



## UNAUDITED RESULTS FOR FULL YEAR ENDED 31 DECEMBER 2008

## PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 &amp; Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Financial Year Ended		+/(-) %
	31.12.2008 \$'000	31.12.2007 \$'000 (restated)	
Revenue	80,171	75,910	5.6
Cost of sales	(52,985)	(41,901)	26.5
<b>Gross profit</b>	<b>27,186</b>	<b>34,009</b>	<b>(20.1)</b>
Other income	6,810	19,330	(64.8)
General and administrative costs	(23,857)	(23,188)	2.9
Selling and distribution costs	(7,990)	(4,947)	61.5
Other operating costs	(18,244)	(548)	n.m.
Finance costs	(4,424)	(3,911)	13.1
Share of results of associates and unincorporated joint venture	66,580	84,117	(20.8)
<b>Profit before taxation</b>	<b>46,061</b>	<b>104,862</b>	<b>(56.1)</b>
Taxation	2,919	(1,426)	n.m.
<b>Profit after taxation</b>	<b>48,980</b>	<b>103,436</b>	<b>(52.6)</b>
Attributable to:			
Equity holders of the Company	48,980	103,436	
Minority interests	-	-	
	<b>48,980</b>	<b>103,436</b>	

**Note**

Profit before taxation included the following:

	Group		
	Financial Year Ended		+/(-) %
	31.12.2008 \$'000	31.12.2007 \$'000	
Investment income	1,139	2,599	(56.2)
Other income including interest income	18,246	27,021	(32.5)
Interest on borrowings	(4,424)	(3,911)	13.1
Depreciation on property, plant and equipment and investment properties	(2,437)	(2,252)	8.2
Write-back/(allowance made) for doubtful receivables from			
- trade and other receivables	(32)	73	n.m.
- associate	3,733	(597)	n.m.
Allowance reversed/(made) for impairment loss on			
- investment property	(2,224)	-	n.m.
- property, plant and equipment	-	(434)	(100.0)
- quoted non-current investment securities	(46)	(9)	n.m.
- quoted current investment securities	(19,683)	(512)	n.m.
Reversal of revaluation deficit in property, plant and equipment	-	1,042	(100.0)
Over/(under)provision of taxation in prior years	(574)	(421)	36.3
Foreign exchange (loss)/gain	(4,370)	23	n.m.
(Loss)/gain on disposal of investment securities			
- included in gross profit	(2,843)	2,381	n.m.
- included in other income	2,035	13,414	(84.8)
Gain on disposal of property, plant and equipment	1	88	(98.9)
Gain on disposal of investment property	645	97	n.m.

n.m. denotes not meaningful.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.12.2008 \$'000	31.12.2007 \$'000 (restated)	31.12.2008 \$'000	31.12.2007 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	13,290	13,828	4,049	4,143
Investment properties	72,094	89,669	-	-
Investment in subsidiaries	-	-	191,460	191,460
Investment in associates	105,922	82,133	787	693
Investment securities	90,355	93,661	39	45
Other receivables	3,301	16	-	-
Amount due from associates	15,000	-	-	-
Reinsurers' share of provision for outstanding claims	1,857	1,597	-	-
Deferred tax assets	1,648	-	-	-
	<b>303,467</b>	<b>280,904</b>	<b>196,335</b>	<b>196,341</b>
<b>Current assets</b>				
Inventories	28	20	-	-
Trade receivables	5,862	5,037	-	-
Reinsurers' share of provision for - outstanding claims	619	450	-	-
- unearned premium	3,338	3,052	-	-
Deferred acquisition costs	5,169	2,982	-	-
Tax recoverable	786	1,465	472	505
Prepayments and deposits	5,566	5,565	59	49
Other receivables	4,879	7,377	-	-
Amounts due from subsidiaries	-	-	12,929	13,395
Amounts due from associates	19,932	30,386	-	-
Investment securities	52,832	104,575	-	-
Cash and bank balances	79,929	121,225	82	200
	<b>178,940</b>	<b>282,134</b>	<b>13,542</b>	<b>14,149</b>
<b>Current liabilities</b>				
Trade payables	(2,130)	(1,427)	(42)	-
Advance premiums	(991)	(1,263)	-	-
Other payables	(6,413)	(6,023)	(196)	(326)
Accrued operating expenses	(3,373)	(9,422)	(283)	(1,443)
Provision for - outstanding claims	(6,871)	(4,411)	-	-
- unearned premium	(21,739)	(15,719)	-	-
- premium deficiency	(1,183)	(1,639)	-	-
Amounts due to associates	(23,714)	(24,123)	(399)	(390)
Amounts due to subsidiaries	-	-	(3,544)	(3,560)
Bank overdraft	(3,700)	(2,689)	(395)	-
Bank loans (secured)	(39,754)	(51,236)	-	-
Tax payable	(182)	(1,080)	(1)	-
	<b>(110,050)</b>	<b>(119,032)</b>	<b>(4,860)</b>	<b>(5,719)</b>
<b>Net current assets</b>	<b>68,890</b>	<b>163,102</b>	<b>8,682</b>	<b>8,430</b>
Balance carried forward	372,357	444,006	205,017	204,771

