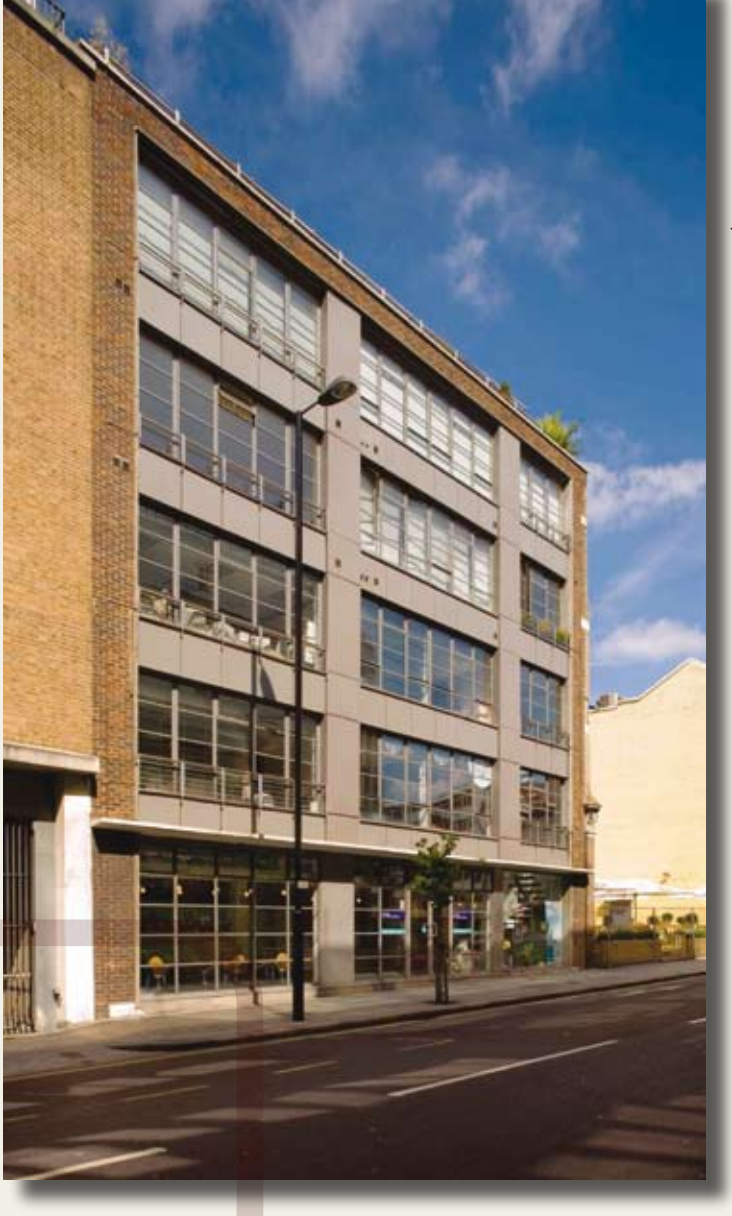
Annual Report 2007

HWA HONG CORPORATION LIMITED



The Bridge, Clerkenwell Road

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Corporate Information *as at 8 April 2008*

BOARD OF DIRECTORS

Hans Hugh Miller
Non-Executive Chairman

Ong Choo Eng
Group Managing Director

Ong Mui Eng

Ong Hian Eng

Guan Meng Kuan

Goh Kian Hwee

Ma Kah Woh, Paul

Wee Sin Tho

Ong Eng Loke
Alternate Director to Ong Mui Eng

PRINCIPAL SUBSIDIARIES

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

REGISTERED OFFICE

38 South Bridge Road

Singapore 058672

website: www.hwahongcorp.com

AUDIT AND RISK COMMITTEE

Ma Kah Woh, Paul
Chairman

Goh Kian Hwee

Wee Sin Tho
(with effect from 27 April 2007)

NOMINATING COMMITTEE

Wee Sin Tho
Chairman

Guan Meng Kuan

Hans Hugh Miller
(with effect from 27 April 2007)

Goh Kian Hwee
(with effect from 27 April 2007)

REMUNERATION COMMITTEE

Hans Hugh Miller
Chairman

Goh Kian Hwee

Guan Meng Kuan

Wee Sin Tho
(with effect from 27 April 2007)

DIVESTMENT AND INVESTMENT COMMITTEE

(newly formed in 2007)

Hans Hugh Miller
Chairman

Ong Choo Eng

Ma Kah Woh, Paul

Wee Sin Tho

COMPANY SECRETARIES

Ong Bee Leem

Lim Keng San Shirley
(with effect from 21 February 2008)

REGISTRAR/ SHARE REGISTRATION OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.

3 Church Street

#08-01 Samsung Hub

Singapore 049483

tel: 6536 5355

fax: 6536 1360

AUDITORS

Ernst & Young
Certified Public Accountants

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner In-Charge: Mak Keat Meng
(with effect from financial year ended 31 December 2005)

MANAGEMENT

Ong Choo Eng
Group Managing Director
Hwa Hong Corporation Limited

Ong Mui Eng
Executive Director
Hwa Hong Corporation Limited

Ong Hian Eng
Executive Director
Hwa Hong Corporation Limited

Chen Chee Kiew (Mrs)
General Manager
Singapore Warehouse Company (Private) Ltd.

Tan Yian Hua, Stella
Principal Officer / Chief Executive Officer
Tenet Insurance Company Ltd

Ong Eng Hock Simon
Chief Financial Officer
Hwa Hong Corporation Limited

Ong Eng Loke
Business Development Manager
Hwa Hong Edible Oil Industries Pte. Ltd.

Guan Tut Chuan
Business Development Manager
(China Operations)
Hwa Hong Corporation Limited

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

Financial Calender

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2007

Announcement of 2007 Unaudited Results

First Quarter ended 31 March 2007	27 April 2007
Second Quarter ended 30 June 2007	7 August 2007
Third Quarter ended 30 September 2007	7 November 2007
Financial Year ended 31 December 2007	15 February 2008

Annual General Meeting

25 April 2008 (2.30 p.m.)

Dividends

Special interim dividend of 3.989 cents per share less 18% tax	
Date of books closure	29 May 2007
Payment date	14 June 2007
One-tier tax exempt interim dividend of 1.5 cents per share **One-tier tax exempt special dividend of 6.5 cents per share**	
Date of books closure	24 August 2007
Payment date	6 September 2007
Proposed one-tier tax exempt final ordinary dividend of 1.25 cents per share and one-tier tax exempt special dividend of 0.75 cents per share	
Last day for lodgement of transfers for dividend entitlement	Up to 5.00 p.m. on 12 May 2008
Date of books closure	13 May 2008
Payment date	23 May 2008

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2008

Announcement of 2008 Unaudited Results

Tentative Dates for Announcement of 2008 Unaudited Results

First Quarter of 2008	29 April 2008
Second Quarter of 2008	31 July 2008
Third Quarter of 2008	31 October 2008
Financial Year 2008	18 February 2009

Chairman's Letter To Shareholders

Model of 4 Storey office block at Scott Road

West Midlands House

Dear Shareholders,

2007 was an important year for your Company. In volatile economic times, each business continued to execute its strategy and addressed a number of challenges.

Financial performance was strong. Significant capital was returned to you via dividends. Your board focused on ongoing improvements in governance and risk management while moving to position the core businesses for profitable growth.

Profit after taxation rose by more than $82.8 million in 2007, to $104.2 million, due primarily to earnings at the Rivergate project. Construction at this site, which began in 2005 in partnership with CapitaLand, is progressing according to plan and was 54.4% complete at the end of 2007. As this venture is carried out through an associate, sales at Rivergate are not reflected in our revenues, while income is reported directly as share of profits in associates in our Consolidated Profit and Loss Account. As profits are reported on a percentage completion basis and TOP is targeted for September 2008, further recognition of share of profits from Rivergate is expected in 2008.

In addition to Rivergate, other real estate investments of your company did well in 2007. Revenue from rental income rose 35.6% from $4.5 million in 2006 to $6.1 million in 2007. During 2007, the Group acquired several new investment properties in the United Kingdom costing approximately $10.5 million, as well as making an investment in Singapore at the Scotts Spazio site in partnership with Dubai Investment Group LLC and KOP Capital Pte Ltd. Hwa Hong continues to explore real estate investment on its own as well as through established relationships with business partners.

Revenues at Tenet Insurance Company Ltd ("Tenet") grew well in the year, up over $5.4 million, or 21.3%, to $30.8 million. Tenet's strategy is to offer product innovation and high levels of service through a selected group of intermediaries and we believe this profitable growth is a demonstration of good execution of the strategy.

Tenet performed well and reported strong underwriting profits of approximately $2.8 million on the current year's business. At over 10% of premiums earned in the year, this level of profitability is higher than average returns that we expect over the insurance cycle. In addition to profits on 2007 insurance contracts, Tenet reported earnings from prior years of $7.0 million as loss payments in 2007 came in at lower values than the original actuarial estimates. Total insurance profits – including both current and prior year impacts were down, however, as Tenet had reported over $10.8 million of income from favourable prior year loss reserve development in 2006 compared to $7.0 million in 2007. We do not believe that favourable reserve development should be expected consistently year to year, and we focus our attention primarily on the profitability of our current writings.

In our manufacturing segment, a number of challenges emerged in 2007—particularly with respect to our 49.5% owned Norwest Holdings Pte Ltd ("Norwest"), and its subsidiaries which are active in the Chinese phosphate mining and processing business. A planned rights issue and placement of shares in Norwest to provide necessary working capital was not successful and Norwest has been placed under liquidation.

Overall, financial performance of the Group was quite positive. Including earnings from Rivergate, our return on equity was 26.7%, a record for Hwa Hong. Before the profits from Rivergate and write-down in respect of our investment in Norwest, the ROE improved from 5.3% in 2006 to 6.5% to 2007.

Tenet's 50th Anniversary Celebration

Rivergate

Your Company actively managed its capital in 2007. Regular and special dividends paid and payable in respect of 2007 were $86.7million, up from $14.5 million in respect of 2006.

Shares of your Company's stock closed the year 2006 at $0.67 and by the end of 2007, the price was $0.71, an increase of $0.04 or 6.0%. Including the net dividends paid during the year amounting to approximately 11 cents per share, total shareholder return was 22.4%, versus 22.5% for the STI.

Looking to 2008 and beyond, we have entered a period of heightened economic uncertainty. As at the date of this report, it is not clear whether the broad economic impact will be primarily regional or global. Similarly, it may be too soon to tell if we are experiencing a normal cyclical correction, or whether some broader systemic risks may emerge. Nonetheless, we believe that Hwa Hong is well positioned with a solid and growing position in the general insurance business and diversified real estate holdings. Current market uncertainty has the potential to bring new opportunities to Hwa Hong.

Our dividend policy will be to maintain historic regular dividend levels and increase the dividend whenever supported by profits. Your Company will continue to thoughtfully make new investments in the core businesses, and as demonstrated this year, we will consider returning excess capital to shareholders when appropriate.

We will strive to further increase our return on equity over time. Real estate investment opportunities are measured against the expected IRR of each investment, while our capital management decisions for the insurance business are primarily driven by the potential to grow book value over the insurance cycle at an acceptable rate.

CHAIRMAN'S LETTER TO SHAREHOLDERS

top & bottom: 7 Water Street Liverpool

From a governance perspective, your board focused particularly on further refining risk management in 2007, and took measures in any area that had been identified as having potentially significant impact on the financial position of the Group.

The board established a new committee, the Divestment and Investment Committee in mid 2007, to focus on strategic matters and act in an advisory capacity to management in terms of specific investment opportunities.

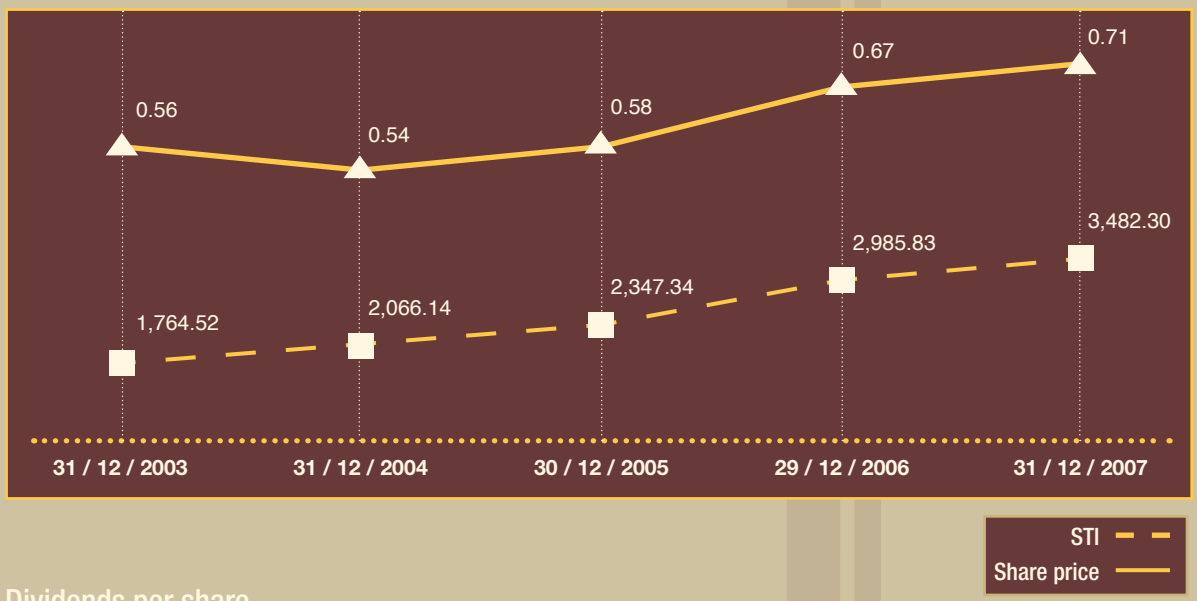
Following the 2007 AGM, two long-standing directors, Mr Chew Loy Kiat and Mr Boon Suan Lee, ceased to be directors. Both contributed considerable time and effort to the Company for many years, and I would like to thank them for their contributions to Hwa Hong.

Finally, the directors and I wish to thank our business partners and our shareholders for their confidence, and the staff of Hwa Hong for their dedication and performance in 2007.

