HWA HONG CORPORATION LIMITED

ANNUAL REPORT 2012

contents

Underpinned by strategic investments and proactive efforts to optimise our capital structure, our primary objective is to enhance and grow our portfolio of assets and businesses to further cultivate our platform of profitability and sustainability.

corporate information

REGISTERED OFFICE

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

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

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

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

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

MANAGEMENT

Ong Choo Eng Group Managing Director
Hwa Hong Corporation Limited

Ong Mui Eng Executive Director
Hwa Hong Corporation Limited

Lee Soo Wei, Yvonne Chief Financial Officer
Hwa Hong Corporation Limited

Ong Eng Yaw Manager, Investments
Singapore Warehouse Company (Private) Ltd.

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

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

COMPANY SECRETARY

Lynn Wan Tiew Leng

REGISTRAR / SHARE REGISTRATION OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
tel: 6536 5355
fax: 6536 1360

AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In-Charge: Tan Chian Khong
(with effect from financial year ended 31 December 2010)

BOARD OF DIRECTORS

Hans Hugh Miller Non Executive Chairman
Ong Choo Eng Group Managing Director
Ong Mui Eng
Ong Hian Eng (Dr)
Guan Meng Kuan
Goh Kian Hwee
Ma Kah Woh, Paul
Wee Sin Tho
Ong Eng Loke Alternate Director to Ong Mui Eng

AUDIT AND RISK COMMITTEE

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

NOMINATING COMMITTEE

Goh Kian Hwee Chairman
Guan Meng Kuan
Hans Hugh Miller

REMUNERATION COMMITTEE

Hans Hugh Miller Chairman
Goh Kian Hwee
Guan Meng Kuan

DIVESTMENT AND INVESTMENT COMMITTEE

Hans Hugh Miller Chairman
Ong Choo Eng
Ma Kah Woh, Paul

financial calendar

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2012

Announcement of 2012 Unaudited Results	
First Quarter ended 31 March 2012	26 April 2012
Second Quarter ended 30 June 2012	27 July 2012
Third Quarter ended 30 September 2012	24 October 2012
Financial Year ended 31 December 2012	31 January 2013
Annual General Meeting	19 April 2013 (11.00 a.m.)
Dividends	
Proposed one-tier tax exempt final ordinary dividend of 1 cent per share	Up to 5.00 p.m. on
Last day for lodgement of transfers for dividend entitlement	9 May 2013
Date of books closure	10 May 2013
Payment date	23 May 2013

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2013

Tentative Dates for Announcement of 2013 Unaudited Results	
First Quarter of 2013	19 April 2013
Second Quarter of 2013	25 July 2013
Third Quarter of 2013	23 October 2013
Financial Year 2013	6 February 2014

chairman's letter to shareholders

The Group's long-term track record demonstrates successful opportunistic purchase, upgrading and sale of assets which the Group is working to further enhance.

Dear Shareholders,

As we described in last year's letter, 2012 was a year of transition for Hwa Hong Corporation Limited ("Hwa Hong"). In previous years we had sold significant assets and businesses of the Group. The Group had distributed much of the proceeds to you in the form of substantial dividends which reduced the size of the Group and the scope of its businesses.

Coming into the year we had a number of key objectives, including

- Begin the process of building a new base of recurring revenues and profits
- Complete renovation and transformation of our warehouse at Paya Lebar
- Renovate and upgrade most of our residential units in London
- Define a strategy for development of our joint venture property in Sheffield in the United Kingdom

The repositioning of assets such as Paya Lebar required us to terminate existing leases. Therefore our revenues and income were negatively impacted during the year reflecting our low levels of commercial activity. We did realize, nonetheless, in a buoyant market for real estate, sizeable gains from sales of Rivergate units and from a fund investment which we had made several years ago.

For the year as a whole – and despite the impact of our repositioning of key assets – revenue was broadly in line with 2011, $26.3 million in 2012 as compared to $28.1 million in 2011. Net profit after taxation was up to just over $7 million in 2012 as compared to $2.2 million in 2011.

We have now completed the renovation of the Paya Lebar property and have announced

chairman's letter to shareholders

long-term leasing of the building for an initial annual rental income of approximately $3.7 million. Our renovated units in London have been let for substantially more rental than previously, and we continue to refine our plans for Sheffield and other assets of the Group.