	Group		Company	
	31.12.2008 \$'000	31.12.2007 \$'000 (restated)	31.12.2008 \$'000	31.12.2007 \$'000
Balance brought forward	372,357	444,006	205,017	204,771
<b>Non-current liabilities</b>				
Deferred tax liabilities	(994)	(6,628)	-	(44)
Bank loans (secured)	(30,161)	(28,089)	-	-
Other payables	(2,695)	(3,608)	-	-
Provision for outstanding claims	(20,758)	(15,741)	-	-
	(54,608)	(54,066)	-	(44)
<b>Net assets</b>	<b>317,749</b>	<b>389,940</b>	<b>205,017</b>	<b>204,727</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	172,154	172,154	172,154	172,154
Capital reserve	6,515	47,987	-	-
Revenue reserve	156,445	149,943	32,863	32,573
Fair value reserve	(2,152)	27,076	-	-
Currency translation reserve	(15,213)	(7,220)	-	-
	317,749	389,940	205,017	204,727
Minority interests	-	-	-	-
<b>Share capital and reserves</b>	<b>317,749</b>	<b>389,940</b>	<b>205,017</b>	<b>204,727</b>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	31.12.2008		31.12.2007	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Bank overdrafts	3,305	395	2,689	-
Short term bank loans	39,473	-	39,130	-
Long term bank loans	281	-	12,106	-
	43,059	395	53,925	-

Amount repayable after one year

	31.12.2008		31.12.2007	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Long term bank loans	30,161	-	28,089	-

Details of any collateral

Long term bank loans of \$30,442,000 (2007: \$40,195,000) were secured by a fixed charge over subsidiaries' investment properties. Short term bank loans were secured by a subsidiary's investment property and a charge of \$36.3 million (2007: \$23.0 million) on its fixed deposit.

Certain bank overdrafts are secured by charges over time deposits and supported by corporate guarantee.

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	31.12.2008	31.12.2007
	\$'000	\$'000 (restated)
<b>Cash flow from operating activities:</b>		
Profit before taxation	46,061	104,862
Adjustments for:		
Interest income	(13,771)	(10,855)
Interest expense	4,424	3,911
Depreciation on property, plant and equipment and investment properties	2,437	2,252
Allowance made for impairment loss on property, plant and equipment	-	434
Share of results of associates and unincorporated joint venture	(66,580)	(84,117)
Net claims incurred	19,110	6,144
Provision for unexpired risks	3,071	2,210
(Write-back)/allowance made for doubtful receivables from associates	(3,733)	597
Allowance made for impairment loss on		
- investment property	2,224	-
- quoted investment securities (non-current)	46	9
- quoted investment securities (current)	19,683	512
Loss on liquidation of associate	-	12
Reversal of revaluation deficit in property, plant and equipment	-	(1,042)
Gain on disposal of		
- property, plant and equipment	(1)	(88)
- investment property	(645)	(97)
	(33,735)	(80,118)
<b>Operating income before reinvestment in working capital</b>	12,326	24,744
Increase in receivables and current investment securities	(1,615)	(23,769)
(Increase)/decrease in inventories	(9)	39
(Decrease)/increase in payables	(6,323)	9,957
	(7,947)	(13,773)
<b>Cash generated from operations</b>	4,379	10,971
Net claims paid	(12,061)	(8,608)
Interest received	5,506	10,855
Interest paid	(3,452)	(3,911)
Income taxes received/(paid)	60	(2,857)
	(9,947)	(4,521)
<b>Net cash (used in)/generated from operating activities carried forward</b>	(5,568)	6,450

	Group	
	Financial Year Ended	
	31.12.2008	31.12.2007
	\$'000	\$'000
		(restated)
Net cash (used in)/generated from operating activities brought forward	(5,568)	6,450
<b>Cash flow from investing activities:</b>		
Decrease/(increase) in other investments	6,333	(30,609)
(Increase)/decrease in amounts due from associates	676	111,613
Investment in an associate	-	(500)
Purchase of property, plant and equipment	(731)	(138)
Purchase of investment property	(4,452)	(10,475)
Proceeds from disposal of		
- property, plant and equipment	1	658
- investment property	645	1,129
Dividends received from associates	879	806
Cash distribution from unincorporated joint venture	70	12,250
<b>Net cash generated from/(used in) investing activities</b>	<b>3,421</b>	<b>84,734</b>
<b>Cash flow from financing activities:</b>		
Increase in bank loans	16,874	47,343
Repayment of bank loans	(10,901)	(4,485)
Increase in bank overdrafts	1,794	1,357
Increase in pledged fixed deposits	(11,754)	(26,910)
Dividends paid	(42,478)	(80,355)
<b>Net cash used in financing activities</b>	<b>(46,465)</b>	<b>(63,050)</b>
Net (decrease)/increase in cash and cash equivalents	(48,612)	28,134
Cash and cash equivalents at beginning of the period	88,394	60,685
Effects of exchange rate changes on cash and cash equivalents	(4,438)	(425)
<b>Cash and cash equivalents at end of the period</b>	<b>35,344</b>	<b>88,394</b>