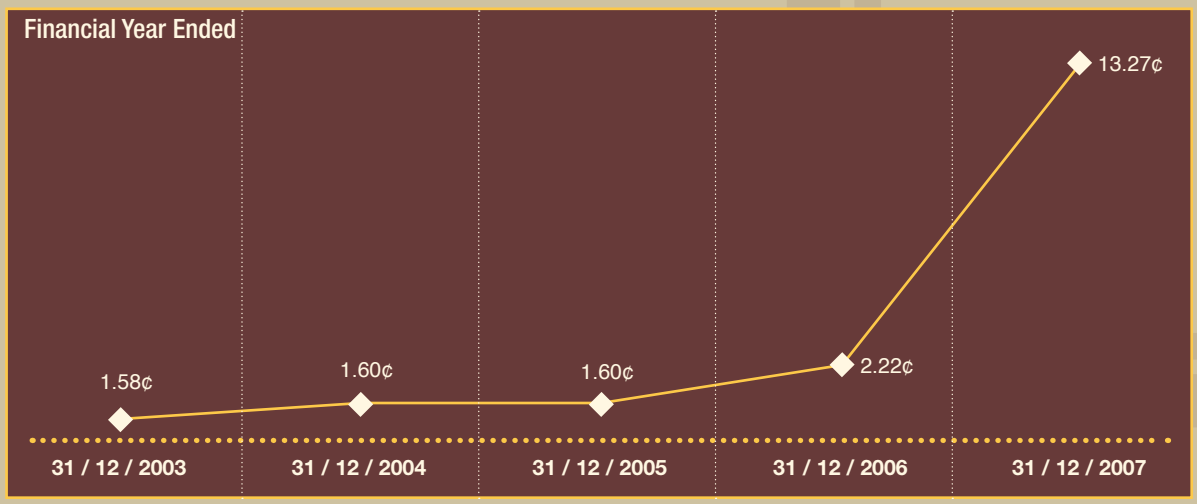
Sincerely,
Hans Hugh Miller
Chairman

Five Year Group Financial Profile

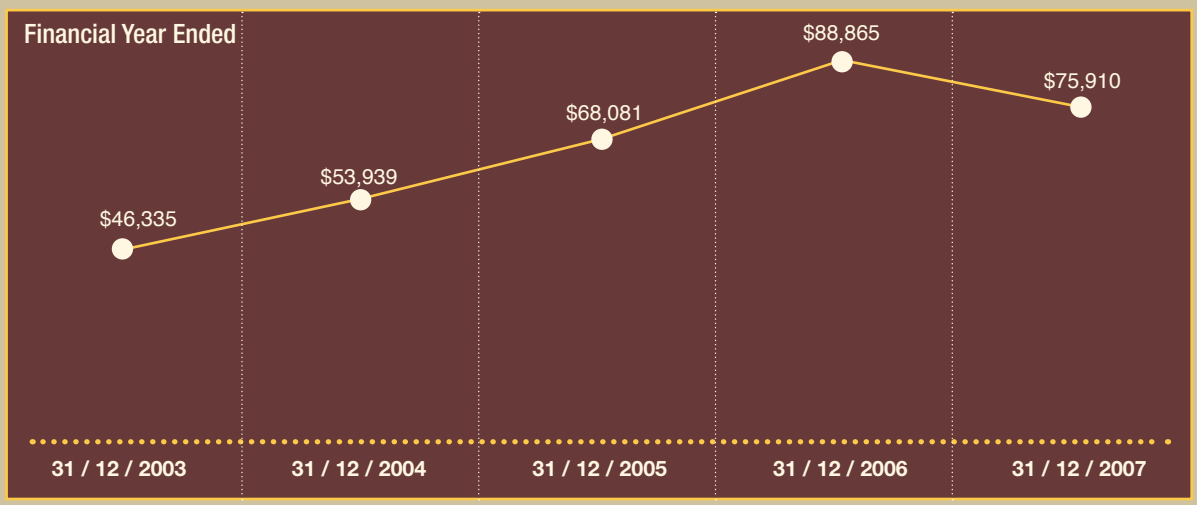
Share Price Performance



Dividends per share



Revenue ($'000)



Board Of Directors

HANS HUGH MILLER
Chairman; Independent and Non-Executive
B.A. ECONOMICS

Mr Hans Hugh Miller was appointed a Director and the Chairman of the Board of Directors on 3 January 2005 and 20 April 2005 respectively. He was last re-elected on 20 April 2005. He 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 25 April 2008. He is also the Chairman of the Remuneration Committee and Divestment and Investment Committee and a member of the Nominating Committee of the Company.

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). 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; Non-Independent
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 also a member of the Divestment and Investment Committee of the Company.

Mr Ong also sits on the boards of two public listed companies in Singapore. He is a member of the audit committee and remuneration committee of MTQ Corporation Limited. In addition, he is a member of the executive, investment, audit, nominating and remuneration committees of Singapore Reinsurance Corporation Limited.

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 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
Executive Director; Non-Independent

Mr Ong Mui Eng was appointed a Director on 1 February 1983. He was last re-appointed on 26 April 2007. 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 25 April 2008.

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 (DR)
Executive Director; Non-Independent
B. SC., D.I.C., PH. D., C. ENG., F.I. CHEM.E.

Dr Ong Hian Eng was appointed a Director on 24 February 1981. He was last re-elected on 26 April 2006. 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 25 April 2008.

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

Dr Ong 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.

Dr Ong is also a member of the Singapore Sichuan Trade & Investment Committee and honorary council member of the Singapore Chinese Chamber of Commerce & Industry.

GUAN MENG KUAN
Non-Executive Director; Non-Independent
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 and last re-appointed on 25 April 2007. He is also a member of the Nominating Committee and Remuneration Committee of the Company. 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 25 April 2008.

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).

GOH KIAN HWEE

Non-Executive Director; Independent
LL.B. (HONS)

Mr Goh Kian Hwee was appointed a Director on 1 September 1989. He was last re-elected on 25 April 2007. He is also a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee of the Company.

He also sits on the boards of Hong Leong Asia Ltd, Achieva Limited and Japan Land Ltd. During the past three years, he was a director of Hotel Negara Limited, MAE Engineering Ltd and AsiaMedic Limited.

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.

MA KAH WOH, PAUL

Non-Executive Director; Independent
C.P.A., F.C.A. (England and Wales)

Mr Ma Kah Woh, Paul was appointed a Director on 31 March 2006 and last re-elected on 26 April 2006. He is also the Chairman of the Audit and Risk Committee and a member of the Divestment and Investment Committee of the Company.

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 also sits on the board and audit committee of SMRT Corporation Ltd, a company listed in Singapore. 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 real estate investment and management. 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 and audit committee chairman of Ascott Residence Trust Management Limited. He is a director of CapitaLand China Development Fund Pte Ltd, a private equity fund and a Trustee on the Board of Trustees of the National University of Singapore.

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

Non-Executive Director; Independent
B. SOC. SCI. (HONS)

Mr Wee Sin Tho was appointed a Director on 31 March 2006 and last re-elected on 26 April 2006. He is also the Chairman of the Nominating Committee and a member of the Audit and Risk Committee, Remuneration Committee and Divestment and Investment Committee of the Company.

Mr Wee is the Chief Strategist of the Endowment Programme of the National University of Singapore. He also sits on the board of Keppel Telecommunications and Transportation Ltd.

ONG ENG LOKE

Alternate Director to Ong Mui Eng; Non-Independent
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. Prior to the appointment, he was a fund manager in Tokio Marine Asset Management International Pte Ltd, UOB Asset Management and OUB Asset Management. He is currently responsible for investment opportunities in Asia particularly in the North Asian region of China, Hong Kong and Korea.

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 (MRS)
General Manager
Singapore Warehouse Company (Private) Ltd.

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.

Mrs Chen 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
Tenet Insurance Company Ltd

Ms Tan Yian Hua, Stella 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 promoted to Chief Operating Officer.

Prior to this, Ms Tan 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.

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

Ms Tan is a Management Committee member of the General Insurance Association of Singapore and a Member of the Financial Industry Competency Steering Committee.

ONG ENG HOCK SIMON
Chief Financial Officer
Hwa Hong Corporation Limited

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 oversees the financial management of the Group, which covers accounting, treasury, tax, financial control and reporting.

Mr Ong 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, Mr Ong 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 People's Republic of China.

ONG ENG LOKE
Business Development Manager
Hwa Hong Edible Oil Industries Pte. Ltd.

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

GUAN TUT CHUAN
Business Development Manager (China Operations)
Hwa Hong Corporation Limited

Mr Guan Tut Chuan joined the Company as a Business Development Manager, China Operations, on 16 October 2006. He is responsible for business development in China, evaluating new opportunities and handling the risk management aspect of the Group's businesses in China. Prior to joining the Company, he worked in the software development and education industry.

Mr Guan graduated with a Bachelor of Arts and Master of Science from the University of Cambridge and with a Master of Business Administration from Peking University.

Corporate Governance Report

Hwa Hong Corporation Limited (the "Company") recognises the importance of good corporate governance practices. This report describes the Company's corporate governance practices with reference to the principles of the Code of Corporate Governance issued by the Ministry of Finance on 14 July 2005 (the "Code").

(A) BOARD MATTERS

The Board's Conduct Of Its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The board of directors of the Company (the "Board") oversees the corporate policy and overall strategy for the Group. The principal role and responsibilities of the Board include:-

- providing the overall strategic plans, overall policies and financial objectives of the Group;
- reviewing the operational and financial performance of the Company and the Group;
- overseeing the business and affairs of the Group, including reviewing the performance of management;
- approving annual reports, circulars and audited financial statements;
- dealing 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;
- approving the appointment of directors;
- overseeing the Group's system of internal controls, risk management, financial reporting and compliance; and
- assuming responsibility for corporate governance processes and practices within the Group.

The functions of the Board are either carried out by the Board or delegated to various Committees established by the Board, namely, the Audit and Risk Committee, the Nominating Committee, the Remuneration Committee and the Divestment and Investment Committee. Each Committee has the authority to examine issues relevant to their terms of reference and to make recommendations to the Board for action.

The Board conducts regular scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Articles of Association of the Company allow Board meetings to be conducted via any form of audio or audio-visual communication. The directors are free to discuss any information or views presented by any member of the Board and Management.

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.

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

The attendance record of each director at meetings of the Board and Board Committees during the year 2007 is disclosed below:

	Number of meetings attended in 2007				
Name of Director	Board of Directors	Audit and Risk Committee	Nominating Committee	Remuneration Committee	Divestment and Investment Committee
Hans Hugh Miller [1]	5	Not applicable	3	4	2
Ong Choo Eng [2]	5	Not applicable	Not applicable	Not applicable	2
Ong Mui Eng	5	Not applicable	Not applicable	Not applicable	Not applicable
Ong Hian Eng	5	Not applicable	Not applicable	Not applicable	Not applicable
Guan Meng Kuan	5	Not applicable	3	4	Not applicable
Goh Kian Hwee [3]	5	4	2	3	1
Ma Kah Woh, Paul [4]	5	4	Not applicable	Not applicable	1
Wee Sin Tho [5]	5	2	3	3	2
Number of meetings held in 2007	**5**	**4**	**3**	**4**	**2**

1 Appointed as a member of the Divestment and Investment Committee on 27 April 2007.
2 Appointed as a member of the Divestment and Investment Committee on 2 August 2007.
3 Appointed as a member of the Nominating Committee and the Divestment and Investment Committee on 27 April 2007 and resigned as a member of the Divestment and Investment Committee on 2 August 2007.
4 Appointed as Chairman of the Audit and Risk Committee on 1 January 2007 and a member of the Divestment and Investment Committee on 2 August 2007.
5 Appointed as Chairman of the Nominating Committee on 1 January 2007 and a member of each of the Audit and Risk Committee, the Remuneration Committee and the Divestment and Investment Committee on 27 April 2007.

Newly appointed directors will be given briefings and orientation by the Executive Directors and the Management to familiarise them 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.

Board Composition And Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises eight directors and one alternate director. Out of the eight directors, three are full-time Executive Directors, and therefore, non-independent. The alternate director is also a full-time management executive in the Company. The Nominating Committee determines on an annual basis whether or not a director is independent, bearing in mind the Code's definition of an 'independent' director and guidance as to relationships the existence of which would deem a director not to be independent. In respect of the review of the independence of each director for this financial year, the Nominating Committee considered that, of the five non-executive directors, save for Mr Guan Meng Kuan, all the other non-executive directors are independent. Each member of the Nominating Committee has abstained from deliberations in respect of his own assessment.

The Nominating Committee also considered, and is of the view that, the size and composition of the Board are appropriate for effective decision making, taking into account factors such as 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, accounting, chemical engineering, insurance, law, finance and banking. The non-executive directors are encouraged to participate in developing proposals on the Company's strategy and plans, and in reviewing and monitoring the management's performance against set targets.

Chairman And Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and Group Managing Director in the Company are separate. Mr Hans Hugh Miller is the Chairman of the Board and is an independent non–executive director. Mr Ong Choo Eng is the Group Managing Director. The Chairman and the Group Managing Director are not related.

The Group Managing Director has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides leadership to the Board. The Chairman ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the Group Managing Director and fellow directors and other executives, and if warranted, with professional advisors. He also ensures that any information and materials to be discussed at Board Meetings are circulated timely to directors so as to enable them to be updated and prepared, thereby enhancing the effectiveness of the non-executive directors and the Board as a whole. The Chairman assumes the lead role in promoting corporate governance processes.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

Nominating Committee

The Nominating Committee comprises entirely of four non-executive directors, a majority of whom, including the Chairman, are independent. The Nominating Committee members are:

Wee Sin Tho	*Chairman*
Guan Meng Kuan	
Hans Hugh Miller	
Goh Kian Hwee	

The key duties and responsibilities of the Nominating Committee under its terms of reference include the following:

- 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
- 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.

At each Annual General Meeting ("AGM") of the Company, the Articles of Association of the Company requires one-third of the directors (excluding a Managing Director) to retire from office, being one-third of those who have been longest in office since their last re-election. The retiring directors submit themselves for re-nomination and re-election. A newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. In addition, directors of or over 70 years of age are required to be re-appointed every year at the AGM pursuant to Section 153 of the Companies Act, Chapter 50 (the "Act"), before they can continue to act as a director. An alternate director is not required to submit for retirement but his appointment shall *ipso facto* cease when his appointor ceases for whatever reason to be a director.

In assessing and recommending a candidate for appointment to the Board, the Nominating Committee takes into consideration the background, experience and knowledge that the candidate brings and which could benefit the Board. New directors are appointed by way of a board resolution after the Nominating Committee recommends the appointment for approval of the Board.

The Nominating Committee also considered, and is of the opinion, that the multiple board representations held by directors of the Company do not impede their performance in carrying out their duties to the Company.

Further information regarding directors can be found in the section "Board of Directors" on pages 9 to 10. Details of directors' shareholdings in the Company and related corporations are set out in the "Directors' Report" on pages 23 to 25.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Nominating Committee 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 Nominating Committee takes into account the director's attendance at meetings and his contribution and performance at such meetings. The Nominating Committee has implemented an evaluation process for the assessment of the performance of the Board. The Nominating Committee is of the view that the overall performance of the Board as a whole is satisfactory.

Access To Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Management including the Executive Directors 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. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Company and the Group.

The Board members also have access to the Company Secretary. The Company Secretary attends all Board Meetings.

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.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee

The Remuneration Committee comprises entirely of non-executive directors, majority of whom, including the Chairman are independent. The Remuneration Committee members are:

Hans Hugh Miller	*Chairman*
Goh Kian Hwee	
Guan Meng Kuan	
Wee Sin Tho	

The roles, duties and responsibilities of the Remuneration Committee cover the functions described in the Code including but not limited to, ensuring a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of directors and Management. As and when deemed appropriate by the Remuneration Committee, expert advice is or will be sought. The Remuneration Committee also administers the Share Option Scheme of the Company.

Level And Mix Of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Remuneration Committee recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation for shareholders' approval at AGM. Directors' fees are payable to the non-executive directors and take into account the non-executive director's attendance and responsibilities on the respective Committees of the Board. For the Executive Directors, each of their service contracts and compensation packages is reviewed privately by the Remuneration Committee.

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 Remuneration Committee 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.

Disclosure On Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The breakdown (in percentage terms) of the remuneration of directors of the Company for the financial year ended 31 December 2007 ("FY 2007") is set out below:

Remuneration Band & Name of Director	Based/ Fixed Salary* %	Variable or Performance Related Income/ Bonus* %	Fees ** %	Benefits in Kind %	Other Long Term Incentives %	Total %
(i) $2,000,001 to $2,250,000						
Ong Choo Eng[1]	20	77	–	3	–	100
(ii) $1,000,001 to $1,250,000						
Ong Hian Eng[1]	23	73	–	4	–	100
(iii) $500,001 to $750,000						
Ong Mui Eng[1]	27	71	–	2	–	100
(iv) $250,001 to $500,000						
Ong Eng Loke[2] (Alternate director to Ong Mui Eng)	59	32	–	9	–	100
(v) $250,000 and below						
Hans Hugh Miller	–	–	100	–	–	100
Guan Meng Kuan	–	–	100	–	–	100
Goh Kian Hwee	–	–	100	–	–	100
Ma Kah Woh, Paul	–	–	100	–	–	100
Wee Sin Tho	–	–	100	–	–	100

* Inclusive of employer's central provident fund contributions.

** The fees payable by the Company to the non-executive directors for FY 2007 are subject to approval by shareholders as a lump sum at the forthcoming AGM.

1 Mr Ong Choo Eng, Mr Ong Mui Eng and Dr Ong Hian Eng are brothers and also Executive Directors of the Group, and each of their all-in remuneration exceeded S$150,000 for FY 2007.

2 Mr Ong Eng Loke is the alternate director to Mr Ong Mui Eng. He is also the son of Mr Ong Mui Eng and his all-in remuneration exceeded S$150,000 for FY 2007.