Despite our progress with certain properties, there is more opportunity and more work remains to be done. The Group's long-term track record demonstrates successful opportunistic purchase, upgrading and sale of assets which the Group is working to further enhance. Our current portfolio includes commercial and residential properties primarily in the United Kingdom and Singapore.

As we continue to invest with a medium-to-long term time horizon and limited gearing, our objectives are to grow the business and strive to earn sufficient profits to sustain dividends and grow the business over time.

During 2012 the board continued to focus on improving governance. Certain key Group policies such as our investment guidelines and operating authorities were reviewed and updated. The board has begun the practice of regular meetings of non-executive directors in the absence of management and deliberates carefully on the recommendations from its annual self-evaluation.

The composition of the board is evolving. In 2012 Dr Ong Hian Eng stepped down as an executive director after many years of service to the Group. He has agreed to remain as a non-executive member of the board. It is important to note that his compensation as an executive director ceased immediately when he ceased his functions as an executive; and that his compensation for the remainder of last year as a non-executive is presented for your approval at the 2013 Annual General Meeting.

In addition, Mr Ma Kah Woh, Paul and Mr Wee Sin Tho will be stepping down from the board this year after many years of service to the Group. The board and management thank them both on behalf of the Group for their dedication and guidance, with particular thanks to Mr Ma for his tireless work as chairman of the audit and risk committee.

Your board is recommending that we remain with two executive directors, down from three in the past, and with the departure of Messrs Ma and Wee that we add two new independent, non-executive directors to join the board: Ms Ong Wui Leng, Linda and Mr Huang Yuan Chiang who will bring extensive professional experience to your board in a broad range of fields including regulation, finance and international business.

Turning to the executive staff, in 2012 we welcomed Ms Lee Soo Wei, Yvonne to Hwa Hong as Chief Financial Officer. Ms Lee joins the Group with long experience in public accounting and she has already made great contributions in her new role. She replaced Mr Ong Eng Hock, Simon who left the company to pursue a new opportunity. We wish Mr Ong the very best in his new role.

Finally, we thank you for your support and thank our business partners and staff for their ongoing efforts on behalf of the Group.

Sincerely,

Hans Hugh Miller
Chairman

financial highlights

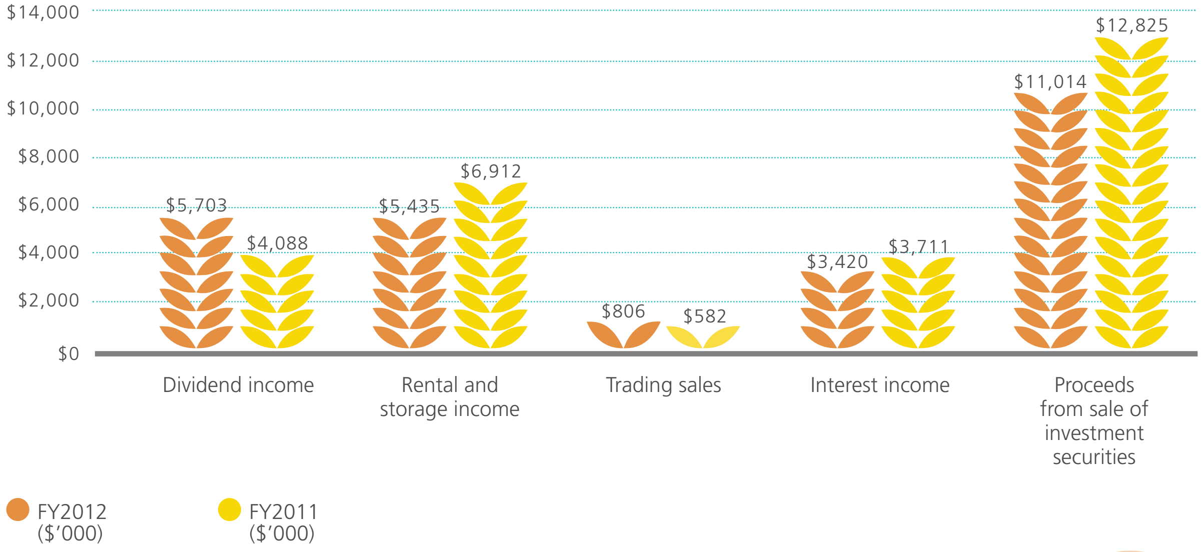
	FY2012 $'000	FY2011 $'000	+/(-) %
Revenue	26,378	28,119	**(6.2)**
Profit before taxation	6,322	2,958	**113.7**
Assets			
Non-current assets	119,712	123,861	(3.3)
Current assets	108,595	97,764	11.1
Total assets	**228,307**	**221,625**	**3.0**
Liabilities			
Current liabilities	27,153	20,865	30.1
Non-current liabilities	4,108	5,757	(28.6)
Total liabilities	**31,261**	**26,622**	**17.4**
Per share data			
Share price (cents)	34.50	43.50	**(20.7)**
Net assets (cents)	30.15	29.84	1.0
Earnings per share (cents)	1.08	0.33	227.3
Interim and special dividend declared & paid (cents)	0	2.50	(100.0)
Final dividend recommended/declared (cents)	1.00*	1.00	0.0
Ratios			
Current ratio (times)	4.00	4.69	
Gearing ratio (%)	16%	14%	
Total debt to total asset ratio (%)	14%	12%	
Return on equity (%)	4%	1%	