For purposes of presenting consolidated cash flow statements, the consolidated cash and cash equivalents comprise the following:

Cash and bank balances	79,929	121,225
Less: fixed deposits pledged	(44,585)	(32,831)
Cash and cash equivalents at end of period	<u>35,344</u>	<u>88,394</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

----- Attributable to Equity Holders of the Company -----

	Share capital \$'000	Capital reserve \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Minority interests \$'000	Total equity \$'000
<b>Group</b>							
Balance at 1.1.2007, as previously reported	172,154	98,687	127,457	25,772	(4,630)	-	419,440
Adjustment due to change in accounting policy on property, plant and equipment	-	-	423	-	-	-	423
Adjustment due to reclassification of reserves	-	3,608	(1,018)	-	(2,590)	-	-
Balance at 1.1.2007, restated	172,154	102,295	126,862	25,772	(7,220)	-	419,863
Exchange differences arising from							
- revaluation of monetary item forming part of net investment in foreign operation	-	-	-	-	303	-	303
- consolidation	-	-	-	-	(303)	-	(303)
Net loss on fair value changes Recognised in profit and loss account on disposal of investment securities	-	-	-	17,208	-	-	17,208
Impairment loss transferred to profit and loss account	-	-	-	(13,882)	-	-	(13,882)
Deferred tax liabilities arising from fair value changes	-	-	-	7	-	-	7
	-	-	-	(2,029)	-	-	(2,029)
Net income/(loss) recognised directly in equity	-	-	-	1,304	-	-	1,304
Profit for the year	-	-	103,436	-	-	-	103,436
Share of revaluation gain realised by an associate	-	(54,308)	-	-	-	-	(54,308)
Total recognised income and expense for the year	-	(54,308)	103,436	1,304	-	-	50,432
Dividends paid	-	-	(80,355)	-	-	-	(80,355)
Balance at 31.12.2007	172,154	47,987	149,943	27,076	(7,220)	-	389,940

----- Attributable to Equity Holders of the Company -----

Group	Share capital	Capital	Revenue	Fair value	Currency	Minority	Total
	\$'000	reserve	reserve	reserve	translation	interests	equity
	\$'000	\$'000	\$'000	\$'000	reserve	\$'000	\$'000
Balance at 1.1.2008, as previously reported	172,154	44,379	151,283	27,076	(4,630)	-	390,262
Adjustment due to change in accounting policy on property, plant and equipment	-	-	(322)	-	-	-	(322)
Adjustment due to reclassification of reserves	-	3,608	(1,018)	-	(2,590)	-	-
Balance at 1.1.2008, restated	172,154	47,987	149,943	27,076	(7,220)	-	389,940
Exchange differences arising from							
- revaluation of monetary item forming part of net investment in foreign operation	-	-	-	-	(4,054)	-	(4,054)
- consolidation	-	-	-	-	(3,939)	-	(3,939)
Net loss on fair value changes Recognised in profit and loss account on disposal of investment securities	-	-	-	(51,528)	-	-	(51,528)
Impairment loss transferred to profit and loss account	-	-	-	(2,024)	-	-	(2,024)
Deferred tax liabilities arising from fair value changes	-	-	-	19,683	-	-	19,683
Net income/(loss) recognised directly in equity	-	-	-	4,641	-	-	4,641
Profit for the year	-	-	-	(29,228)	(7,993)	-	(37,221)
Share of revaluation gain realised by an associate	-	-	48,980	-	-	-	48,980
Total recognised income and expense for the year	-	(41,472)	-	-	-	-	(41,472)
Dividends paid	-	-	48,980	(29,228)	(7,993)	-	(29,713)
Balance at 31.12.2008	-	-	(42,478)	-	-	-	(42,478)
	172,154	6,515	156,445	(2,152)	(15,213)	-	317,749

<b>Company</b>	<b>Share capital \$'000</b>	<b>Revenue reserve \$'000</b>	<b>Fair value reserve \$'000</b>	<b>Total equity \$'000</b>
Balance at 1.1.2007	172,154	(22,909)	(7)	149,238
Impairment loss transferred to profit and loss account	-	-	7	7
Profit for the period	-	135,837	-	135,837
Total recognised income and expense for the period	-	135,837	7	135,844
Dividends paid	-	(80,355)	-	(80,355)
Balance at 31.12.2007	172,154	32,573	-	204,727
Balance at 1.1.2008	172,154	32,573	-	204,727
Profit for the period/Total recognised income and expense for the period	-	42,768	-	42,768
Dividends paid	-	(42,478)	-	(42,478)
Balance at 31.12.2008	172,154	32,863	-	205,017

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Since 31 December 2007, there were no changes to the total number of 653,504,000 issued ordinary shares of the Company. As at 31 December 2008, the Company's share capital was \$172,153,626 with 653,504,000 ordinary shares issued and fully paid.