The remuneration of top five key executives (who are not also directors) of the Group is categorised into the respective remuneration bands as follows:

Top 5 Key Executives in Remuneration Bands	Number
(i) $1,250,001 to $1,500,000	1
(ii) $250,001 to $500,000	2
(iii) $250,000 and below	2
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 whose all-in remuneration did not exceed $150,000 is the son of Mr Guan Meng Kuan. The Company also employed the daughter of Mr Ong Choo Eng and her all-in remuneration exceeded $150,000 (but below $250,000) in the year 2007. Save as disclosed, none of the employees of the Company and its subsidiaries was an immediate family of any director or the Chief Executive Officer, and whose remuneration exceeded $150,000 in the year 2007.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public reports and reports to regulators (if,required). Management provides directors on a quarterly basis, with management accounts and reports on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group's operates, which are reviewed by the Board at quarterly Board Meetings. Further, the Company adopts 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 Management.

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.

Audit and Risk Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Board has re-established the Audit Committee as the Audit and Risk Committee to include risk management functions and duties. The Audit and Risk Committee comprises three members, all of whom are independent non-executive directors. The members of the Audit and Risk Committee are:

Ma Kah Woh, Paul	*Chairman*
Goh Kian Hwee	
Wee Sin Tho	

The Board believes that the Audit and Risk Committee is appropriately qualified to discharge their duties and responsibilities.

The Audit and Risk Committee has explicit 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, and to be provided with reasonable resources to enable it to discharge its functions properly.

The duties and functions of the Audit and Risk Committee include the following:

- reviewing the overall scope of the external audit and its cost effectiveness;
- reviewing the assistance given by the Group's officers to the external auditors;
- reviewing the Group's periodic results announcements, the financial statements of the Company and the consolidated financial statements of the Group including the significant financial reporting issues and judgments and (if any) auditors' report 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 financial controls, operational and compliance controls, and risk management policies and systems;
- nominating external auditors for appointment;
- reviewing interested person transactions;
- identifying and monitoring the key risks and evaluating their management;
- approving risk management policies that establish the approval levels for decisions and other checks and balances to manage risks; and
- reporting to the Board on critical risks and its recommendations thereon.

The Audit and Risk Committee met up with the external & internal auditors without the presence of Management. The Group Managing Director and the Chief Financial Officer were invited to be present at the Audit and Risk Committee meetings to report and brief Audit and Risk Committee members on the financial and operating performance of the Group and to answer any queries from the Audit and Risk Committee members on any aspect of the operations of the Group. The external auditors were also invited to be present at all the Audit and Risk Committee meetings held during the year to, *inter alia,* deliberate on accounting and auditing matters.

The external auditors have confirmed to the Audit and Risk Committee 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 Audit and Risk Committee, 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.

During the year, the Company has implemented a whistle-blowing policy whereby staff of the Group and outside parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investments and the assets of the Group. It should be noted, however that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system 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.

The Audit and Risk Committee, with the assistance of internal and external auditors, has reviewed the adequacy of the internal controls and risk management systems in the significant risk areas. The Board is of the opinion that such existing internal controls of the Company and its subsidiaries are not inadequate.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The internal audit function was outsourced to KPMG.

The Internal Auditors report primarily to the Audit and Risk Committee. The internal audit plans were submitted to the Audit and Risk Committee for approval. The Audit and Risk Committee reviewed and approved the internal audit plan and the scope and results of the internal audit procedures.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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. 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 chairman of the Audit and Risk Committee, Nominating Committee, Remuneration Committee, Divestment and Investment Committee and the external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

Under the existing Articles of Association of the Company, 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. The Company's Articles of Association also provides for absentia voting methods.

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all employees within the Group. The Code provides guidelines on dealing in the Company's securities during the period before the announcement of the Company's quarterly and full-year results and ending on the day of the announcement or, in possession of price-sensitive information. Employees are also reminded to be mindful of insider trading prohibitions under the Securities and Futures Act.

INTERESTED PERSON TRANSACTIONS

Transactions entered into with interested persons during FY 2007 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)
Goh Kian Hwee - professional fees charged by Rajah & Tann	$183,967	Not applicable**
Hong Leong Investment Holdings Pte. Ltd. Group - interest charged on shareholders loan to Hong Property Investment Pte Ltd	$334,363	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.

Risk Management and Control Environment

Risk Management

Since 2006, the Group has implemented a formalised Risk Management Framework for the identification, monitoring and reporting of risks. This framework is an important part of the management and governance structure.

Effective risk management is the responsibility of all directors and managers, with the Board of Directors providing general oversight. To give greater focus to the Board's commitment to risk management, the Audit Committee was renamed the Audit and Risk Committee and its written terms of reference was updated to reflect the increased focus on risk management.

A sound system of internal control is essential and in this regard, the responsibilities of managers and staff are designed such that there is an adequate segregation of duties so that there is a system of checks and balances for all key areas of operations.

The Group's financial risk management objectives and policies are discussed further in note 40 to the financial statements.

Risk Processes and Activities

During the year under review, as part of the effort to further strengthen the Group's risk management processes, the Group worked on the second phase of a work programme with the following objectives in mind:-

(i) Update the risk and governance awareness within the Group;
(ii) Update the identification and assessment of strategic and business process risks;
(iii) Reviewing the responses developed to manage the risks identified; and
(iv) Implementation of risk reporting and monitoring system, in particular the reporting of market risk that is required by FRS 107 Financial Instruments Disclosures.

At the date of this report, all significant subsidiaries in the Group have completed the Risk Management Work Programme and a report has been submitted to the Audit and Risk Committee.

The Risk Management Work Programme will serve as a basis for the Group's appointed Internal Auditors, KPMG, to draw up its internal audit plan and carry out work to independently test and report on the effectiveness of the established internal controls in the significant risk areas.

Directors' Report

The directors present their report to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited (the "Company") and its subsidiaries for the financial year ended 31 December 2007 and balance sheet and statement of changes in equity of the Company as at 31 December 2007.

Directors

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

Hans Hugh Miller	*(Chairman)*
Ong Choo Eng	*(Group Managing Director)*
Ong Hian Eng	
Ong Mui Eng	
Guan Meng Kuan	
Goh Kian Hwee	
Ma Kah Woh, Paul	
Wee Sin Tho	
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 approved, *inter alia*, a scrip dividend scheme known as Hwa Hong Corporation Limited Scrip Dividend Scheme (the "Scrip Dividend Scheme"), which, if applied, 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 their 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, Cap. 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 director		Shareholdings in which director is deemed to have an interest	
	At 1.1.2007	At 31.12.2007	At 1.1.2007	At 31.12.2007
Ong Choo Eng	517,000	587,000	188,763,392	188,763,392
Ong Mui Eng	4,547,248	4,547,248	175,443,140	175,443,140
Ong Hian Eng	3,062,604	3,062,604	175,506,392	175,506,392
Guan Meng Kuan	5,534,860	5,534,860	–	–
Ong Eng Loke (Alternate Director to Ong Mui Eng)	406,500	406,500	164,519,896	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 an interest in shares of the Company or of related corporations, either at the beginning or at the end of the financial year.

The directors' interests in the shares of the Company as recorded in the Register of Directors' Shareholdings of the Company as at 21 January 2008 were the same as those as at 31 December 2007.

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, except as disclosed in this report and the accompanying financial statements.

Share Options

Hwa Hong Corporation Limited Executives' Share Option Scheme

On 29 May 2001, the shareholders of the Company approved the termination of the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "ESOS") 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 years' Directors' Reports.

The share option scheme of the Company is administered by the Remuneration Committee which comprises the following directors who are not entitled to participate in the scheme:-

Hans Hugh Miller *(Chairman)*
Goh Kian Hwee
Guan Meng Kuan
Wee Sin Tho

Other information required to be disclosed

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

Audit and Risk Committee

The Audit and Risk Committee performed, *inter alia*, the functions specified in the Companies Act, Cap. 50. The functions performed are set out in the Corporate Governance Report.

The Audit and Risk 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 subsidiaries 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 subsist at the end of the financial year, except for 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 ventures relate to Hong Property Investments Pte Ltd and a 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
22 February 2008

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, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company 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 Board of Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
22 February 2008

Independent Auditor's 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 29 to 99, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, and the consolidated profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

To the Members of Hwa Hong Corporation Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity 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 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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
22 February 2008

Consolidated Profit and Loss Account
for the financial year ended 31 December 2007

	Note	Group 2007 $	2006 $ (Restated)
Revenue	4	75,910,303	88,864,666
Cost of sales	5	(41,901,190)	(55,598,485)
Gross profit		34,009,113	33,266,181
Other income	6	19,329,966	14,608,143
General and administrative costs	7	(23,174,857)	(17,265,419)
Selling and distribution costs		(4,948,545)	(4,093,161)
Other operating income/(costs)	8	183,750	(1,610,218)
Finance costs	9	(3,910,800)	(1,881,869)
Share of results of associates and unincorporated joint venture		84,116,714	731,979
Profit before taxation		105,605,341	23,755,636
Tax expense	10	(1,425,839)	(2,367,900)
Profit after taxation		**104,179,502**	**21,387,736**
Attributable to equity holders of the Company		104,179,502	21,387,736
Minority interests		–	–
		104,179,502	21,387,736
Earnings per share :	11		
Basic		15.94¢	3.27¢
Fully diluted		15.94¢	3.27¢

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets
as at 31 December 2007

	Note	Group 2007 $	Group 2006 $ (Restated)	Company 2007 $	Company 2006 $ (Restated)
Equity Attributable to Equity Holders of the Company					
Share capital	12	172,153,626	172,153,626	172,153,626	172,153,626
Reserves	13	218,107,979	247,281,528	32,573,465	(22,916,580)
Total Equity		**390,261,605**	**419,435,154**	**204,727,091**	**149,237,046**
Non-Current Assets					
Property, plant and equipment	14	14,150,116	14,250,314	4,143,315	4,800,488
Investment properties	15	89,668,801	83,037,880	–	–
Investment in subsidiaries	16	–	–	191,460,274	195,310,274
Investment in associates	17	82,133,028	55,996,948	693,000	613,782
Investment securities	18	93,661,079	72,556,469	45,010	30,910
Other receivables	20	15,928	42,660	–	–
Reinsurers' share of provision for outstanding claims	26	1,596,598	2,221,619	–	–
		281,225,550	228,105,890	196,341,599	200,755,454
Current Assets					
Inventories	21	19,529	58,622	–	–
Trade receivables	22	5,036,730	4,852,947	–	–
Reinsurers' share of provision of					
- outstanding claims	26	450,323	626,581	–	–
- unearned premium	27	3,051,783	3,036,988	–	–
Deferred acquisition costs	27	2,982,323	2,469,355	–	–
Tax recoverable		1,465,803	516,523	504,934	–
Prepayments and deposits	19	5,565,071	5,751,111	49,280	40,433
Other receivables	20	3,889,721	2,048,239	–	16,288
Amounts due from subsidiaries	16	–	–	13,395,272	3,457,873
Amounts due from associates	17	30,386,229	119,074,698	–	119,336
Investment securities	18	104,574,990	82,808,325	–	–
Cash and bank balances	23	121,225,342	66,606,549	199,633	522,392
		278,647,844	287,849,938	14,149,119	4,156,322
Total Assets		559,873,394	515,955,828	210,490,718	204,911,776

Balance Sheets
as at 31 December 2007

	Note	Group 2007 $	Group 2006 $ (Restated)	Company 2007 $	Company 2006 $ (Restated)
Current Liabilities					
Trade payables	24	1,427,695	1,390,479	–	–
Advance premiums		1,263,859	1,166,444	–	–
Other payables	25	6,023,264	5,326,016	326,673	240,516
Accrued operating expenses		9,421,513	4,104,684	1,442,885	479,490
Provision for					
- outstanding claims	26	4,410,958	5,132,894	–	–
- unearned premium	27	15,718,711	12,804,379	–	–
- premium deficiency	27	1,639,000	1,839,000	–	–
Amounts due to associates	17	24,123,185	600,860	389,805	413,113
Amounts due to subsidiaries	16	–	–	3,560,264	54,454,910
Bank overdraft (secured)	28	2,688,860	1,342,753	–	–
Bank loans (secured)	29	51,235,835	4,794,435	–	–
Tax payable		1,079,728	1,662,603	–	37,201
		119,032,608	40,164,547	5,719,627	55,625,230
Net Current Assets/(Liabilities)		159,615,236	247,685,391	8,429,492	(51,468,908)
Non-Current Liabilities					
Deferred tax liabilities	30	6,627,857	4,497,130	44,000	49,500
Bank loans (secured)	29	28,089,247	33,482,266	–	–
Other payables	25	121,398	114,734	–	–
Provision for outstanding claims	26	15,740,679	18,261,997	–	–
		50,579,181	56,356,127	44,000	49,500
Total Liabilities		169,611,789	96,520,674	5,763,627	55,674,730
Net Assets		**390,261,605**	**419,435,154**	**204,727,091**	**149,237,046**

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2007

2006	Attributable to Equity		
	Share Capital $	Share Premium $	Revenue Reserve $
At 1 January 2006, as previously reported	163,376,000	8,777,626	133,184,519
Adjustment due to change in accounting policy on marketing cost (Note 2.2)	–	–	(3,936,141)
Adjustment due to change in accounting policy on FRS 40 (Note 2.2)	–	–	(10,108,728)
At 1 January 2006, restated	163,376,000	8,777,626	119,139,650
Exchange difference arising on consolidation	–	–	–
Adjustment on disposal of investment properties	–	–	–
Net gain on fair value changes	–	–	–
Recognised in the profit and loss account on disposal of investment securities	–	–	–
Deferred tax liabilities arising from fair value changes	–	–	–
Exchange difference arising from revaluation of net investment in foreign operations	–	–	–
Surplus on revaluation of investment properties	–	–	–
Effect of adopting FRS 40			
Net income and expenses recognised directly in equity	–	–	–
Profit for the year	–	–	23,373,860
Effect of change in accounting policy on marketing cost	–	–	(1,155,674)
Effect of adoption of FRS 40	–	–	(830,450)
Profit for the year, restated	–	–	21,387,736
Total recognised income and expenses for the year	–	–	21,387,736
Transfer of share premium to share capital (Note 12)	8,777,626	(8,777,626)	–
Dividends paid (Note 31)	–	–	(13,070,080)
At 31 December 2006	172,153,626	–	127,457,306

The accounting policies and explanatory notes form an integral part of the financial statements.

Holders of the Company				
Capital Reserve $	Fair Value Reserve $	Currency Translation Reserve $	Minority Interests $	Total $
117,718,316	9,918,676	1,203,241	–	434,178,378
–	–	–	–	(3,936,141)
(18,969,110)	–	(6,076,430)	–	(35,154,268)
98,749,206	9,918,676	(4,873,189)	–	395,087,969
15,799	–	704,498	–	720,297
(1,226,405)	–	–	–	(1,226,405)
–	20,145,509	–	–	20,145,509
–	(2,832,412)	–	–	(2,832,412)
(90,899)	(1,460,099)	–	–	(1,550,998)
–	–	248,377	–	248,377
6,767,908	–	–	–	6,767,908
(5,529,604)	–	(713,143)	–	(6,242,747)
(63,201)	15,852,998	239,732	–	16,029,529
–	–	–	–	23,373,860
–	–	–	–	(1,155,674)
–	–	–	–	(830,450)
–	–	–	–	21,387,736
(63,201)	15,852,998	239,732	–	37,417,265
–	–	–	–	–
–	–	–	–	(13,070,080)
98,686,005	25,771,674	(4,633,457)	–	419,435,154

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2007

	Attributable to Equity		
2007	**Share Capital** $	**Share Premium** $	**Revenue Reserve** $
At 1 January 2007, as previously reported	172,153,626	–	143,488,299
Adjustment due to change in accounting policy on marketing cost (Note 2.2)	–	–	(5,091,815)
Adjustment due to change in accounting policy on FRS 40 (Note 2.2)	–	–	(10,939,178)
At 1 January 2007, restated	172,153,626	–	127,457,306
Exchange difference arising on consolidation	–	–	–
Net gain on fair value changes	–	–	–
Recognised in the profit and loss account on disposal of investment securities	–	–	–
Deferred tax liabilities arising from fair value changes	–	–	–
Exchange difference arising from revaluation of net investment in foreign operations	–	–	–
Net income recognised directly in equity	–	–	–
Profit for the year	–	–	104,179,502
Impairment loss transferred to profit and loss account	–	–	–
Share of valuation gain realised by an associate	–	–	–
Total recognised income and expenses for the year	–	–	104,179,502
Dividends paid (Note 31)	–	–	(80,354,726)
At 31 December 2007	172,153,626	–	151,282,082

The accounting policies and explanatory notes form an integral part of the financial statements.