** Subject to shareholders' approval at the Annual General Meeting on 19 April 2013.*

performance review

INCOME STATEMENT

Revenue



Decrease in revenue in FY2012 was mainly due to decrease in rental income and decrease in proceeds from sale of investment securities.

Decrease in rental income was mainly due to absence of rental income from our property in Paya Lebar, which has been in the course of re-development since January 2012. Rental income contributed about 21% of the total revenue with UK properties contributing about 78% of the total rental income.

Lower share trading activities resulted in a decline in the proceeds from sale of investment securities which contributed about 42% of the total revenue.

Willenhall Atrium

The decrease in revenue was offset by an increase in dividend income. The Group received a distribution from a fund in which it had a 17.82% interest. Dividend income contributed about 22% of total revenue.

Interest income remained relatively comparable for both years. Interest income contributed about 13% of the total revenue with interest from loans receivables from associates representing 87% of the total interest income.

In terms of geographical spread, revenue from Singapore

performance review

New Mount lounge area

contributed about 75% to the Group's total revenue. Revenue from UK contributed 25% and arose from rental of UK properties and dividend income.

Profit before taxation

Profit before taxation increased by $3.4 million despite the decrease in revenue and gross profit, mainly due to increase in other income and an increase in share of after tax results of associates. These increases were partially offset by an increase in other operating costs.

Included in the other operating costs was an amount of $11.2 million relating to reversal of interest receivable due from an associate following an exercise to determine the appropriate interest rate for the loan extended from the Group to this associate. Arising from the exercise, a reversal of interest receivable from this associate was made in FY2012. Accordingly, share of after tax results of associates increased correspondingly, arising from the reduction of interest payable on the same amount.

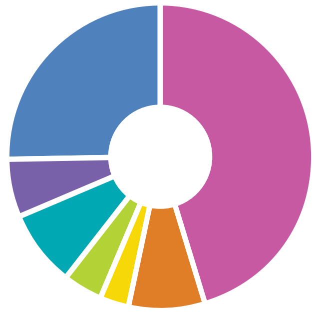
Other income increased by $1.4 million mainly due to a receipt of carried interest payment from an investment classified as available-for-sale.

Finance costs decreased by $0.2 million mainly due to repayment of interest bearing loans during the year and lower average loan balances in FY2012 compared to FY2011.

The Group reduced general and administration expenses by about 15% to $9.6 million in FY2011 and has since maintained these expenses at the same level in the current financial year.

FY2012

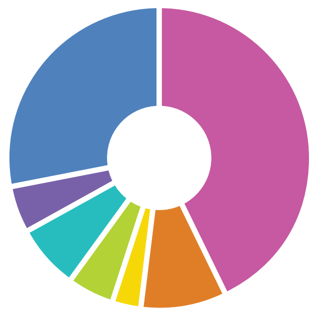
G&A: $9.6 million



45%	Salaries and related costs
8%	Legal and professional fees
3%	Directors fees
4%	Depreciation of property, plant and equipment
8%	Management fees
6%	Repair and maintanence
26%	Other operational costs

FY2011

G&A: $9.6 million



43%	Salaries and related costs
9%	Legal and professional fees
3%	Directors fees
5%	Depreciation of property, plant and equipment
7%	Management fees
5%	Repair and maintanence
28%	Other operational costs

performance review

BALANCE SHEET

Net assets remained relatively unchanged, increasing by $2 million or 1%. Total assets increased by $6.7m or 3% with total liabilities increasing by $4.6 million or 17%.