No options have been granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme since its adoption on 29 May 2001.

**1(d)(ii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Not applicable.

**1(d)(iii) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.



2. **Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2007.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

On 1 January 2008, the Group and the Company adopted the following FRS and INT FRS mandatory for annual financial periods beginning on or after 1 January 2008.

INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above FRS and INT FRS did not have financial impact on the Group and the Company.

#### **Changes in accounting policies**

The Group made the following changes in accounting policies during the year.

##### **(a) Property, plant and equipment**

Following the decision to adopt cost method for its investment properties in 31 December 2007, the directors reviewed the accounting policy of the Group's freehold office property occupied by a subsidiary. To align the basis for accounting for freehold office property and that of investment properties and other classes of property, plant and equipment, the directors have decided to change the accounting policy for its freehold office property from valuation to cost method and depreciate the property over fifty years.

The impact of the change in accounting policy is taken retrospectively and is as follows:

	Group	
	2008 \$'000	2007 \$'000
<i>Results for the year ended 31 December</i>		
Reversal of revaluation deficit	-	(731)
Reversal of depreciation expense	-	32
Increase in depreciation expense	46	(46)
	<u>(46)</u>	<u>(745)</u>
<i>Net assets as at 1 January</i>		
(Decrease)/increase in revenue reserve	<u>(322)</u>	<u>423</u>
(Decrease)/increase in property, plant and equipment	<u>(322)</u>	<u>423</u>

**(b) Reserves**

At 31 December 2008, the Group made a reclassification adjustment from capital reserve to currency translation reserve and revenue reserve. The reclassification was made to appropriately account for the exchange loss on translation of the net assets of a foreign subsidiary. The exchange loss from the translation of the net assets of a foreign subsidiary was previously included in capital reserve and revenue reserve.

The impact of the reclassification is taken retrospectively. The reclassification has no impact on the Group's results and on its net tangible assets. The effect on the Group's balance sheet is as follows:

	Group	
	2008 \$'000	2007 \$'000
<i>Net assets as at 1 January</i>		
Increase in capital reserve	3,608	3,608
Decrease in currency translation reserve	(2,590)	(2,590)
Decrease in revenue reserve	<u>(1,018)</u>	<u>(1,018)</u>
	<u>-</u>	<u>-</u>

**(c) Tenants' deposits**

In the previous years, the Group had netted the tenants' deposits receivable from agents against tenants' deposits payable to tenants. At 31 December 2008, the respective assets and liabilities were presented at gross amounts to better reflect the gross assets and liabilities of the Group. Comparatives had been changed to conform to current year's presentation.

The reclassification has no impact on the Group's results and on its net tangible assets. The effect of the Group's balance sheet is as follows:

	Group	
	2008 \$'000	2007 \$'000
<i>Net assets as at 31 December</i>		
Increase in current assets	2,534	3,487
Increase in non-current liabilities	<u>(2,534)</u>	<u>(3,487)</u>
	<u>-</u>	<u>-</u>

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	GROUP	
	FY2008	FY2007 (restated)
Earnings per ordinary share after deducting any provision for preference dividends:-		
(i) Based on the weighted average number of ordinary shares in issue (cents)	7.49	15.83
(ii) On a fully diluted basis (cents)	7.49	15.83

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and  
(b) immediately preceding financial year.

	GROUP		COMPANY	
	As at 31.12.2008	As at 31.12.2007 (restated)	As at 31.12.2008	As at 31.12.2007
Net asset value per ordinary share (cents)	48.62	59.67	31.37	31.33

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

- (a) Financial Year Ended 31 December 2008 ("FY2008") vs Financial Year Ended 31 December 2007 ("FY2007")

Revenue

Revenue increased by \$4.3 million or 5.6% due to

- increase in gross written premiums by \$10.3 million (FY2008: \$41.1 million; FY 2007: \$30.8 million); and
- increase in interest income from associates and investment securities by \$3.0 million (FY2008: \$3.7 million; FY2007: \$0.7 million) and \$3.1 million (FY2008: \$6.6 million; FY2007: \$3.5 million) respectively.

The increase in revenue was offset by reduction in

- dividend income from investment securities of \$1.5 million (FY2008: \$1.1 million; FY2007: \$2.6 million);
- interest income from deposits with financial institutions of \$2.2 million (FY 2008: \$1.2 million; FY 2007 \$3.4 million); and
- proceeds from sale of investment securities of \$8.4 million (FY2008: \$19.0 million; FY2007: \$27.5 million).