Holders of the Company				
Capital Reserve $	Fair Value Reserve $	Currency Translation Reserve $	Minority Interests $	Total $
123,184,719	25,771,674	2,156,116	–	466,754,434
–	–	–	–	(5,091,815)
(24,498,714)	–	(6,789,573)	–	(42,227,465)
98,686,005	25,771,674	(4,633,457)	–	419,435,154
–	–	(303,839)	–	(303,839)
–	17,208,121	–	–	17,208,121
–	(13,881,788)	–	–	(13,881,788)
–	(2,029,374)	–	–	(2,029,374)
–	–	307,548	–	307,548
–	1,296,959	3,709	–	1,300,668
–	–	–	–	104,179,502
–	7,600	–	–	7,600
(54,306,593)	–	–	–	(54,306,593)
(54,306,593)	1,304,559	3,709	–	51,181,177
–	–	–	–	(80,354,726)
44,379,412	27,076,233	(4,629,748)	–	390,261,605

Statement of Changes in Equity
for the financial year ended 31 December 2007

	Company	
	2007	2006
	$	$ (Restated)
Share capital		
At 1 January	172,153,626	163,376,000
Transfer from share premium	–	8,777,626
At 31 December	172,153,626	172,153,626
Share premium		
At 1 January	–	8,777,626
Transfer to share capital	–	(8,777,626)
At 31 December	–	–
Revenue reserve		
At 1 January, as previously stated	7,406,083	16,592,963
Adjustment due to change in accounting policy (Note 2.2)	(30,315,063)	(30,315,063)
At 1 January, restated	(22,908,980)	(13,722,100)
Profit for the year	135,837,171	3,883,200
Dividends paid (Note 31)	(80,354,726)	(13,070,080)
At 31 December	32,573,465	(22,908,980)
Fair value reserve		
At 1 January, as previously stated	287,194,725	245,417,756
Adjustment due to change in accounting policy (Note 2.2)	(287,202,325)	(245,417,756)
At 1 January, restated	(7,600)	–
Net gain/(loss) on fair value changes during the year		
- Subsidiaries	–	41,784,569
- Investment securities	–	(7,600)
	–	41,776,969
Adjustment due to change in accounting policy	–	(41,784,569)
Impairment loss transferred to profit and loss account	7,600	–
At 31 December	–	(7,600)

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2007

	Note	Group 2007 $	Group 2006 $ (Restated)
Cash flows from operating activities :			
Profit before taxation		105,605,341	23,755,636
Adjustments for :-			
Interest income		(10,855,462)	(9,858,757)
Interest expense	9	3,910,800	1,881,869
Depreciation of property, plant and equipment	7	998,880	1,105,035
Depreciation of investment properties		1,238,958	800,476
Gain on sale of investment properties	6	(96,852)	(2,416,970)
Gain on disposal of property, plant and equipment	6	(88,497)	(355,413)
Share of results in associates and unincorporated joint venture		(84,116,714)	(731,979)
Allowance for doubtful receivable from associates	8	597,288	537,141
Net claims incurred		6,143,526	1,029,105
Impairment loss on non-current investment securities	8	8,977	104,494
Impairment loss on current investment securities	8	511,914	1,098,583
Loss on liquidation of an associate		12,147	–
Provision for unexpired risks		2,210,317	21,444
Reversal of revaluation deficit on property, plant and equipment	8	(1,774,152)	(130,000)
Impairment loss on property, plant and equipment	8	434,504	–
Operating profit before reinvestment in working capital		24,740,975	16,840,664
Increase in receivables, current investment securities		(20,281,788)	(13,345,050)
Decrease in inventories		39,093	85,675
Increase/(decrease) in payables		6,472,378	(150,532)
Net claims paid		(8,608,426)	(8,033,670)
Interest received		10,855,462	9,858,757
Interest paid		(3,910,800)	(1,881,869)
Income tax (paid)/received		(2,856,641)	433,029
Cash flows generated from operations carried forward		6,450,253	3,807,004

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement
for the financial year ended 31 December 2007

	2007 $	2006 $ (Restated)
Cash flows generated from operations brought forward	6,450,253	3,807,004
Cash flows from investing activities :		
Purchase of investment properties	(10,475,127)	(30,278,645)
Purchase of property, plant and equipment	(138,263)	(1,343,764)
(Decrease)/increase in investment securities	(30,608,667)	19,158,450
Proceeds from sale of investment properties	1,129,284	21,976,061
Amounts due from associates	112,419,356	(5,385,347)
Proceeds from disposal of property, plant and equipment	658,472	520,663
Investments in associates	(500,227)	–
Cash distribution from unincorporated joint venture	12,250,001	–
Net cash flows from investing activities	84,734,829	4,647,418
Cash flows from financing activities :		
Increase in bank loans	42,857,683	7,230,400
Increase in bank overdraft	1,357,172	885,373
Dividends paid	(80,354,726)	(13,070,080)
(Increase)/decrease in pledged fixed deposits	(26,910,595)	317,393
Net cash flows used in financing activities	(63,050,466)	(4,636,914)
Net increase in cash and cash equivalents	28,134,616	3,817,508
Cash and cash equivalents at the beginning of year	60,685,375	57,205,708
Effects of exchange rate changes on cash and cash equivalents	(426,418)	(337,841)
Cash and cash equivalents at the end of the year	88,393,573	60,685,375

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

Cash and bank balances (Note 23)	121,225,342	66,606,549
Less fixed deposits pledged (Note 23)	(32,831,769)	(5,921,174)
Cash and cash equivalents at the end of the year	88,393,573	60,685,375

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
31 December 2007

The financial statements for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 22 February 2008.

1. Corporate information

Hwa Hong Corporation Limited (the "Company") is a limited liability company 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, general insurance and manufacturers and trading of chemicals.

The Group operates in Singapore, Malaysia, United Kingdom and China.

The subsidiaries and associates at 31 December 2007 are:-

	Name of company	Percentage of interest held 2007	Percentage of interest held 2006	Place of incorporation	Cost of investment 2007	Cost of investment 2006	Principal activities
		%	%		$'000	$'000	
(a)	***Subsidiaries***						
	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)

	Name of company	Percentage of interest held 2007 %	Percentage of interest held 2006 %	Place of incorporation	Principal activities
(a)	*Subsidiaries (cont'd)*				
	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	United Kingdom	Dissolved.
***	Vantagepro Investment Limited	100.0	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	People's Republic of China	Dormant.
	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	People's Republic of China	Dormant.

1. Corporate information (cont'd)

	Name of company	Percentage of interest held 2007 %	2006 %	Place of incorporation	Principal activities
(a)	*Subsidiaries (cont'd)*				
	Held by Vantagepro Investment Limited				
***	Capital Ely Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital East Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital Liverpool Limited (formerly known as Capital Fitzroy Limited)	60.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital Hatton Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital 18 Vestry Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital 20 Vestry Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital New Mount Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
	Collectively known as Capital Group				
(b)	***Associates***				
	Held by the Company				
	Singamet Trading Pte. Ltd.	20.0	20.0	Singapore	Property investment.

1. Corporate information (cont'd)

	Name of company	Percentage of interest held 2007 %	2006 %	Place of incorporation	Principal activities
(b)	*Associates (cont'd)*				
	Held by Singapore Warehouse Company (Private) Ltd.				
**	Riverwalk Promenade Pte Ltd	50.0	50.0	Singapore	Property development.
**	Hong Property Investments Pte Ltd	30.0	30.0	Singapore	Property investment.
***	Aronbrook Limited	–	50.0	United Kingdom	Dissolved.
***	Vistawell Limited	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
##	Scotts Spazio Pte. Ltd.	50.0	–	Singapore	Property investment.
	Held by Thackeray Properties Limited				
***	Matahari 461 Ltd	50.0	50.0	United Kingdom	Property management.
***	Capital Willenhall Limited	50.0	–	United Kingdom	Acting as nominee company for investment holding.
	Held by Pumbledon Limited				
***	Fieldfare Investments Limited	25.0	–	United Kingdom	Property investment.
	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 KPMG, Singapore
*** Not required to be audited in the country of incorporation
**** Not required to be audited as the company is dormant
Not audited as it was newly incorporated in 2007

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group, the balance sheet and statement of changes in equity 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 and available-for-sale financial assets have been measured at their fair values.

The financial statements are presented in Singapore Dollar.

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 FRS

The Group has adopted the following new and revised FRS that are mandatory for financial periods beginning on or after 1 January 2007:-

FRS 1 : Amendments to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)
FRS 40 : Investment Property
FRS 107 : Financial Instruments Disclosures

(i) FRS 1 and FRS 107

As a result of adopting the above FRS, additional disclosures have been made to provide information about financial instruments and qualitative information to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The adoption of the amendments to FRS 1 and FRS 107 has resulted in additional disclosures being included but has no recognition or measurement impact.

(ii) FRS 40

The Group had previously accounted for its investment properties under FRS 25 Accounting for Investments. Under FRS 25, increases in carrying amounts arising from revaluation are recognised in capital reserve unless they offset previous decreases in the carrying amount of the same investment, in which case, they are recognised in the profit and loss account. Decreases in carrying amounts that offset previous increases of the same investment asset are recognised in the capital reserve. All other decreases in carrying amounts are recognised in the profit and loss account.

The directors have considered both the fair value model and the cost model allowed under FRS 40 and have adopted the cost model and depreciated the investment property over fifty years. No depreciation is charged on the freehold land component of investment properties. The impact of the change in accounting policy is taken up retrospectively.

2. Significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

(a) Adoption of new FRS (cont'd)

The effect of the adoption of FRS 40 is as follows:-

	Group	
	2007	**2006**
	$	$
Results for the year ended 31 December		
Increase in cost of sales	1,238,958	800,476
Increase in deferred tax expense	–	29,974
	1,238,958	830,450
Net assets as at 1 January		
Decrease in revenue reserve	(10,939,178)	(10,108,728)
Decrease in capital reserve	(24,498,714)	(18,969,110)
Decrease in currency translation reserve	(6,789,573)	(6,076,430)
Decrease in deferred tax liabilities	(1,291,770)	(1,261,796)
	(43,519,235)	(36,416,064)
Decrease in investment properties	(43,519,235)	(36,416,064)

(b) Subsidiaries

Following the decision to adopt the cost model for investment properties as highlighted above, the directors reviewed the appropriateness of the Company's accounting policy for its investment in subsidiaries. To align the basis for accounting for investment properties and the Company's investment in subsidiaries, the directors have decided to change the accounting policy for its investment in subsidiaries from fair value to the cost basis.

The impact of the change in accounting policy is taken retrospectively. The change in accounting policy has no effect on the Group's and the Company's results and net tangible assets. The effect on the Company's balance sheet is as follows:-

	Company	
	2007	**2006**
	$	$
Net assets as at 1 January		
Decrease in investment in subsidiaries	(317,517,388)	(275,732,819)
Decrease in revenue reserve	(30,315,063)	(30,315,063)
Decrease in fair value reserve	(287,202,325)	(245,417,756)
	(317,517,388)	(275,732,819)

2. Significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

(c) Change in accounting policy on marketing costs

An associate has changed its accounting policy for marketing costs on the RiverGate development project. Such costs were previously capitalised and included in properties under development in its balance sheet. With the change in accounting policy, such costs are now charged to profit and loss account as and when they are incurred. The impact of the change in accounting policy is taken retrospectively. The effect on the Group's consolidated financial statements is as follows: -

	Group	
	2007 $	2006 $
Results for the year ended 31 December		
Decrease share of results in associates and unincorporated joint venture	(4,615,926)	(1,155,674)
Net assets as at 1 January		
Decrease in revenue reserve	(5,091,815)	(3,936,141)
Decrease in investment in associates	(5,091,815)	(3,936,141)

(d) Early adoption of new FRS

Adoption of FRS 108 Operating Segments

FRS 108 Operating Segments was adopted by the Group in 2007; FRS 108 replaces FRS 14 Segment Reporting, with effect from 1 January 2009. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In contrast, the predecessor FRS required an entity to identify two set of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The segments are now reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. Except for the changes in accounting policies mention in Note 2.2, there had been no changes from prior periods in the measurement methods used to determine reportable segment profit or loss. There has been no impact on the measurement of the Group's assets and liabilities due to the adoption of FRS 108. Comparatives for 2006 have been restated.

2.3 *Future changes in accounting policies*

The Group has not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 23	:	Amendment to FRS 23, Borrowing Costs	1 January 2009
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application.

2. Significant accounting policies (cont'd)

2.4 *Functional and foreign currency*

(a) *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 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.

(b) *Foreign currency translation*

The results and financial position of foreign operations are translated into Singapore Dollar using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and
- Income and expense for each profit and loss account are translated at average exchange rates for the year which approximate the exchange rates at the date of the transactions.

All resulting exchange differences are recognised in a separate component of equity as currency translation reserve. On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 *Basis of consolidation*

The consolidated financial statements comprised the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses arising from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in note 2.9. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit and loss account on the date of acquisition.

Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases.

2. Significant accounting policies (cont'd)

2.6 Transactions with minority interests

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 amount attributable to the equity holders of the Company, and are separately disclosed in the consolidated profit and loss account.

Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interest is recognised directly in equity.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Except for freehold office property which is carried at valuation, subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the property, plant and equipment to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Freehold office property is carried at fair value which is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made annually to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the capital reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is deducted against the capital reserve to the extent of any balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the capital reserve in respect of an asset, is transferred directly to revenue reserve on retirement or disposal of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

- Leasehold land and buildings – 43 to 50 years
- Plant and machinery – 7%
- Furniture, motor vehicles, computers and other equipment – 7% to 33⅓%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The effects of any revision are recognised in the profit and loss account when the changes arise.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2. Significant accounting policies (cont'd)

2.8 *Investment properties*

Investment properties are properties held either to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. No depreciation is charged on the freehold land component of the investment properties. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the profit and loss account when the changes arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

2.9 *Intangible assets*

(a) 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 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 is 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 in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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.

2. Significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

(b) 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 accumulated amortisation and any accumulated impairment losses.

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.

2.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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 for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

2. Significant accounting policies (cont'd)

2.11 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.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses.

2.12 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Company has significant influence. This generally coincides with the Company having 20% or more of the voting power, or has representation on the board of directors.

The Group's investment in associates is accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of profit and loss of the associates is recognised in the consolidated profit and loss account after adjustments to align the accounting policies with those of the Group. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's separate financial statements, investment in associates is accounted for at cost less accumulated impairment losses.

2.13 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. Proportionate consolidation commences from the date the Group obtains joint control and ceases on the date the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group's interest in unincorporated joint venture is accounted for using equity accounting method which is similar to the accounting policy for investments in associates which is stated in note 2.12.

Investment in unincorporated joint venture is accounted for at cost less cash distribution from the unincorporated joint venture. Any cash distribution in excess of cost is recognised in the profit and loss account.

2. Significant accounting policies (cont'd)

2.14 Financial assets

Financial assets 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. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the profit and loss account. 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.

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell 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.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing it in the near future. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit and loss account. Net gains or net losses on financial assets at fair value through profit and loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method, less impairment losses. 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.

The Group and the Company classifies the following financial assets as loans and receivables:

- cash and short term deposits
- trade and other receivables, including amounts due from subsidiaries and associates
- a portion of non-current investment securities of $42,173,210

2. Significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a 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. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) 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. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the profit and loss account and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences. The cumulative gain or loss previously recognised in fair value reserve is recognised in the profit and loss account when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses.

2.15 Impairment of financial assets

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

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets 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.

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.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying the value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default of significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

2. Significant accounting policies (cont'd)

2.15 Impairment of financial assets (cont'd)

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been occurred, 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 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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

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.