Total liabilities increased by $4.6 million mainly due to increase in bank borrowings of $4.4 million. The bank borrowings have been used for financing the re-development of the property in Paya Lebar and to re-finance the UK joint ventures. The amount receivable from joint ventures, included in total assets, increased by $3.4 million arising from the re-financing of these UK companies.

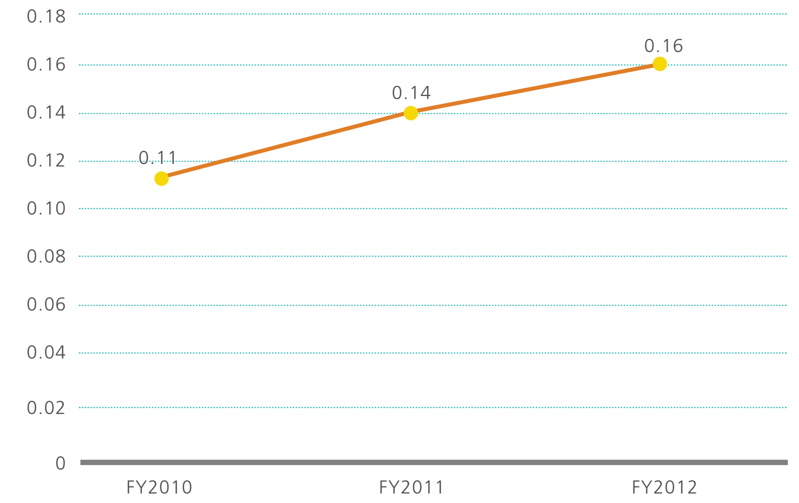
DEBT MANAGEMENT

The Group aims to maintain a strong credit standing and have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

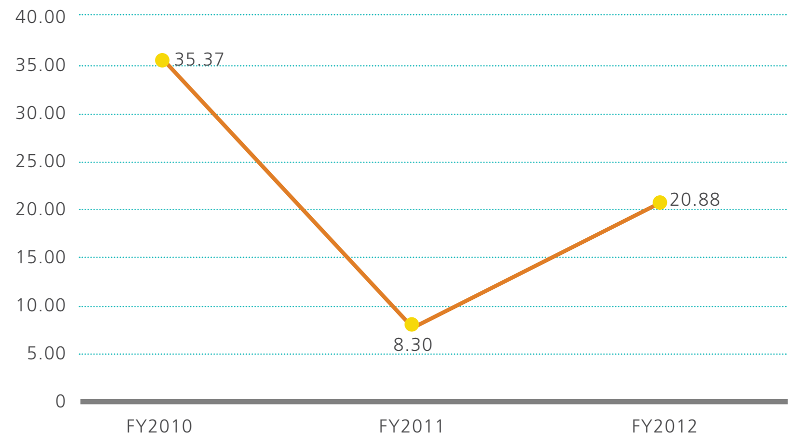
To ensure that the Group has adequate overall liquidity to finance its operations and to seize any potential investment opportunity, the Group has built up sufficient cash reserves and has unutilised credit lines of $19 million.The Group also monitors its cash flow position, debt maturity profile, cost of funds and overall liquidity position on a regular basis. In managing the debt and interest rate profile, the Group takes into account the interest rate outlook, expected cash flow generated from its operations, holding period of long term investments and any acquisition and divestment plans.

Willenhall reception

GEARING RATIO



INTEREST COVER RATIO



performance review

OneTen Paya Lebar

During the year, the Group made repayments of $5.2 million to banks. New bank loans obtained during the year amounted to $11.1 million, mainly to finance the re-development of the property in Paya Lebar and to re-finance the UK joint ventures. The gearing ratio increased slightly from 0.14 to 0.16 and interest cover increased from 8.30 times to 20.88 times.

At 31 December 2012, the maturity profile of the remaining bank borrowings was as follows:

	$'000	**% of debt**
Due in 2012	19,160	100%
Due after 2012	-	0%
	19,160	

The Group has more than sufficient cash reserves to repay the outstanding loans and is confident of securing loan facilities at reasonable terms when the need arises.