Cost of sales increased by 26.5% to \$53.0 million in FY2008 mainly due to

- increase in provision for unexpired risks of \$0.9 million (FY2008: \$3.1 million; FY2007: \$2.2 million); and
- increase in claims incurred of \$13 million (FY2008: \$19.1 million; FY2007: \$6.1 million).

The increase is partially offset by reduction in cost of sale of investment securities by \$3.2 million due to reduction in sale of short term investment securities.

#### Profit before taxation

Reduction in profit before taxation by \$58.8 million from \$104.9 million in FY2007 to \$46.1 million in FY2008 mainly due to

- i) reduction in other income by \$12.5 million from \$19.3 million in FY2007 to \$6.8 million in FY2008. The reduction was mainly due to the following reasons
  - (a) reduction in gain from disposal of long term investment securities of \$11.4 million (FY2008: \$2.0 million; FY2007: \$13.4 million);
  - (b) reduction in dividend income of \$0.4 million (FY2008: \$1.7 million; FY2007: \$2.1 million);
  - (c) lower interest income of \$0.8 million (FY2008: \$2.3 million; FY2007: \$3.1 million); and
  - (d) absence of management fee income from an associate (FY2007: \$0.3 million).

The reduction was partially offset by increase in gain on sale of investment property freehold of \$0.5 million (FY2008: \$0.6 million; FY2007: \$0.1 million).

- ii) increase in selling and distribution costs by \$3.0 million due to increase in net commission expense from the Insurance segment. The increase is in line with the increase in gross written premiums.
- iii) increase in other operating costs by \$17.7 million mainly due to allowance for impairment loss on quoted investment securities of \$19.7 million (FY2007: \$0.5 million). In accordance with **FRS 39 Financial Instruments Recognition and Measurement**, the Group made an allowance for impairment loss on its quoted equity investment classified as available for sale for those investments which had suffered a significant or prolonged decline in their value below cost.

There was no reversal of revaluation deficit on property, plant and equipment in FY2008 (FY2007: \$1.0 million) as all property, plant and equipment are now kept at cost.

The increase is offset by write-back of doubtful receivables from an associate of \$3.7 million (FY2007: allowance of \$0.6 million). There was also no allowance for impairment made for property, plant and equipment (FY2007: \$0.4 million).

- iv) decrease in share of results of associates and unincorporated joint venture by \$17.5 million mainly because of lower profit recognised from the development of the RiverGate project (FY2008: \$29.1 million; FY2007: \$35.7 million). The RiverGate project was already 98% sold by June 2007 and the profit recognition since then is dependent only on the incremental physical completion rate. The decrease is also contributed by lower release of revaluation gain from capital reserve of \$41.5 million (FY2007: \$54.3 million). The incremental percentages of profit recognised from the RiverGate project were 41.5% and 54.4% for FY2008 and FY2007 respectively.

In FY2008, the Group did not have to equity account for its share of the result of Norwest as it was no longer an associate (FY2007: loss of \$4.9 million).

Tax credit for the Group in FY2008 mainly arises from overprovision in prior years. Share of associates' tax amounting to \$6.4 million is included in share of results of associates and unincorporated joint venture. No tax has been provided on the valuation gain of \$41.5 million recognised in the share of results of associates and unincorporated joint venture as the amount is not taxable.

**(b) Balance Sheet as at 31 December 2008 ("FY2008") vs Balance Sheet as at 31 December 2007 ("FY2007")**

Net current assets

Reduction of net current assets of \$94.2 million, from \$163.1 million as at FY2007 to \$68.9 million as at FY2008 was mainly due to the following reasons

- decrease in amount due from associates by \$10.4 million due to a classification of a \$15 million loan to non-current asset;
- decrease in investment securities of \$51.7 million (FY2008: \$104.6 million; FY2007: \$52.8 million) due to depressed valuation of investments;
- decrease in cash and bank balances of \$41.2 million (FY2008: \$121.2 million; FY2007: \$80.0 million) due to payment of dividends in the previous financial year;
- increase in provision for unearned premium of \$6.0 million from \$15.7 million to \$21.7 million; and
- increase in bank overdrafts by \$1.0 million (FY2008: \$3.7 million; FY2007: \$2.7 million).

The reduction is partially offset by

- reduction in bank loans (current) of \$11.5 million from \$51.2 million at FY2007 to \$40.0 million due to repayment of bank loans during the financial year; and
- reduction in accrued operating expenses of \$6.0 million from \$9.4 million in FY2007 to \$3.4 million in FY2008 due to lesser accruals in staff bonus.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Worldwide businesses were adversely affected by the unprecedented economic crisis.

The Singapore economy ended 2008 with a 1.2% growth. The Singapore economy is forecast to contract by up to 5% and the recession is likely to be deep and protracted.

Bank credit is expected to remain tight and prudent management of the Group's available resources is crucial to meet the challenges ahead.