2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, fixed deposits and bank overdrafts but exclude bank overdrafts which are used for financing activities and fixed deposits pledged to the banks.

2.17 Inventories and work-in-progress

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

Cost, incurred in bringing the inventories to their present location and condition, 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.

Net realisable value is based on estimated selling price in ordinary course of business less estimated costs of completion and selling expenses.

2.18 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 relate 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. Significant accounting policies (cont'd)

2.19 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.

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 economic resources will be required to settle the obligation, the provision is reversed. 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Reinsurance

The Group assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

2.21 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit and loss account. Net gains or losses on derivatives include exchange differences.

Financial liabilities include trade payables, which are normally settled on 30-90 days' term, bank overdraft, other payables, payables to subsidiaries, associates and interest-bearing borrowings.

2.22 Borrowing costs

Borrowing costs are recognised in the profit and loss account as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.23 Employee benefits

(a) Defined contribution plan

The Group participates in 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.

(b) Employees leave entitlement

Employees' 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.

2. Significant accounting policies (cont'd)

2.24 Provision for outstanding claims

Claims outstanding 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.

2.25 Provision for unearned premiums and premium deficiency

At the end of each year, a provision for unearned premium is retained by carrying forward a portion of the period's premium into the succeeding year. This amount arises because policies are not necessarily written on a calendar year basis, and do not necessarily have a duration of 12 months.

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

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of provision for 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 a provision for premium deficiency.

The sum of these provisions is known as premium liabilities and the concentration of the premium liabilities (in percentage terms) at balance sheet date is disclosed in Note 40(c).

2.26 Leases

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.27.

2.27 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Interest income

Interest income is recognised as interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

(b) Premium income from general insurance

Premium income is recognised at the time of commencement of the risks or, in the case of reinsurance, when the closing advices are received, and are earned over the term of the related policy coverage.

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

(c) Rental income

Rental income from investment properties is recognised upon commencement of lease period.

2. Significant accounting policies (cont'd)

2.27 Revenue recognition (cont'd)

(d) Sale of goods

Revenue from the sale of goods is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(e) Rendering of service

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

(f) Dividend income

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

(g) Sale/redemption of investment securities

Revenue from sale/redemption of investment securities is recognised on trade date.

2.28 Income taxes

(a) 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 amounts are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the profit and loss account except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) 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;
- in respect of 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 by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- in respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

2. Significant accounting policies (cont'd)

2.28 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the profit and loss account except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.29 Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent 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.

2.30 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group and the Company.

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.

(a) 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.

The provisions are reviewed 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 set by loss adjustors and are 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 factors in respect of initial expected loss ratios used, first year incurred loss development factors used, claims handling costs and the assumed provision for adverse deviation ("PAD") factor used 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 changes, 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.

3. Significant accounting estimates and judgements (cont'd)

(a) *Insurance contract liabilities – assumptions and sensitivities (cont'd)*

Sensitivities (cont'd)

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 in a given year whilst other factors remain unchanged. In practice, the correlation of all the factors may significantly affect the ultimate claims liabilities. However for the purpose of illustration, the table below isolates the impact of certain individual factors on the claims liabilities.

	Percentage Point Change in Assumption	Increase / (Decrease) in net claims outstanding 2007	Increase / (Decrease) in profit before tax 2007	Increase / (Decrease) in net claims outstanding 2006	Increase / (Decrease) in profit before tax 2006
		$'000	$'000	$'000	$'000
1st year incurred development factor	+ 5%	641	(641)	502	(502)
1st year incurred development factor	- 5%	(644)	644	(549)	549
Claim handling expenses	+ 5%	853	(853)	953	(953)
Claim handling expenses	- 5%	(853)	853	(953)	953
Provision for adverse deviation	+ 5%	598	(598)	686	(686)
Provision for adverse deviation	- 5%	(598)	598	(686)	686

The carrying value of the Group's insurance contract liabilities as at 31 December 2007 was $20,151,637 (2006: $23,394,891).

(b) ***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 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 2007 was $2,046,921 (2006: $2,848,200).

3. Significant accounting estimates and judgements (cont'd)

(c) Income taxes

The Group has exposure to income taxes in numerous tax jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2007 was $1,079,728 (2006: $1,662,603) and $6,627,857 (2006: $4,497,130) respectively.

(d) Useful lives of property, plant and equipment and investment properties

The costs of the property, plant and equipment and investment properties are depreciated on a straight-line basis over their useful lives. The Group reviews annually the estimated useful lives of property, plant and equipment and investment properties, based on the factors that include asset utilisation, anticipated use of the assets and related industry benchmark information. It is possible that further results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase depreciation expense and decrease non-current assets.

4. Revenue

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

	Group	
	2007	**2006**
	$	$
Dividend income from investment securities	2,598,553	3,302,507
Gross written premiums	30,811,705	25,401,970
Rental and storage income	6,123,185	4,514,995
Trading sales	1,226,145	1,204,034
Interest income from		
- associates	710,975	4,756,674
- deposits with financial institutions	3,488,145	948,460
- others	3,491,977	632,197
	7,691,097	6,337,331
Proceeds from sale of investment securities	27,459,618	48,103,829
	75,910,303	88,864,666

5. Cost of sales

Included in cost of sales are:-

	Group	
	2007 $	2006 $ (Restated)
Cost of sale of investment securities	25,079,275	46,819,946
Reinsurance premiums	6,218,102	5,969,504
Provision for unexpired risks	2,210,317	21,444
Net claims incurred	6,143,526	1,029,105
Depreciation of investment properties	1,238,958	800,476

6. Other income

	Group	
	2007 $	2006 $
Amortisation of premium	(22,593)	(50,288)
Interest income from		
- quoted bonds	1,789,999	1,953,942
- deposits with financial institutions	1,317,157	1,445,412
- associates	57,209	122,072
	3,164,365	3,521,426
Dividend income from		
- quoted equity investments	1,999,623	2,247,155
- unquoted equity investments	79,200	18,340
	2,078,823	2,265,495
Gain from		
- redemption of bonds, stocks and government securities	(271)	255,193
- sale of investment properties	96,852	2,416,970
- sale of equity investments	13,414,739	2,137,878
- sale of non-equity investments	–	1,755,366
	13,511,320	6,565,407
Foreign exchange gain	23,308	163,992
Management fee income from an associate	300,000	300,000
Gain on disposal of property, plant and equipment	88,497	355,413
Gain on commutations	9,246	60,132
Write-back of other payables	–	488,220
Compensation received from tenants	–	539,140
Sundry income	177,000	399,206
	19,329,966	14,608,143

7. General and administrative costs

	Group	
	2007	2006
	$	$
Directors' fees		
- directors of the Company	(395,000)	(370,000)
- other directors of a subsidiary	(5,279)	(5,222)
Directors' remuneration		
- directors of the Company	(4,226,397)	(1,797,127)
- other directors of subsidiaries	(516,621)	(451,362)
	(4,743,018)	(2,248,489)
Auditors' remuneration		
- auditors of the Company		
- current year	(184,250)	(189,950)
- underprovision in respect of prior year	(8,250)	(10,318)
	(192,500)	(200,268)
- other auditors of subsidiaries		
- current year	(162,744)	(123,471)
- over/(under)provision in respect of prior year	5,726	(81,416)
	(157,018)	(204,887)
	(349,518)	(405,155)

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

Depreciation on property, plant and equipment	(998,880)	(1,105,035)
Fees paid to firms in which certain directors are members	(183,967)	(170,450)
Write-back of allowance for doubtful debts (trade)	72,686	15,563
Staff costs (including executive directors)	(13,485,599)	(8,337,993)
CPF contribution	(574,420)	(505,482)

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors are key management personnel of the Group.

8. Other operating income/(costs)

	Group	
	2007	2006
	$	$
Loss on liquidation of subsidiary	(275)	–
Loss on liquidation of an associate	(12,147)	–
Reversal of revaluation deficit on property, plant and equipment	1,774,152	130,000
Impairment loss on property, plant and equipment	(434,504)	–
Allowance for doubtful receivables from associates	(597,288)	(537,141)
Impairment losses on investment securities		
- unquoted non-equity investment (non-current)	(8,977)	(104,494)
- quoted equity investments (current)	(511,914)	(1,098,583)
Others	(25,297)	–
	183,750	(1,610,218)

9. Finance costs

	Group	
	2007	2006
	$	$
Interest expense		
Bank loans and overdraft	(3,910,800)	(1,881,869)

10. Tax expense

(a) *Major components of income tax expense*

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

	Group	
	2007	2006
	$	$
		(Restated)
(i) Profit and loss account		
Current income tax		
Current taxation in respect of profit for the year	1,045,051	2,867,656
Under/(over)provision in respect of prior years	279,435	(517,900)
	1,324,486	2,349,756
Deferred tax		
Deferred taxation in respect of current year	(40,012)	18,144
Underprovision in respect of prior years	141,365	–
	101,353	18,144
Income tax expense recognised in profit and loss account	1,425,839	2,367,900
(ii) Statements of changes in equity		
Deferred income tax related to items charged or credited directly to equity		
Net change in fair value reserve for available-for-sale financial assets	2,029,374	1,460,099

10. Tax expense (cont'd)

(b) *Relationship between tax expense and accounting profit*

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	
	2007	**2006**
	%	%
Domestic statutory tax rates	18.00	20.00
Adjustments :		
Income not subject to tax	(2.73)	(10.90)
Non-deductible expenses	0.49	3.00
Under/(over)provision of tax	0.40	(2.00)
Income tax at concessionary rate	(0.30)	–
Deferred tax not recognised	0.01	1.20
Exempt income	(0.17)	–
Income tax in foreign tax jurisdiction/difference in tax rate	(0.01)	–
Share of results of associates and unincorporated joint venture	(14.31)	(0.60)
Tax loss utilised during the year	(0.04)	–
Others	0.01	(0.80)
Effective tax rate	1.35	9.90

The Group has estimated tax losses of $8,293,000 (2006: $8,300,000) 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.

11. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the Group's profit attributable to equity holders of $104,179,502 (2006: $21,387,736) by the weighted average number of ordinary shares in issue during the year of 653,504,000 (2006: 653,504,000). There is no dilutive EPS as there were no options granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

12. Share capital

	Group and Company			
	2007		2006	
	No. of shares	$	No. of shares	$
Issued and fully paid				
Balance at the beginning of the year	653,504,000	172,153,626	653,504,000	163,376,000
Transfer from share premium	–	–	–	8,777,626
Balance at the end of the year	653,504,000	172,153,626	653,504,000	172,153,626

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium account became part of the Company's share capital.

Share repurchase

At the Extraordinary General Meeting of the Company held on 7 November 2003, shareholders of the Company 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 25 April 2007. 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.

13. Reserves

	Group		Company	
	2007	2006	2007	2006
	$	$ (Restated)	$	$ (Restated)
Revenue reserve	151,282,082	127,457,306	32,573,465	(22,908,980)
Capital reserve	44,379,412	98,686,005	–	–
Fair value reserve	27,076,233	25,771,674	–	(7,600)
Currency translation reserve	(4,629,748)	(4,633,457)	–	–
	218,107,979	247,281,528	32,573,465	(22,916,580)

Capital reserve relates mainly to revaluation gain on a property owned by an associate which is under development.

Fair value reserve records the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired.

14. 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 2006	1,500,000	13,329,011	1,153,121	5,086,542	21,068,674
Currency realignment	–	(28,320)	(22,368)	(36,336)	(87,024)
Additions	–	–	–	1,343,764	1,343,764
Revaluation	130,000	–	–	–	130,000
Elimination of accumulated depreciation on revaluation	(30,000)	–	–	–	(30,000)
Disposals	–	–	–	(1,386,338)	(1,386,338)
At 31 December 2006 and 1 January 2007	1,600,000	13,300,691	1,130,753	5,007,632	21,039,076
Currency realignment	–	3,504	6,129	1,109	10,742
Additions	–	–	–	138,263	138,263
Revaluation	731,292	–	–	–	731,292
Elimination of accumulated depreciation on revaluation	(32,000)	–	–	–	(32,000)
Disposals	–	(578,073)	(1,038,398)	(368,593)	(1,985,064)
At 31 December 2007	2,299,292	12,726,122	98,484	4,778,411	19,902,309

14. Property, plant and equipment (cont'd)

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*----------			
	$	$	$	$	$
Accumulated depreciation and impairment					
At 1 January 2006	–	1,458,029	1,077,356	4,502,483	7,037,868
Currency realignment	–	(16,541)	(67,016)	(19,496)	(103,053)
Depreciation charge for the year	30,000	281,662	120,413	672,960	1,105,035
Elimination of accumulated depreciation on revaluation	(30,000)	–	–	–	(30,000)
Disposals	–	–	–	(1,221,088)	(1,221,088)
At 31 December 2006 and 1 January 2007	–	1,723,150	1,130,753	3,934,859	6,788,762
Currency realignment	–	13,539	6,078	379	19,996
Depreciation charge for the year	32,000	271,340	–	695,540	998,880
Allowance/(reversal) of impairment losses	–	434,504	–	(1,042,860)	(608,356)
Elimination of accumulated depreciation on revaluation	(32,000)	–	–	–	(32,000)
Disposals	–	(139,729)	(1,038,347)	(237,013)	(1,415,089)
At 31 December 2007	–	2,302,804	98,484	3,350,905	5,752,193
Net carrying amount					
At 31 December 2006	1,600,000	11,577,541	–	1,072,773	14,250,314
At 31 December 2007	2,299,292	10,423,318	–	1,427,506	14,150,116

14. Property, plant and equipment (cont'd)

Company Cost	Leasehold building $	Furniture, motor vehicles, computers and other equipment $	Total $
At 1 January 2006	5,165,495	785,400	5,950,895
Additions	–	495,704	495,704
Disposals	–	(551,204)	(551,204)
At 31 December 2006 and 1 January 2007	5,165,495	729,900	5,895,395
Additions	–	15,364	15,364
At 31 December 2007	5,165,495	745,264	5,910,759
Accumulated depreciation and impairment loss			
At 1 January 2006	720,769	702,679	1,423,448
Depreciation for the year	120,128	88,914	209,042
Disposals	–	(537,583)	(537,583)
At 31 December 2006 and 1 January 2007	840,897	254,010	1,094,907
Depreciation for the year	120,127	117,906	238,033
Impairment loss	434,504	–	434,504
At 31 December 2007	1,395,528	371,916	1,767,444
Net carrying amount			
At 31 December 2006	4,324,598	475,890	4,800,488
At 31 December 2007	3,769,967	373,348	4,143,315

Revaluation of freehold office property and leasehold property

The Group has engaged Allied Appraisal Consultants Pte Ltd, an independent valuer, to determine the fair value of its freehold commercial building at Orchard Towers. The date of valuation was in January 2008. The Group also engaged CB Richard Ellis to determine the fair value of the leasehold building at 38 South Bridge Road in August 2007.

The fair value is determined by reference to open market values on an existing use basis.