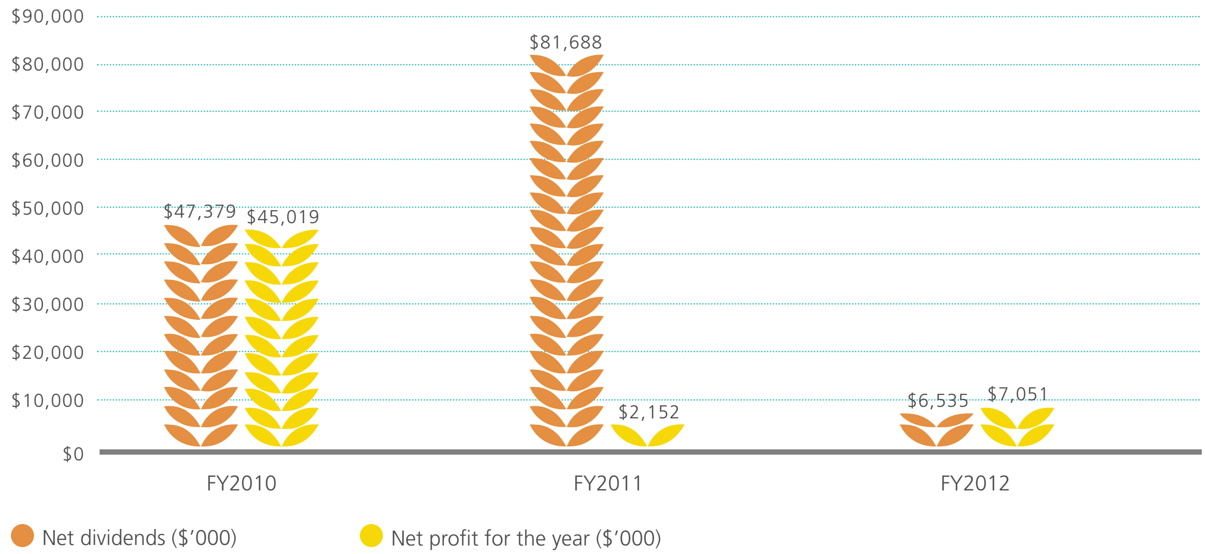
INVESTORS' RETURN

Dividend payout

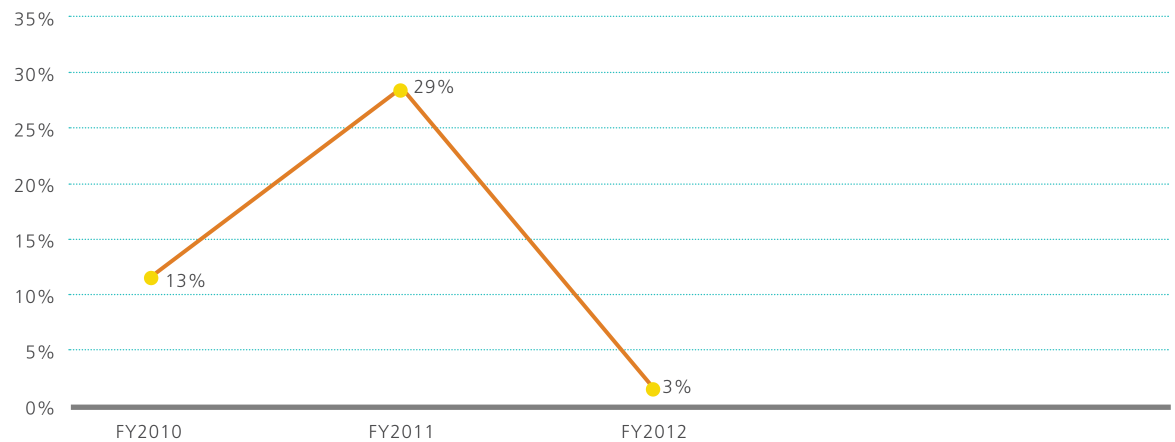
The Group has a healthy track record of paying dividends to shareholders. The Group remains committed to declaring dividends to shareholders as and when the Group is able to, without compromising our ability to pursue investment opportunities that may come along.

Over the last three financial years, the Group has paid over $136 million of dividends to shareholders. In FY2012, the Group paid dividends of $6.54 million, which accounted for 93% of our net profit for the year. This is made possible due to our strong cash position. In addition, the directors have recommended a final dividend for FY2012 of 1 cent per share, totalling $6.54 million. Our dividend yield, before taking into account the final dividend for FY2012, is 3 %.