As global stock markets fell by more than 50% from their peak in 2007, Singapore equities were not spared from the carnage. As investment holding is a core activity in the three business segments, the Group's quoted equity investment classified as available-for-sale was affected by the market meltdown in 4Q2008. In accordance with the requirements of **FRS 39 *Financial Instruments Recognition and Measurement***, the Group recognised an impairment loss of \$19.7 million on its quoted equity investments which have suffered a significant or prolonged decline in their fair value below cost.

The profitability of the Group may be impacted by further allowances on impairment loss should the equities market slide further in the next twelve months. However, under FRS 39, the Group will not be able to write-back the impairment loss on its available-for-sale quoted equity investments to the profit and loss account should equity markets and the Group's quoted equities investment recover from the lows recorded. Any profit on the subsequent recovery in the fair value of these investments can only be recognised in the profit and loss account when they are sold.

The Group's investment properties in the UK and Singapore continue to achieve good occupancy. With the RiverGate development expected to obtain its Temporary Occupation Permit in 1Q2009, the Group expects the 15 residential and 4 commercial units that it has acquired, to contribute positively to the Group's profitability when they are rented out. However, it is difficult to predict how the impact of the recession and the resulting falling market values of properties in the UK and Singapore could impact the carrying values of the Group's investment properties.

Tenet Insurance Company Ltd ("Tenet") is expected to face a challenging year as the Singapore economy slows down and premiums for certain lines of business are expected to soften. Tenet expects the loss ratio for motor insurance to improve in 2009 due to price increases as the market hardens after the disappointing result in 2008. Tenet has been adjusting motor insurance prices for some time but the positive effects have not yet fully reflected in the loss ratios. The industry has started to implement various claims handling measures to contain claims costs. Tenet believes that these measures will help to improve its underwriting results for motor insurance in 2009. Tenet's financial position remains strong.

Under this difficult environment and with the bulk of the profits from the RiverGate Development already recognised, the results for 2009 are expected to be substantially lower than 2008.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes.

Name of Dividend	Final Ordinary Dividend
Dividend Type	Cash
Dividend Amount per Share (in cents)	1.25 cents, tax exempt
Tax Rate	(one-tier) tax exempt

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes.

Name of Dividend	Final Ordinary Dividend	Special Dividend
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	1.25 cents, (one-tier) tax exempt	0.75 cents, (one-tier) tax exempt
Tax Rate	Not applicable	Not applicable

**(c) Date payable**

The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 22 May 2009.

**(d) Books closure date**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 13 May 2009 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrars, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street, #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 12 May 2009 will be registered before entitlements to the dividend are determined. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

**(e) Interim dividend declared and paid for the current reporting period**

Name of Dividend	Special Interim Dividend	Interim Dividend
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	3 cents, (one-tier) tax exempt	1.5 cents, (one-tier) tax exempt
Tax Rate	Not applicable	Not applicable
Date of Payment	10 June 2008	8 September 2008

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different 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 holdings
- insurance: general insurance as well as investment holding
- trading and investment: trading of chemicals and packing and trading of edible oils as well as investment holding

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 that such segment transactions are determined on an arm's length basis.

There are no asymmetrical allocations to reportable segments.



	Rental & Investments	Insurance	Trading & Investments	Corporate & Others	Note	Eliminations	Total
<b>FY2008</b>							
<b><u>Profit and Loss Account</u></b>							
Revenue							
- external	30,635	41,130	9,285	-		(879)	80,171
- inter-segment	331	40	-	42,728	A	(43,099)	-
Total revenue	<u>30,966</u>	<u>41,170</u>	<u>9,285</u>	<u>42,728</u>			<u>80,171</u>
Interest income	515	1,856	23	21	A	(80)	2,335
Interest expense	(4,795)	-	(22)	(19)	A	412	(4,424)
Depreciation of property, plant and equipment and investment properties							
Profit/(loss) on sale of investment securities (included in other income)	1,634	901	(500)	-		-	2,035
Profit on disposal of investment properties	645	-	-	-		-	645
Write-back of doubtful receivables (associates)	-	-	3,656	77		-	3,733
Allowance made for impairment loss on investment properties	(2,224)	-	-	-		-	(2,224)
Allowance for impairment on non-current investment securities	(39)	(2)	-	(5)		-	(46)
Allowance for impairment on current investment securities	(10,214)	(5,652)	(3,817)	-		-	(19,683)
Other non-cash income/(expenses)	-	(32)	-		B	-	(32)
Share of results from associates and unincorporated joint venture	66,582	-	-	(2)		-	66,580
Taxation	873	2,037	-	9	C		2,919
Profit/(loss) before taxation	<u>55,807</u>	<u>(5,983)</u>	<u>(7,059)</u>	<u>42,738</u>	A	<u>(39,442)</u>	<u>46,061</u>
<b><u>Balance Sheet</u></b>							
Segment assets	285,849	110,328	9,919	252,984	D	(284,114)	374,966
Interest in unincorporated joint venture							
Investment in associates	1,519	-	-	-		-	1,519
Total assets	105,135	-	-	787		-	<u>105,922</u>
Segment liabilities	(130,182)	(58,045)	(24,364)	(4,862)	E	52,795	<u>(164,658)</u>
Capital expenditure	<u>4,464</u>	<u>537</u>	<u>35</u>	<u>147</u>			<u>5,183</u>