14. Property, plant and equipment (cont'd)

Revaluation of freehold office property and leasehold property (cont'd)

If the freehold office property was measured using the cost model, the carrying amount would be as follows:

	Group	
	2007	2006
	$	$
At 31 December		
Cost	2,299,292	2,299,292
Accumulated depreciation	(321,901)	(275,915)
Net carrying value	1,977,391	2,023,377

15. Investment properties

	Freehold land	Buildings	Revaluation surplus	Total
	$	$	$	$
Cost				
At 1 January 2006, as previously reported	31,423,656	49,197,952	27,467,977	108,089,585
Cumulative adjustment on adoption of FRS 40	–	–	(27,467,977)	(27,467,977)
At 1 January 2006, restated	31,423,656	49,197,952	–	80,621,608
Additions	9,420,645	20,858,000	–	30,278,645
Revaluation surplus	–	–	6,767,908	6,767,908
Disposal	(5,930,340)	(12,713,958)	–	(18,644,298)
Adjustment due to adoption of FRS 40	–	–	(6,767,908)	(6,767,908)
Currency realignment	154,497	405,486	–	559,983
At 31 December 2006 and 1 January 2007	35,068,458	57,747,480	–	92,815,938
Additions	3,139,272	7,335,855	–	10,475,127
Currency realignment	(156,006)	(1,602,282)	–	(1,758,288)
Disposals	(396,853)	(595,279)	–	(992,132)
At 31 December 2007	37,654,871	62,885,774	–	100,540,645

15. Investment properties (cont'd)

	Freehold land	Buildings	Revaluation surplus	Total
	$	$	$	$
Accumulated depreciation				
At 1 January 2006, as previously reported	–	–	–	–
Cumulative adjustment on adoption of FRS 40	–	8,816,958	–	8,816,958
Currency realignment	–	161,242	–	161,242
At 1 January 2006, as restated	–	8,978,200	–	8,978,200
Charge for the year	–	800,476	–	800,476
Disposal	–	(64,413)	–	(64,413)
Currency realignment	–	63,795	–	63,795
At 31 December 2006 and 1 January 2007	–	9,778,058	–	9,778,058
Addition	–	1,238,958	–	1,238,958
Currency realignment	–	(88,620)	–	(88,620)
Disposals	–	(56,552)	–	(56,552)
At 31 December 2007	–	10,871,844	–	10,871,844
Net carrying amount				
At 31 December 2006	35,068,458	47,969,422	–	83,037,880
At 31 December 2007	37,654,871	52,013,930	–	89,668,801

	2007	2006
	$	$
Rental income from investment properties	6,123,185	4,514,995
Direct operating expenses (including depreciation, repairs and maintenance) arising from		
- Rental generating properties	5,761,169	5,053,859
- Non-rental generating properties	–	–
Valuation of investment properties	145,537,435	126,557,115

15. Investment properties (cont'd)

These are freehold properties in Singapore, Malaysia and the United Kingdom which are stated at directors' valuations or professional valuations carried out by Allied Appraisal Consultants Pte Ltd (December 2007), Param and Associates (January 2008) and Meredith & Co Chartered Surveyors (December 2007). The valuations have been done on the basis of open market valuation.

The Group's investment properties are listed in note 38 to the financial statements.

An investment property in Singapore, amounting to $22,753,747 (2006: $23,088,915) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary. The amount of facilities utilised at 31 December 2007 was $9 million (2006: nil).

Investment properties in the United Kingdom, amounting to $54,775,871 (2006: $52,188,229) are mortgaged to banks to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2007 amounted to $40,195,590 (2006: $34,623,628).

16. Investment in subsidiaries

	Company	
	2007 $	2006 $ (Restated)
Unquoted shares, at cost	195,310,274	195,310,274
Impairment loss	(3,850,000)	–
	191,460,274	195,310,274
Amounts due to subsidiaries, non-trade	(3,560,264)	(54,454,910)
Amounts due from subsidiaries, non-trade	13,395,272	3,457,873

Balances with subsidiaries are unsecured, interest-free and repayable on demand and are to be settled in cash.

17. Investment in associates

	Group		Company	
	2007 $	2006 $ (Restated)	2007 $	2006 $
Unquoted shares, at cost	59,250,383	58,750,156	800,000	800,000
Impairment losses	–	–	(107,000)	(186,218)
Share of post-acquisition reserves	22,882,645	(2,753,208)	–	–
	82,133,028	55,996,948	693,000	613,782

17. Investment in associates (cont'd)

	Group		Company	
	2007 $	2006 $ (Restated)	2007 $	2006 $
The share of reserves is made up as follows:-				
Capital reserve	907,285	907,285	–	–
Revenue reserve	21,511,170	(4,075,129)	–	–
Currency translation reserve	464,190	414,636	–	–
	22,882,645	(2,753,208)	–	–
Loans due from associates	30,386,229	118,955,362	–	–
Non-trade amounts due from associates	5,093,726	4,615,774	259,357	261,962
Allowance for doubtful debts	(5,093,726)	(4,496,438)	(259,357)	(142,626)
	–	119,336	–	119,336
Amounts due from associates	30,386,229	119,074,698	–	119,336
Movement of allowance for doubtful debts				
Balance at the beginning of the year	(4,496,438)	(3,959,297)	(142,626)	(142,626)
Charge to profit and loss account	(597,288)	(537,141)	(116,731)	–
Balance at the end of the year	(5,093,726)	(4,496,438)	(259,357)	(142,626)
Amounts due to associates	(24,123,185)	(600,860)	(389,805)	(413,113)

Loans due from associates of $13,592,248 (2006: $13,062,885) and nil (2006: $105,892,477) bear interest at 2.5% (2006: 2.5%) and nil (2006: 4.24462% - 4.56952%) per annum respectively. Balance of the loans are interest-free. All loans due from associates are repayable on demand and are to be settled in cash.

Included in loans due from associates is an amount of $13,592,248 (2006: $13,062,885) due from a company that is related to a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.

At 31 December 2006, loans due from associates include an amount of $105,892,477 which was subordinated to the borrowings of an associate. This amount has been repaid during the year.

17. Investment in associates (cont'd)

The non-trade amounts due from associates are unsecured, repayable on demand and are to be settled in cash. Except for an amount of $921,197 (2006: $724,087) which bears interest at 5.5% - 9.67% per annum (2006: 5.5% - 9.39% per annum), the balance of the non-trade amounts due from associates are interest-free.

Amounts due to associates are non-trade, interest-free, repayable on demand and are to be settled in cash, except for an amount of $23,131,302 (2006: nil) which bears interest at 3.7864% per annum.

Impairment losses

As at 31 December 2007, a write back of $79,218 (2006: impairment loss of $29,017) was recognised in the profit and loss account at the Company level.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2007 $'000	2006 $'000 (Restated)
Assets and liabilities		
Total assets	914,756	702,879
Total liabilities	(754,454)	(610,371)
Results		
Revenue	633,764	14,984
Profit/(loss) for the year	69,330	(12,950)

18. Investment securities

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Non-current				
Held-to-maturity				
- Quoted bonds	19,515,460	19,153,569	–	10
- Unquoted bonds	14,583,290	19,114,408	–	–
Available-for-sale				
- Quoted bonds, at fair value	6,139,710	6,067,835	–	–
- Quoted equity, at fair value	5,377,665	14,510,700	–	–
- Unquoted equity, at fair value	4,358,765	2,697,461	–	–
- Unquoted equity, at cost	23,653	599,259	–	
- Unquoted non-equity, at cost	341,665	836,553	45,010	30,900
Loans and receivables				
- Unquoted bonds, at cost	42,173,210	–	–	–
Assets carried at cost				
- Unincorporated joint venture	1,147,661	9,576,684	–	–
	93,661,079	72,556,469	45,010	30,910

18. Investment securities (cont'd)

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Held-to-maturity				
- Unquoted bonds	1,000,000	750,000	–	–
Available-for-sale				
- Quoted bonds, at fair value	500,650	1,001,700	–	–
- Quoted equity, at fair value	81,740,151	57,244,035	–	–
- Unquoted bonds and Floating Rate Notes, at fair value	15,004,125	18,856,165	–	–
- Investment under fund management, at fair value	6,055,064	4,956,425	–	–
Held for trading				
- Unquoted non-equity, at fair value	275,000	–	–	–
	104,574,990	82,808,325	–	–

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

	Group	
	2007	2006
	$	$
Quoted equity investments	3,329,236	604,686
Quoted non-equity investments	2,709,304	2,001,134
Cash held by fund manager	16,524	2,350,605
	6,055,064	4,956,425

The Group places fund with certain professional fund managers who are given discretionary powers within certain guidelines to invest the funds. The investment under fund management is denominated in United States Dollar.

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%.

During the year, the Group received cash distribution from the unincorporated joint venture amounting to $12,250,001. The amount received had been accounted for as disclosed in note 2.13.

The summarised financial information of the unincorporated joint venture is as follows:

	2007	2006
	$'000	$'000
Assets and liabilities		
Current assets	12,998	60,479
Total assets	12,998	60,479
Current liabilities	(6,711)	(9,651)
Non-current liabilities	(165)	–
Net assets	6,122	50,828
Results		
Revenue	49,511	45,388
Profit for the year	16,545	12,800

18. Investment securities (cont'd)

As at 31 December 2007, the Group recognised an impairment loss in the profit and loss account on non-current unquoted non-equity and current quoted equity of $8,977 (2006: $104,494) and $511,914 (2006: $1,098,583) respectively. The write down reflects the carrying value of non-equity securities of an entity which the directors believe it is unlikely that the Group can recover its original cost of investment and of quoted equity as their published market prices have declined for a period of time.

Unquoted equity, non-equity and unincorporated joint venture which are stated at cost, have no market prices and the fair value cannot be reliably measured using valuation techniques. The Group and the Company have no intention to dispose of its interests in these investments.

Included in the held-to-maturity investment, unquoted bonds, is an amount of $2,580,941 (2006: $3,851,871) denominated in Australian Dollar while the investment under fund management is denominated in US Dollar.

19. Prepayments and deposits

Included in prepayments and deposits for the Group is an amount of $5,386,564 (2006: $5,386,564) being deposit paid for the purchase of 15 residential units and 4 retail units in a residential development property. The balance of the purchase consideration has been disclosed as a capital commitment in note 34.

20. Other receivables

	Group		Company	
	2007 $	2006 $ (Restated)	2007 $	2006 $ (Restated)
Current				
Sundry receivables	924,824	623,872	–	–
Dividend receivable	190,307	195,280	–	–
Interest receivable	2,738,231	1,158,577	–	–
Staff loans	26,732	45,453	–	–
Staff advances	–	1,771	–	–
Other recoverables	9,627	23,286	–	16,288
	3,889,721	2,048,239	–	16,288

	Group	
	2007 $	2006 $
Staff loans	42,660	88,113
Due within 12 months	(26,732)	(45,453)
Due after 12 months	15,928	42,660

20. Other receivables (cont'd)

	Group	
	2007 $	2006 $
Non-current		
Staff loans due after 12 months	15,928	42,660
Other loan receivable	–	–
Less : Allowance for doubtful receivables		
At 1 January	–	(770,585)
Amount utilised	–	770,585
At 31 December	–	–
Total other receivables included in non-current assets	15,928	42,660

The staff loans are unsecured and interest is charged at 2% (2006: 2%) per annum on reducing balance basis. The staff loans have remaining loan period of between ½ (2006: 1½) and 2½ (2006: 3½) years and are repayable by monthly instalments.

Included in sundry receivables of the Group are amounts of $158,079 (2006: $663,825) which are denominated in Sterling Pound.

21. Inventories

	Group	
	2007 $	2006 $
Raw materials	5,386	39,360
Finished goods	14,143	19,262
Total inventories at lower of cost and net realisable value	19,529	58,622

22. Trade receivables

	Group	
	2007 $	2006 $
Trade receivables	5,138,311	5,033,236
Allowance for doubtful debts	(101,581)	(180,289)
	5,036,730	4,852,947

Trade receivables are interest-free and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Included in trade receivables for the Group are amounts of $463,554 and $90,385 (2006: $772,169 and nil) which are denominated in Sterling Pound and US Dollar respectively.

22. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2007	2006
	$	$
Lesser than 30 days	304,307	357,591
30 to 60 days	187,303	72,949
61 to 90 days	44,346	58,570
91 to 120 days	32,274	19,880
More than 120 days	136,958	38,965
	705,188	547,955

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group	
	2007	2006
	$	$
Trade receivables, nominal amounts	101,581	180,289
Allowance for doubtful debts	(101,581)	(180,289)
	–	–
Movement of allowance for doubtful debts :		
Balance at the beginning of the year	(180,289)	(462,760)
Amount utilised	6,022	266,811
Write-back of allowance for doubtful debts	72,686	15,563
Exchange differences arising from translation	–	97
Balance at the end of the year	(101,581)	(180,289)

These receivables are not secured by any collateral or credit enhancements.

23. Cash and bank balances

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Fixed deposits	116,367,487	60,509,836	–	413,533
Cash and bank balances	4,857,855	6,096,713	199,633	108,859
	121,225,342	66,606,549	199,633	522,392
Included in above are:-				
Fixed deposits held as cash collateral against performance bonds issued on behalf of customers	3,144,119	2,700,024	–	–
Fixed deposits pledged for banking facilities	29,187,650	2,721,150	–	–
Fixed deposits pledged to the Monetary Authority of Singapore as statutory deposit required under Insurance Act	500,000	500,000	–	–
	32,831,769	5,921,174	–	–

24. Trade payables

Trade payables are interest-free and are normally settled on 30 to 60 days' terms.

25. Other payables

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Current				
Deposits	253,285	96,915	–	–
Unclaimed dividends	92,811	76,677	92,811	76,677
Deferred reinsurance commission	79,697	55,949	–	–
Cash collateral received from insurer's customers	3,144,119	2,700,024	–	–
Deferred income	1,090,179	252,225	77,168	81,877
Rental received in advance	15,924	–	–	–
Provision for premium payable	468,199	312,081	–	–
Claims services payable	179,298	85,940	–	–
Sundry payables	699,752	1,746,205	156,694	81,962
	6,023,264	5,326,016	326,673	240,516
Non-current				
Tenancy deposits	121,398	114,734	–	–

Sundry payables are interest-free and are settled on 60 days' term.

Included in sundry payables for the Group are amounts denominated in foreign currencies as follows:

	Group	
	2007	2006
	$	$
Sterling Pound	–	322,440
Chinese Renminbi	329,974	1,053,585

26. Provision for outstanding claims

	Group	
	2007	2006
	$	$
Gross outstanding claims	20,151,637	23,394,891
Reinsurers' share of outstanding claims	(2,046,921)	(2,848,200)
Net outstanding claims	18,104,716	20,546,691
Movement in provision:-		
At 1 January	20,546,691	27,551,256
Net claims paid	(8,585,501)	(8,033,670)
Net claims incurred	6,143,526	1,029,105
At 31 December	18,104,716	20,546,691
Gross outstanding claims		
Within one year	4,410,958	5,132,894
Between two and five years	15,740,679	18,261,997
	20,151,637	23,394,891
Reinsurers' share of outstanding claims		
Within one year	(450,323)	(626,581)
Between two and five years	(1,596,598)	(2,221,619)
	(2,046,921)	(2,848,200)

26. Provision for outstanding claims (cont'd)

Loss development triangles

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

Accident Year	Gross Claims Paid in each Year of Development							
	2000	2001	2002	2003	2004	2005	2006	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	22,948	10,159	5,962	1,661	1,224	818	56	108
2000	7,994	7,457	2,897	557	439	199	(10)	31
2001		8,023	10,064	1,562	869	270	169	22
2002			7,808	5,744	1,363	1,247	775	75
2003				4,781	3,447	842	272	86
2004					5,019	3,444	952	851
2005						4,697	3,305	716
2006							4,878	3,094
2007								4,849
Total	30,942	25,639	26,731	14,305	12,361	11,517	10,397	9,832

Accident Year	Gross Claim Outstanding at the End of each Year of Development							
	2000	2001	2002	2003	2004	2005	2006	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	46,036	28,005	17,091	9,245	4,647	1,923	690	494
2000	20,369	10,759	4,250	3,038	2,259	1,013	364	140
2001		20,316	5,578	5,226	2,991	1,827	450	202
2002			24,322	11,171	7,634	3,827	1,024	531
2003				15,765	6,254	3,094	953	758
2004					16,110	7,469	2,715	1,194
2005						14,872	5,668	2,429
2006							11,531	3,629
2007								10,775
Total	66,405	59,080	51,241	44,445	39,895	34,025	23,395	20,152

26. Provision for outstanding claims (cont'd)

Loss development triangles (cont'd)

Accident Year	Net Claims Paid in each Year of Development							
	2000	2001	2002	2003	2004	2005	2006	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	14,085	7,456	3,978	1,415	928	233	68	93
2000	7,339	6,262	2,040	422	445	190	(10)	28
2001		6,518	4,203	1,586	845	258	161	21
2002			7,000	5,270	1,317	1,171	448	71
2003				3,480	2,612	630	152	57
2004					3,977	2,805	632	647
2005						3,220	2,790	661
2006							3,792	2,807
2007								4,201
Total	21,424	20,236	17,221	12,173	10,124	8,507	8,033	8,586

Accident Year	Net Claim Outstanding at the End of each Year of Development							
	2000	2001	2002	2003	2004	2005	2006	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	31,109	18,649	10,126	7,007	3,187	1,624	576	400
2000	16,017	7,797	3,716	2,636	1,809	717	327	122
2001		11,341	5,791	4,354	2,339	1,303	437	190
2002			20,668	10,151	6,246	3,108	985	505
2003				12,405	4,792	2,183	642	546
2004					12,969	6,304	2,074	954
2005						12,312	4,945	2,083
2006							10,561	3,419
2007								9,886
Total	47,126	37,787	40,301	36,553	31,342	27,551	20,547	18,105

Incurred claims development experience during 2007 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 $7 million (2006: $10.8 million) of provision for outstanding claims in the profit and loss account for the year ended 31 December 2007. These amounts have been netted off from the net claims incurred figures above.