DIVIDENDS AND NET PROFIT FOR THE YEAR



DIVIDEND YIELD

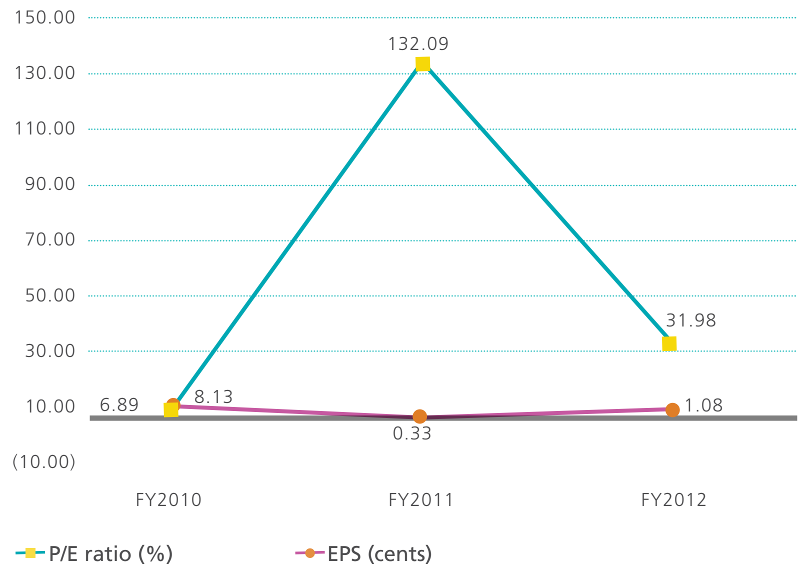


performance review

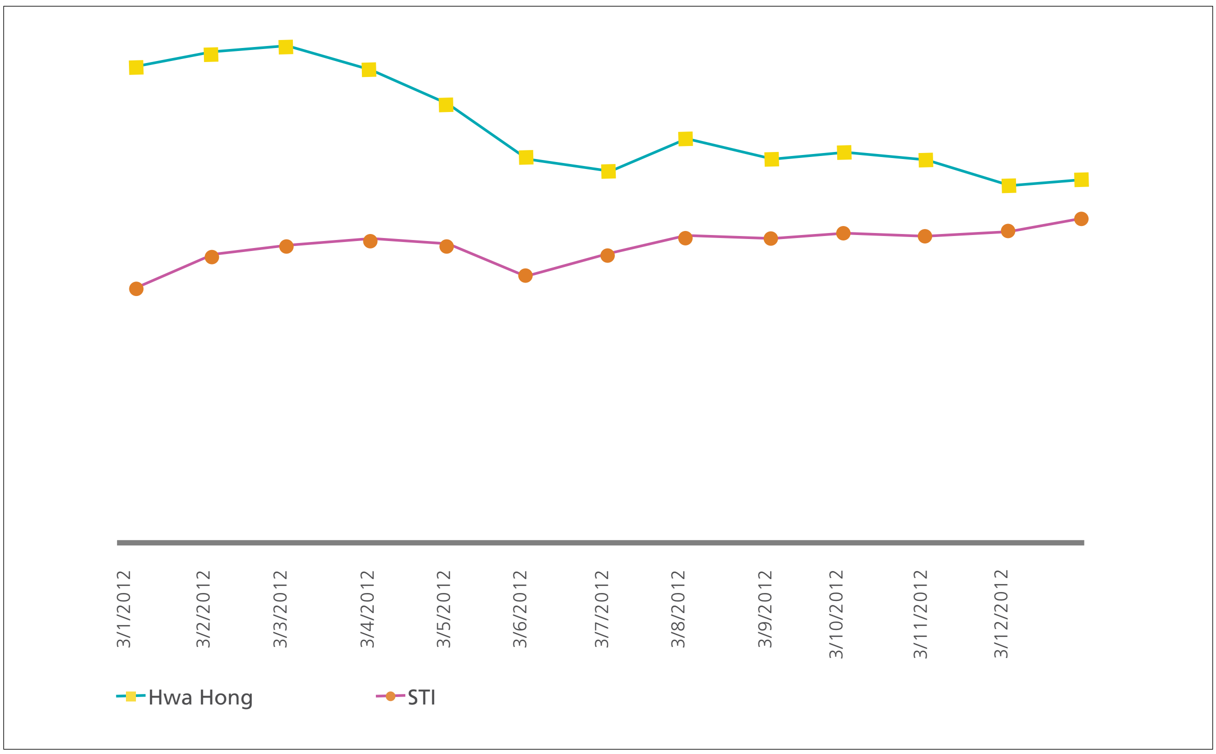
Shareholder return

The Group is committed to maximising shareholders' return in the long term. For FY2012, total earnings per share increased to 1.08 cents from 0.33 cents in FY2011. Price-earnings ratio decreased from 132.09 in FY2011 to 31.98 in FY2012.