	Rental & Investments	Insurance	Trading & Investments	Corporate & Others	Note	Eliminations	Total
<b>FY2007</b>							
<b><u>Profit and Loss Account</u></b>							
Revenue							
- external	32,539	30,812	13,361	4		(806)	75,910
- inter-segment	468	48	-	145,607	A	(146,123)	-
Total revenue	<u>33,007</u>	<u>30,860</u>	<u>13,361</u>	<u>145,611</u>			<u>75,910</u>
Interest income	931	2,230	116	62	A	(174)	3,165
Interest expense	(4,535)	-	-	(1)	A	625	(3,911)
Depreciation of property, plant and equipment and investment properties	(1,407)	(538)	(69)	(238)		-	(2,252)
Profit/(loss) on sale of investment securities (included in other income)	12,134	1,280	-	-		-	13,414
Profit/(loss) on disposal of investment properties	97	-	-	-		-	97
Allowance for doubtful receivables (associates)	-	-	(480)	(117)		-	(597)
Allowance for impairment on non- current investment	(9)	-	-	-		-	(9)
Allowance for impairment on current investment securities	-	-	(512)	-		-	(512)
Other non-cash income/(expenses)	722	(70)	(426)	(435)	B	1,043	834
Share of results from associates and unincorporated joint venture	88,988	-	(4,950)	79		-	84,117
Taxation	(458)	(1,226)	-	(565)	C	823	(1,426)
Profit/(loss) before taxation	<u>104,794</u>	<u>7,961</u>	<u>(8,042)</u>	<u>140,315</u>	A	<u>(140,166)</u>	<u>104,862</u>
<b><u>Balance Sheet</u></b>							
Segment assets	369,717	120,713	15,506	253,710	D	(279,889)	479,757
Interest in unincorporated joint venture	1,148	-	-	-		-	1,148
Investment in associates	81,449	-	-	684		-	82,133
Total assets							<u>563,038</u>
Segment liabilities	<u>(149,658)</u>	<u>(48,372)</u>	<u>(23,558)</u>	<u>(5,766)</u>	E	<u>54,256</u>	<u>(173,098)</u>
Capital expenditure	<u>10,500</u>	<u>98</u>	<u>-</u>	<u>15</u>			<u>10,613</u>

Reconciliation of revenue, profit and loss account, assets, liabilities and other material items to Group total.

- A. Inter-segment revenues, interest income, interest expense are eliminated on consolidation.
- B. Other non-cash expenses consist of allowance for doubtful receivables, profit/(loss) on sale of property, plant and equipment, impairment loss for property, plant and equipment and reversal of revaluation deficit on 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:

	FY2008 \$'000	FY2007 \$'000 (restated)
<b>Assets</b>		
Segment assets	659,080	759,646
Investment in associates	105,922	82,133
Interest in unincorporated joint venture	1,519	1,148
Elimination of cost of investment in subsidiaries	(239,342)	(233,342)
Inter-segment elimination	(44,772)	(46,547)
<b>Total assets</b>	<b>482,407</b>	<b>563,038</b>

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

	FY2008 \$'000	FY2007 \$'000 (restated)
<b>Liabilities</b>		
Segment liabilities	217,453	227,354
Inter-segment elimination	(52,795)	(54,256)
<b>Total liabilities</b>	<b>164,658</b>	<b>173,098</b>

**Geographical information:**

	FY2008		FY2007	
	Revenue \$'000	Non-current assets \$'000	Revenue \$'000	Non-current assets \$'000 (restated)
Singapore	75,198	249,919	70,757	223,922
United Kingdom	4,938	50,553	5,047	54,104
Others	35	2,995	106	2,878
	<b>80,171</b>	<b>303,467</b>	<b>75,910</b>	<b>280,904</b>

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

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

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

**Financial Year Ended 31 December 2008 ("FY2008") vs Financial Year Ended 31 December 2007 ("FY2007")**

**Revenue**

	Group		
	Financial Year Ended		
	31.12.2008	31.12.2007	+/(-) %
	\$'000	\$'000	
Rental and Investments	29,755	31,734	(6.2)
Insurance	41,130	30,811	33.5
Trading and Investments	9,286	13,361	(30.5)
Corporate and Others	-	4	-
	80,171	75,910	

Increase in revenue was contributed by Insurance segment with increase in gross written premium of \$10.3 million. Gross written premium increased for all product lines in FY2008.

The increase was partially offset by reduction in Rental and Investments and Trading and Corporate segments of \$2.0 million and \$4.1 million respectively.

