-election of Mr Wee Sin Tho				
7	Re-appointment of Mr Ong Mui Eng				
8	Re-appointment of Mr Guan Meng Kuan				
9	Re-appointment of Mr Chew Loy Kiat				
10	Appointment of Auditors and authorising Directors to fix their remuneration				
	Any other ordinary business				
	SPECIAL BUSINESS				
11	Authority to issue shares and to make or grant Instruments up to stipulated limits				
12	Authority to grant options and to issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme				
13	Authority to issue shares under the Hwa Hong Corporation Limited Scrip Dividend Scheme				
14	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 all 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 _____ 2006

Total Number of Shares Held	
CDP Register	
Members' Register	

_____

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

* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

Fold this flap for sealing

Affix postage stamp

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

2nd fold here

3rd fold here

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

HWA HONG CORPORATION LIMITED

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

Company Registration No. 195200130C