27. Provision for unexpired risks

	Group	
	2007	2006
	$	$
Gross unearned premium	15,718,711	12,804,379
Reinsurers' share of unearned premium	(3,051,783)	(3,036,988)
Gross deferred acquisition costs	(2,982,323)	(2,469,355)
Deferred reinsurance commission (Note 25)	79,697	55,949
Provision for premium deficiency	1,639,000	1,839,000
	11,403,302	9,192,985
Movement in provision:		
At 1 January	9,192,985	9,171,541
Provision during the year	2,210,317	21,444
At 31 December	11,403,302	9,192,985

28. Bank overdrafts (secured)

An amount of $1,690,209 (2006: $434,485) is secured by a first charge over a subsidiary's fixed deposits and is supported by a corporate guarantee given by another subsidiary. Interest is charged at 0.75% per annum over the Sterling Pound base rate which was at 6.5% (2006: 5%) per annum during the year.

The remaining bank overdraft in 2007 is secured by pledging the Sterling Pound fixed deposit of up to GBP1,000,000 and bears interest of 6% to 6.65% per annum which is at 0.5% per annum above the rate provided by the bank on the pledged fixed deposit.

At 31 December 2006, the balance of $908,268 was secured by a corporate guarantee from the Company. Interest was charged at weighted average effective rate of 5.5% per annum.

29. Bank loans (secured)

	Group	
	2007	2006
	$	$
Non-current		
- Long term Sterling Pound bank loans	28,089,247	33,482,266
Current		
- Long term Sterling Pound bank loans	12,106,343	309,909
- Short term Sterling Pound bank loans	–	831,453
- Short term Singapore Dollar bank loans	39,129,492	3,653,073
	51,235,835	4,794,435
Total bank loans	79,325,082	38,276,701
Amount repayable within one year	51,235,835	4,794,435
Amount repayable between two and five years	28,089,247	33,482,266
	79,325,082	38,276,701

29. Bank loans (secured) (cont'd)

Long term Sterling Pound bank loans of $40,195,590 (2006: $33,792,175) and short term Sterling Pound bank loan of nil (2006: $831,453) are secured by a fixed charge over subsidiaries' investment properties. Repayments are made quarterly.

Included in the long term Sterling Pound loans is an amount of $19,420,440 (2006: $12,200,488) which was charged interest at 1.25% (2006:1.25%) per annum over LIBOR. The remaining long term Sterling Pound loans bear interest at a fixed rate of 5.92% per annum.

At 31 December 2007, the short term loans are secured by a subsidiary's investment property and a charge of $23 million on its fixed deposit. Interest was charged at 0.5% to 1% (2006: 1.375%) per annum over Singapore Dollar bank loan at swap cost. At 31 December 2006, short term bank loans of $3,653,073 were guaranteed by a subsidiary. Interest was charged at 1.375% per annum over Singapore Dollar bank loan at swap cost. The loan was repaid in full during the year.

30. Deferred tax liabilities

Deferred tax liabilities are due to temporary difference associated with:

	Balance sheet		Recognised in profit and loss account	
	2007	2006	2007	2006
	$	$	$	$
Group		(Restated)		
Revaluations to fair value of available-for-sale financial assets	4,899,702	2,870,328	–	–
Differences in depreciation and capital allowances	1,393,667	1,561,797	(168,130)	24,972
Accrued interest income	306,616	–	306,616	–
Others	27,872	65,005	(37,133)	(6,828)
	6,627,857	4,497,130	101,353	18,144

	Balance sheet		Recognised in profit and loss account	
	2007	2006	2007	2006
	$	$	$	$
Company				
Others	44,000	49,500	(5,500)	–

31. Dividends

	Group	
	2007	2006
	$	$
In respect of financial year ended 31 December 2005:		
- final ordinary dividend of 1 cent per share less 20% tax	–	5,228,032
In respect of financial year ended 31 December 2006:		
- interim dividend of 1.5 cents per share less 20% tax	–	7,842,048
- final ordinary dividend of 1.25 cents per share less 18% tax	6,698,415	–
In respect of financial year ended 31 December 2007:		
- interim dividend of 3.989 cents per share less 18% tax	21,375,991	–
- special interim exempt (one-tier) dividend of 6.5 cents per share	42,477,760	–
- interim exempt (one-tier) dividend of 1.5 cents per share	9,802,560	–
	80,354,726	13,070,080

The Directors of the Company have recommended a one-tier tax exempt final ordinary and special dividend of 1.25 cents and 0.75 cents per share respectively, totalling about $13,070,080 to be paid in respect of the financial year under review, subject to shareholders' approval at the Annual General Meeting of the Company.

32. Investment in joint ventures

In 2006 and 2007, the Group had a 50% interest in the assets, liabilities, revenue and expenses of Vistawell Limited. The Group also had a 82% interest in the assets, liabilities, revenue and expenses of Capital Group in 2006 and 2007, except for one entity which the Group held 60% interest in 2007. In addition to the above mentioned, in 2006, the Group also had 50% and 70% interest in the assets, liabilities, revenue and expenses of Aronbrook Limited and Filedoor Limited. Aronbrook Limited and Filedoor Limited were liquidated during the year.

Vistawell Limited and Capital Group are nominee companies which hold the United Kingdom properties in trust for the subsidiaries. These subsidiaries in turn have a joint venture arrangement with an external party in respect of the United Kingdom properties. The following amounts represent the Group's share of the assets, liabilities, revenue and expenses of the joint ventures that are included in the consolidated balance sheet and profit and loss account using the line-by-line format of consolidation:

	Group	
	2007	2006
	$'000	$'000 (Restated)
Assets and liabilities		
Current assets	2,673	3,900
Non-current assets	54,776	47,722
Total assets	57,449	51,622
Current liabilities	(16,846)	(4,928)
Non-current liabilities	(28,089)	(33,482)
Net assets	12,514	13,212
Results		
Revenue	3,695	2,211
Other income	140	3,167
Expenses	(1,339)	(1,460)
Finance costs	(2,644)	(1,549)
(Loss)/profit for the year	(148)	2,369

33. 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	
	2007	2006	2007	2006
	$	$	$	$
Management fees received and receivable from subsidiaries	–	–	(3,613,880)	(2,454,172)
Insurance premiums paid to a subsidiary	–	–	13,211	12,479
Reimbursement of corporate and legal services fee received from a subsidiary	–	–	(12,240)	(12,240)
Corporate secretarial services fee received from subsidiaries	–	–	(24)	(24)
Interest received from an associate which is a related company of a substantial shareholder	334,363	316,601	–	–
Interest received from a subsidiary	–	–	(21,000)	(14,695)

Other transactions with related parties are disclosed in notes 4, 6, and 7.

34. Commitment and contingencies

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
(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 (note 19)	24,353,820	24,353,820	–	–
Unquoted investment securities	6,060,792	7,356,594	–	–

35. Operating lease commitments

As lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2007	2006
	$	$
Not later than one year	4,467,156	4,193,878
Later than one year but not later than five years	11,172,329	14,395,442
Later than 5 years	15,445,512	18,658,785
	31,084,997	37,248,105

36. Directors' remuneration

The number of directors of the Company whose emoluments fall within the following bands is as follows:

	2007	2006
$2,000,000 to $2,249,999	1	-
$1,750,000 to $1,999,999	-	-
$1,500,000 to $1,749,999	-	-
$1,250,000 to $1,499,999	-	-
$1,000,000 to $1,249,999	1	-
$750,000 to $999,999	-	-
$500,000 to $749,999	1	1
$250,000 to $499,999	1	1
Below $250,000	5	9
	9	11

37. Group segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the chief decision maker to make decisions about allocation of resources.

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic units offer different products and services and are managed separately because they require different technologies and strategies.

The following summary describes the operations in each of the Group's reportable segments:

- rental and investment : rental of residential, commercial properties and warehouse as well as investment holding.
- insurance : general insurance as well as investment holding.
- trading and investment : manufacturing and trading of chemicals and packing and trading of edible oil as investment holding.

Information regarding the operations of the reportable segments is included below:

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

All assets are allocated to reportable segments other than investment in associates and unincorporated joint venture. All liabilities are allocated to reportable segments.

For purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors performance based on segment profit before income tax. Segment profit is measured as management believes information is useful in evaluating the results of certain segments relative to other entities that operate within these industries. The segment transactions are determined on an arm's length basis.

There are no asymmetrical allocations to reportable segments.

37. Group segmental information (cont'd)

	Rental and Investments		Insurance		Trading and investments	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Profit and loss account						
Revenue						
- external	32,539,665	48,041,920	30,811,705	25,401,970	13,360,793	14,968,369
- inter-segment	467,651	538,576	47,593	34,502	–	248,578
Total revenue	33,007,316	48,580,496	30,859,298	25,436,472	13,360,793	15,216,947
Interest income	930,771	1,069,193	2,229,659	2,320,677	115,866	48,332
Interest expense	(4,535,003)	(2,371,075)	–	–	–	(30,465)
Depreciation of property, plant and equipment and investment properties	(1,392,715)	(915,465)	(537,958)	(598,764)	(69,131)	(182,241)
Profit on disposal of non-current investment securities	12,134,422	3,722,346	1,280,046	423,591	–	–
Profit on sale of investment properties	96,852	2,416,970	–	–	–	–
Allowance for doubtful receivables (associates)	–	–	–	–	(480,557)	(537,141)
Other non-cash income/ (expenses)	722,315	854,218	(69,608)	349,056	(426,495)	137,560
Share of results from associates and unincorporated joint venture	88,987,221	646,596	–	–	(4,950,000)	113,953
Income tax	457,767	(392,133)	1,226,203	(1,897,331)	–	–
Reportable segment profit/ (loss) before tax	105,537,736	13,418,800	7,960,517	11,205,257	(8,041,845)	(1,620,826)
Balance sheet						
Segment assets	366,551,965	420,807,563	120,713,383	115,682,514	15,506,284	8,178,409
Interest in unincorporated joint venture	1,147,661	9,576,684	–	–	–	–
Investment in associates	81,449,333	50,534,474	–	–	–	4,858,272
Total assets						
Segment liabilities	(146,171,694)	(80,638,558)	(48,372,091)	(47,578,167)	(23,557,966)	(13,002,635)
Capital expenditure	10,500,305	30,700,518	97,721	92,022	–	334,165

Corporate and others		Note	Eliminations		Total	
2007	2006		2007	2006	2007	2006
$	$		$	$	$	$
3,990	452,407		(805,850)	–	75,910,303	88,864,666
145,606,500	4,465,000	A	(146,121,744)	(5,286,656)	–	–
145,610,490	4,917,407		(146,927,594)	(5,286,656)	75,910,303	88,864,666
62,028	97,919	A	(173,959)	(14,695)	3,164,365	3,521,426
(658)	–	A	624,861	519,671	(3,910,800)	(1,881,869)
(238,034)	(209,041)		–	–	(2,237,838)	(1,905,511)
–	2,500		–	–	13,414,468	4,148,437
–	–		–	–	96,852	2,416,970
(116,731)	–		–	–	(597,288)	(537,141)
(434,504)	97,599	B	1,042,860	–	834,568	1,438,433
79,493	(28,570)		–	–	84,116,714	731,979
565,096	(971,436)	C	(823,227)	893,000	1,425,839	(2,367,900)
140,315,264	4,808,910	A	(140,166,331)	(4,056,505)	105,605,341	23,755,636
253,710,146	248,225,110	D	(279,889,073)	(342,511,400)	476,592,705	450,382,196
–	–		–	–	1,147,661	9,576,684
683,695	604,202		–	–	82,133,028	55,996,948
					559,873,394	515,955,828
(5,766,016)	(55,675,029)	E	54,255,978	100,373,715	(169,611,789)	(96,520,674)
15,364	495,704		–	–	10,613,390	31,622,409

37. Group segmental information (cont'd)

A. Inter-segment revenue, interest income, interest expense are eliminated on consolidation.

B. Other non-cash expenses consist of allowance for doubtful receivables, write-back of quoted equity investments, impairment loss on property, plant and equipment, reversal of revaluation deficit on property, plant and equipment and profit/(loss) on disposal of property, plant and equipment.

C. This relates to inter-segment elimination of tax arising from dividend paid out within the Group.

D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2007	2006
	$	$
Segment assets	756,481,778	792,893,596
Investment in associates	82,133,028	55,996,948
Interest in unincorporated joint venture	1,147,661	9,576,684
Inter-segment elimination	(279,889,073)	(342,511,400)
Total assets	559,873,394	515,955,828

E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2007	2006
	$	$
Segment liabilities	223,867,767	196,894,389
Inter-segment elimination	(54,255,978)	(100,373,715)
Total liabilities	169,611,789	96,520,674

Geographical information:

	2007		2006	
	Revenue	Non-current assets	Revenue	Non-current assets
	$	$	$	$
Singapore	70,756,712	224,243,567	85,164,328	165,829,578
United Kingdom	5,047,169	54,104,383	3,547,731	58,742,293
Others	106,422	2,877,600	152,607	3,534,019
	75,910,303	281,225,550	88,864,666	228,105,890

In presenting information on the basis of geographical segments, segment revenue and assets are based on geographical location of customers and assets respectively.

There had been no transaction with a single external customer that amounted to 10% of the Group revenue.

38. Major properties owned by the Group

Location	Company	Type/Usage	Area
(a) 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.
(b) Investment properties			
i) Held by the Group			
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.
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.	–

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

Location	Company	Type/Usage	Area
(b) Investment properties (cont'd)			
i) Held by the Group (cont'd)			
15/17 Hornton Street London W8, United Kingdom	Pumbledon Limited	Freehold. 11 units of residential apartments.	–
82% interest in 10-18 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold office building.	Floor area of 928.90 sq. metres (9,998 sq. feet).
82% interest in 20-22 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold office building.	Floor area of 662.30 sq. metres (7,130 sq. feet).
82% interest in 65-69 East Road London N1 6AH United Kingdom	Vantagepro Investment Limited	Freehold office building.	Floor area of 603.40 sq. metres (6,495 sq feet).
82% interest in 23 New Mount Street Manchester United Kingdom	Vantagepro Investment Limited	Freehold office building.	Floor area of 3,248.11 sq. metres (34,963 sq. feet).
82% interest in The Bridge, Clerkenwell Road ECI, United Kingdom	Vantagepro Investment Limited	Freehold office building.	Floor area of 1,453.40 sq. metres (15,644 sq. feet).
60% interest in 7 Water Street Liverpool L2 8TD United Kingdom	Vantagepro Investment Limited	Freehold office building.	22,522 sq. feet.
ii) Held by associates			
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.
25% interest in Hollins Hall United Kingdom	Fieldfare Investments Limited	4 units of retirement homes.	–
West Midlands House Gipsy Lane Willenhall West Midlands	Capital Willenhall Limited	Freehold Office building.	–

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

Location	Company	Type/Usage	Area
(c) Development properties			
60, 60B, 60C Martin Road Singapore 239065/7/8	Riverwalk Promenade Pte Ltd	Freehold. Residential.	Combined land area of 29,683 sq metres.
Land parcel at Scotts Road	Scotts Spazio Pte. Ltd.	15 years leasehold to be developed into a 4-storey office block.	Land area of 1.04 hectares. Maximum permissible gross floor area of 168,628 sq feet.

39. Fair values of financial instruments

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 values.