Reduction in revenue in Rental and Investments segment was mainly due to reduction in proceeds from disposal of short term investment securities of \$4.0 million. The reduction is offset by increase in interest income of \$3.7 million in FY2008. Increase in interest income was contributed by interest income from associates and investment securities. Rental income from Rental and Investments segment remains strong at \$6.2 million for both financial years.

Reduction in revenue in Trading and Investments segment was mainly due to reduction in proceeds from disposal of short term investment securities of \$4.1 million.

**Profit before taxation**

	Group		
	Financial Year Ended		
	31.12.2008	31.12.2007	+/(-) %
	\$'000	\$'000	
Rental and Investments	60,809	106,408	(42.9)
Insurance	(6,063)	7,890	n.m.
Trading and Investments	(5,964)	(5,631)	5.9
Corporate and Others	(2,721)	(3,805)	(28.5)
	46,061	104,862	

Reduction in profit before taxation of \$58.8 million or 56.1% was contributed by all segments, except Corporate and Others segment.

Reduction in profit before taxation for Rental and Investments segment of \$45.6 million or 42.9% was mainly due to allowance for impairment loss made for quoted investment securities (FY2008: \$10.3 million; FY2007: nil). In addition, the segment also reported lower gain from disposal of long term investment securities and higher unrealised exchange losses due to our monetary assets such as cash and receivables held in Sterling Pound. The

reduction was also due to decrease in share of results of associates and unincorporated joint venture of \$22.4 million and reduction in accrual for staff bonus in the current quarter.

The Insurance segment, recorded a loss of \$6.1 million in FY 2008 compared to a profit of \$7.9 million in FY2007. This was mainly due to higher incurred claims and lower release of prior years' reserves. The loss for the year was also due to allowance for impairment loss made for quoted investment securities (FY2008: \$5.2 million; FY2007: nil).

Increase in loss before taxation of \$0.3 million or 5.9% for Trading and Investments segment was mainly due to lower profit from disposal of short term investment securities, allowance for impairment loss made for quoted investment securities (FY2008: \$3.8 million; FY2007: 0.5 million) and higher unrealised exchange losses due to investments denominated in Korean Won. The increase was partially offset by write-back of allowance for doubtful receivables from a former associate, Norwest Holdings Pte Ltd ("Norwest"), amounting to \$3.7 million as a result of transactions relating to its liquidation. In FY2008, the Group did not have to equity account for its share of the result of Norwest as it was no longer an associate (FY2007: loss of \$4.9 million).

Reduction in loss before taxation of \$1.1 million or 28.5% for Corporate and Others segment is mainly due to the reduction in accruals for staff bonus in FY2008. There was also no allowance for impairment loss made for property, plant and equipment (FY2007: \$0.4 million).

15. A breakdown of sales.

	GROUP		
	FY2008 \$'000	FY2007 \$'000 (restated)	+ /(-) %
(a) Revenue reported for first half year	42,051	38,552	9.1
(b) Operating profit after tax before deducting minority interests reported for first half year	41,204	70,614	(41.6)
(c) Revenue reported for second half year	38,120	37,358	2.0
(d) Operating profit after tax before deducting minority interests reported for second half year	7,776	32,822	(76.3)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	GROUP	
	FY2008 \$'000	FY2007 \$'000
Ordinary	42,478	80,355
Preference	-	-
Total	42,478	80,355

## 17. Interested Person Transactions

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	73,669	Not applicable
Hong Leong Investment Holdings Pte. Ltd. Group – Interest charged on shareholder loan to Hong Property Investment Pte Ltd	343,727	Not applicable
Dr Ong Hian Eng – Proceeds received from Dr Ong Hian Eng from sale of Norwest Chemicals Pte Ltd and related debts	4,000,000	Not applicable

## 18. Subsequent Events

### (a) Reduction in tax rate

The corporate tax rate, as announced by the Government on 22 January 2009, will be reduced from 18% to 17% with effect from Year of Assessment 2010. This is considered as a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the accounts for financial year ending 31 December 2009.

The Group's deferred tax provision has been computed on the year end prevailing tax rate of 18%. Applying the reduced tax rate of 17% would result in reduction in deferred tax asset and liability of \$92,000 and \$55,000 respectively. As such, the Group's deferred tax asset and liability under the reduced tax rate of 17% would be \$1,556,000 and \$939,000 respectively.

### (b) Group restructuring

Pursuant to an internal restructuring exercise completed subsequent to the year end, a wholly owned subsidiary, Singapore Warehouse Company (Private) Ltd. transferred the entire issued and paid up capital of two of its subsidiaries, Hwa Hong Edible Oil Industries Pte. Ltd. and Paco Industries Pte. Ltd., to the Company for a total consideration of \$2.

The restructuring exercise had no financial impact on the Group's Net Tangible Asset.

Submitted by

Simon Ong  
Chief Financial Officer  
6 February 2009