(b) Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, 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 and non-equity and unquoted bonds held as long-term investment securities and carried at carrying value of $42,538,528 (2006: $1,435,812). The Group does not intend to dispose of these investments in the foreseeable future.

(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	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Financial assets:								
Quoted bonds	19,515	19,153	19,741	19,214	–	*	–	*
Unquoted bonds	14,583	19,114	14,485	19,110	–	–	–	–

*Amounts less than $1,000

39. Fair values of financial instruments (cont'd)

(d) *Methods and assumptions used to determine fair values*

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follow:

	Financial assets and liabilities	Methods and assumptions
	• Investment securities (quoted equity shares)	Fair value has been determined by reference to published market prices or broker quotes at the balance sheet date without factoring in transaction costs.
	• Investment securities (quoted and unquoted bonds)	The fair value of quoted bonds is 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 to provide an appropriate approximation of the fair value of the unquoted bonds.

(e) *Carrying amounts of financial instruments by categories*

The table below is an analysis of the carrying amounts of financial instruments by categories as at 31 December:

		Group	
	Note	2007	2006
		$	$
Held-to-maturity investment			
Quoted bonds, at cost	18	19,515,460	19,153,569
Unquoted bonds, at cost	18	15,583,290	19,864,408
		35,098,750	39,017,977
Loans and receivables			
Other receivables	20	3,905,649	2,090,899
Trade receivables	22	5,036,730	4,852,947
Amount due from associates	17	30,386,229	119,074,698
Cash and bank balances	23	121,225,342	66,606,549
Unquoted bonds, at cost	18	42,173,210	–
		202,727,160	192,625,093
Available-for-sale financial assets			
Quoted bonds, at fair value	18	6,640,360	7,069,535
Quoted equity, at fair value	18	87,117,816	71,754,735
Unquoted equity, at fair value	18	4,358,765	2,697,461
Unquoted equity, at cost	18	23,653	599,259
Unquoted non-equity, at cost	18	341,665	836,553
Unquoted bonds and Floating Rate Notes, at fair value	18	15,004,125	18,856,165
Investment under fund management, at fair value	18	6,055,064	4,956,425
		119,541,448	106,770,133
Held for trading financial asset			
Unquoted non-equity, at fair value	18	275,000	–

39. Fair values of financial instruments (cont'd)

(e) *Carrying amounts of financial instruments by categories (cont'd)*

	Note	Group 2007	Group 2006
		$	$
Financial liabilities measured at amortised cost			
Trade payables	24	1,427,695	1,390,479
Other payables (exclude rental received in advance and deferred reinsurance commission)		6,049,041	5,384,801
Accrued operating expenses		9,421,513	4,104,684
Amounts due to associates	17	24,123,185	600,860
Bank overdrafts (secured)	28	2,688,860	1,342,753
Bank loans (secured)	29	79,325,082	38,276,701
		123,035,376	51,100,278

40. Financial risk management objectives and policies

Exposure to equity price risk, interest rate risk, liquidity risk, credit and foreign currency risks arise in the normal course of business. The Directors review and agree policies and procedures for the management of these risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by the appointed Internal Auditors who undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Equity price risk

Equity price risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk because of its investment in quoted equities. These investment securities are quoted on stock exchanges in Singapore, Korea and Indonesia. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

At 31 December 2007, if the Straits Times Index (STI) and Korea Composite Stock Price Index (KOSPI) had been higher/lower by 10% (2006: 10%) and 10% (2006: 10%) respectively, with all other variables held constant, the Group's equity will be approximately $5,905,000 (2006: $4,477,000) and $722,000 (2006: $346,000) higher/lower, as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

As there is no reasonable correlation between the Indonesian market index and one of the Group's unquoted shares, an expected rate of change in the fair value of the shares is adopted to reflect the impact to the financial statement. At 31 December 2007, if the fair value of the Indonesian quoted shares had been 14% (2006: 27%) higher/lower with all other variables held constant, the Group's equity will be approximately $334,000 (2006: $625,000) higher/lower, as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

40. Financial risk management objectives and policies (cont'd)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair values or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its placements in fixed deposits, investments in quoted, unquoted bonds and floating rate notes and debt obligations with financial institutions. 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 disclosed in the notes to the financial statements.

At 31 December 2007, if the market price for interest rates is 50 basis points (2006: 50 basis points) higher/lower with all other variables held constant, profit for the year will be $270,000 (2006: $112,000) lower/higher.

(c) *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 as well as factors affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the subsidiary 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 incur claims are in excess of those expected. The subsidiary seeks to minimise underwriting risks through diversification among 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 subsidiary adopted the external appointed actuary's view on its claims and premium liabilities at balance sheet date.

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

	Net Claims Liabilities 2007	Net Claims Liabilities 2006	Net Premium Liabilities 2007	Net Premium Liabilities 2006
Motor	48%	53%	39%	37%
Workmen's Compensation	20%	23%	19%	24%
Fire	4%	2%	5%	4%
Marine Cargo	9%	4%	3%	3%
General Accident	19%	18%	34%	32%
	100%	100%	100%	100%

(d) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's objective is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions if any, without incurring unacceptable losses or risking damage to the Group's reputation. This is achieved through monitoring the cash flow requirements closely and optimising its cash return on investments. In addition, the Group also maintains the availability of stand-by credit facilities.

40. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2007			2006		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Trade and other payables	7,451	121	7,572	6,716	115	6,831
Amount due to associates	24,123	–	24,123	601	–	601
Loans and borrowings	53,925	28,089	82,014	6,137	33,482	39,619
	85,499	28,210	113,709	13,454	33,597	47,051
Company						
Trade and other payables	327	–	327	241	–	241
Amounts due to associates	390	–	390	413	–	413
Amounts due to subsidiaries	3,560	–	3,560	54,455	–	54,455
	4,277	–	4,277	55,109	–	55,109

(e) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposure to credit risk arises mainly from trade and other receivables. For other financial assets (including investment securities, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At balance sheet date, the carrying amount of trade and other receivables and cash and bank balances represent the Group's and the Company' maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At balance sheet date, there was no significant concentration of credit risks.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances, investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

40. Financial risk management objectives and policies (cont'd)

(e) *Credit risk (cont'd)*

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(f) *Foreign currency risk*

Currency risk arises when transactions are denominated in currencies other than the functional currencies of the respective entities. In addition, the Group is exposed to currency translation risk on the net assets in foreign operations in Malaysia, United Kingdom and China.

The Group does not generally use derivative foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the Sterling Pound and Chinese Renminbi. Wherever possible, the Group manages its currency risks by financing its purchases using bank borrowings denominated in the currency of the country in which the asset is situated.

Sensitivity analysis for foreign currency risk

Entities in the Group regularly transact in currencies other than their respective functional currencies, such as Singapore Dollar, United States Dollar, Australian Dollar and Sterling Pound. The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar, Australian Dollar, Sterling Pound and Singapore Dollar, against the respective functional currencies of the Group entities, with all other variables held constant, on the Group's profit after tax and equity.

	Group			
	2007		2006	
	Profit after tax	Equity	Profit after tax	Equity
	$'000	$'000	$'000	$'000
United States Dollar/Singapore Dollar				
- strengthened 6.7% (2006: 8.7%)	79	544	117	558
- weakened 6.7% (2006: 8.7%)	(79)	(544)	(117)	(558)
Australian Dollar/Singapore Dollar				
- strengthened 12.2% (2006: 6.5%)	300	10	151	4
- weakened 12.2% (2006: 6.5%)	(300)	(10)	(151)	(4)
Sterling Pound/Singapore Dollar				
- strengthened 5.9% (2006: 7.6%)	(98)	314	734	460
- weakened 5.9% (2006: 7.6%)	98	(314)	(734)	(460)
United States Dollar/Sterling Pound				
- strengthened 8.3% (2006: 13.9%)	-	183	-	210
- weakened 8.3% (2006: 13.9%)	-	(183)	-	(210)

41. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. The Group also monitors dividends paid to shareholders. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2007, the Group's gearing ratio was 0.43 (2006: 0.23).

42. Comparatives

Certain comparatives figures for the year ended 31 December 2006 have been reclassified from the previous financial year due to the following:

i) Upon adoption of FRS 40 Investment Property, the Group had adopted the cost model and depreciates the investment properties over fifty years. The impact of the change is taken up retrospectively (see Note 2.2(a)).

ii) To align the basis for accounting policy for investment properties and the Company's investment in subsidiaries, the Company has changed the accounting policy for its investment in subsidiaries from fair value to the cost basis (see Note 2.2(b)).

iii) The change in accounting policy by an associate (see Note 2.2(c)).

iv) The following items have also been split into current and non-current to conform with current year's presentation:

	Current	Non-current
	$	$
Provision for outstanding claims (Liabilities)	(5,132,894)	(18,261,997)
Provision for unearned premiums (Liabilities)	(12,804,379)	–
Provision for premium deficiency (Liabilities)	(1,839,000)	–
Reinsurers' share of provision for unearned premiums (Assets)	3,036,988	–
Reinsurers' share of provision for outstanding claims (Assets)	626,581	2,221,619
Deferred acquisition costs (Assets)	2,469,355	–
Deferred reinsurance commissions (Liabilities)	(55,949)	–

Shareholding Statistics
as at 10 March 2008

Distribution Of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	161	3.87	56,795	0.01
1,000 - 10,000	2,198	52.81	13,377,845	2.05
10,001 - 1,000,000	1,764	42.38	91,242,564	13.96
1,000,001 and above	39	0.94	548,826,796	83.98
Total	4,162	100.00	653,504,000	100.00

Twenty Largest Shareholders

	Name	No. of Shares	%
1.	HSBC (Singapore) Nominees Pte Ltd	86,120,152	13.18
2.	Oversea-Chinese Bank Nominees Private Limited	72,828,000	11.14
3.	Hong Leong Enterprises Pte. Ltd.	45,664,000	6.99
4.	City Developments Realty Limited	33,355,000	5.10
5.	United Overseas Bank Nominees (Private) Limited	33,240,700	5.09
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.	Starich Investments Pte. Ltd.	24,942,000	3.82
10.	Welkin Investments Pte Ltd	21,296,000	3.26
11.	Mayban Nominees (Singapore) Private Limited	17,127,000	2.62
12.	Ely Investments (Pte) Ltd.	13,642,000	2.09
13.	DBS Nominees (Private) Limited	13,603,000	2.08
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	10,365,334	1.59
17.	Ong Eng Hui David	8,780,634	1.34
18.	UOB Kay Hian Private Limited	6,397,300	0.98
19.	OCBC Nominees Singapore Private Limited	5,740,000	0.88
20.	Lee Yuen Shih	5,661,000	0.87
		515,690,906	78.92

Percentage Of Public Float

Based on information available to the Company as at 10 March 2008, approximately 28.846% 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	587,000	188,763,392	189,350,392	28.975
Ong Mui Eng	4,547,248	175,443,140	179,990,388	27.542
Ong Hian Eng	3,062,604	175,506,392	178,568,996	27.325
Ong Kwee Eng	–	176,721,892	176,721,892	27.042
Ong Eng Loke	406,500	164,519,896	164,926,396	25.237
Ong Eng Yaw	25,000	177,277,896	177,302,896	27.131
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, Ely Investments (Pte) Ltd. ("Ely Investments") and Ong Chay Tong & Sons (Private) Limited ("OCTS"), 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, IFE and OCTS, 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, Fica (Pte) Ltd and OCTS, 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, IFE and OCTS, 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, IFE and Ely Investments, 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 its 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 its last notification to the Company on 13 February 2006.

10 The aggregate interest of City Developments Limited ("CDL") is based on its 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 its 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 their 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 Altrade Investments 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-Fifth Annual General Meeting of Hwa Hong Corporation Limited (the "Company") will be held at Swissôtel Merchant Court, Merchant Court Ballroom, Section A, 20 Merchant Road Singapore 058281 on Friday, 25 April 2008 at 2.30 p.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 2007. **Resolution 1**

2. To declare a one-tier tax exempt final ordinary dividend of 1.25 cents per share and a one-tier tax exempt special dividend of 0.75 cents per share in respect of the financial year ended 31 December 2007. **Resolution 2**

3. To approve the payment of fees amounting to S$355,000 to the non-executive Directors of the Company for the financial year ended 31 December 2007 (2006: S$370,000). **Resolution 3**

4. To approve the payment of fees up to S$345,000 in aggregate to the non-executive Directors of the Company for the financial year ending 31 December 2008 (2007: S$355,000), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter. **Resolution 4**
   (See Explanatory Note to Ordinary Business).

5. To re-elect the following Directors who are retiring by rotation in accordance with Article 113 of the Articles of Association of the Company:
   (a) Dr Ong Hian Eng **Resolution 5**
   (Note: Dr Ong Hian Eng is considered an executive Director.)
   (b) Mr Hans Hugh Miller **Resolution 6**
   (Note: Mr Hans Hugh Miller, if re-elected, will remain as a member of the Nominating Committee and the Chairman of the Remuneration Committee and the Divestment and Investment Committee. 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 Nominating Committee and the Remuneration Committee. He is considered a non-executive and non-independent Director.)

7. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 9**

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

SPECIAL BUSINESS

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

9. **Authority to allot and issue shares up to fifty per cent (50%) of the total number of Issued Shares** **Resolution 10**

"That authority be and is hereby given to the Directors of the Company to:

(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 total number of issued shares of the Company excluding treasury shares (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 total number of issued shares of the Company excluding treasury shares (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 total number of issued shares excluding treasury shares shall be based on the total number of issued shares of the Company excluding treasury shares 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; and

(3) (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."

10. **Authority to allot and issue shares under Hwa Hong Corporation Limited (2001) Share Option Scheme** **Resolution 11**

"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 five per cent (5%) of the total number of issued shares of the Company from time to time."

11. **Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme** **Resolution 12**

"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."

12. **Renewal of Share Purchase Mandate** **Resolution 13**

"That:

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

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or

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

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

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

(i) the date on which the next Annual General Meeting of the Company is held;

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

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(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 or acquisition 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

ONG BEE LEEM
SECRETARY

Singapore, 8 April 2008

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 Note to Ordinary Business

Resolution 4 proposed in item 4, if passed, will authorise the Company to effect payment of fees to the non-executive Directors (including fees payable to members of the various committees of the Board) for the financial year ending 31 December 2008, such payment to be made on a quarterly basis in arrears. This Resolution will facilitate the prompt payment by the Company of the Directors' fees during the financial year in which they are incurred.

Explanatory Notes to Special Business

Resolution 10, 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 excluding treasury shares 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 of 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 11, 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 12, if passed, gives authority to the Directors to issue shares in the capital of the Company pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme approved at the Extraordinary General Meeting of the Company held on 7 November 2003.

Resolution 13, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) issued and fully paid ordinary shares in the capital of the Company (the "Shares") on the terms of the mandate (the "Share Purchase Mandate") set out in the Appendix to this Notice of Annual General Meeting. 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 or the date on which purchases or acquisitions of Shares are carried out to the full extent mandated, 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 2007, based on certain stated assumptions, are set out in paragraph 2.7 of the Appendix to this Notice of General Meeting.

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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-Fifth Annual General Meeting** of the Company ("AGM") to be held at Swissôtel Merchant Court, Merchant Court Ballroom, Section A, 20 Merchant Road Singapore 058281 on **25 April 2008** at **2.30 p.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 and special dividend				
3	Approval of payment of fees to non-executive Directors for the financial year ended 31 December 2007				
4	Approval of payment of fees to non-executive Directors for the financial year ending 31 December 2008				
5	Re-election of Dr Ong Hian Eng				
6	Re-election of Mr Hans Hugh Miller				
7	Re-appointment of Mr Ong Mui Eng				
8	Re-appointment of Mr Guan Meng Kuan				
9	Appointment of Auditors and authorising Directors to fix their remuneration				
	Any other ordinary business				
	SPECIAL BUSINESS				
10	Authority to allot and issue shares up to fifty per cent (50%) of the total number of Issued Shares				
11	Authority to allot and issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme				
12	Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme				
13	Renewal of Share Purchase Mandate				

(a) Please indicate your vote "For" or "Against" with a ✓ within the box provided.
(b) If you wish to exercise 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 _____ 2008

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

Please 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