PRICE-EARNINGS RATIO AND EARNINGS PER SHARE



SHARE PRICE PERFORMANCE



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 28 April 2010. Mr Miller 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 19 April 2013. He is also the Chairman of the Remuneration Committee and Divestment and Investment Committee of the Company and a member of the Nominating Committee of the Company.

Mr Miller holds a BA degree in economics, Carleton College (Minnesota, USA). Mr Miller is a director of Protective Life Corporation (Alabama, USA) and a member of the company's audit, and finance and investment committees. He also is an advisor and consultant to financial and non-financial institutions particularly in the area of mergers, acquisitions and strategy. He is a professional photographer and founder of Boungainvillea Books, a US-based publishing company. Mr Miller formerly was Managing Director and Senior Advisor with the investment bank of Bank of America in New York City. Previously he was President and CEO of The Hartford International Financial Services Group, LLC (CT, USA), and 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 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 2012. Mr Ong 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 19 April 2013.

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 and was last re-elected on 27 April 2011.

He graduated with an Upper Second Class Degree in Chemical Engineering from the University of Surrey in 1969 and completed Doctor of Philosophy (PhD) as a Biochemical Engineer at Imperial College, London in 1972. He is a Corporate Member in the class of fellows of Institution of Chemical Engineers, London since November 1986 and was a member of the Trade

board of directors

Development Board from January 1995 to December 1996.

He 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.E.S., M.I.E.M.

Mr Guan Meng Kuan was appointed a Director on 1 February 1983 and last re-appointed on 26 April 2012. 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 19 April 2013.

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 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 26 April 2012. Mr Goh 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 19 April 2013. He is also the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee of the Company.

He also sits on the boards of Hong Leong Asia Ltd, Wah Hin & Company Private Limited, CapitaCommercial Trust Management Limited, Salim Group Foundation Pte Ltd and First IndoGroup Management Pte Ltd.

Mr Goh is a partner of the law firm, Rajah & Tann LLP. 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 27 April 2011. He is also the Chairman of the Audit and Risk Committee of the Company 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 and risk committee, investment committee and 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 and risk committee of Mapletree Logistics – a logistics real estate investment trust (REIT) listed in Singapore. He is a director of Capitaland China Development Fund Pte Ltd, CapitaLand China Development Fund II Limited, Keppel Infrastructure Fund Management Pte Ltd, Nucleus Connect Pte Ltd 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.

board of directors

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 2012. He is also a member of the Audit and Risk Committee of the Company.

Mr Wee is the Vice President, Endowment and Institutional Development, National University of Singapore. He also sits on the board of Keppel Telecommunications and Transportation Ltd and UOL Group Limited.

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. He is a Chartered Financial Consultant.

ONG WUI LENG, LINDA
Non-Executive Director; Independent
BSc (Economics) in Management Studies (HONS)
Master of Practising Accounting

As part of the Board renewal process, the Board has accepted the recommendation of the Nominating Committee on the appointment of Ms Ong Wui Leng, Linda and Mr Huang Yuan Chiang in place of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho who will step down on 20 April 2013 after the Annual General Meeting.

Ms Ong sits on the board of SiS International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and is the chairperson of the Audit Committee and Remuneration Committee. She is a member of the Nomination Committee.

She is the director of BlackInk Corporate Partners Pte Ltd, having spent more than 10 years in corporate banking. She also has many years of experience in corporate finance and management.

Ms Ong, graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies in 1990 and has since completed her Master of Practising Accounting from the Monash University, Australia.

HUANG YUAN CHIANG
Non-Executive Director; Independent
Bachelor of Economics (B.Ec)

As part of the Board renewal process, the Board has accepted the recommendation of the Nominating Committee on the appointment of Ms Ong Wui Leng, Linda and Mr Huang Yuan Chiang in place of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho who will step down on 20 April 2013 after the Annual General Meeting.

Mr Huang is a lawyer by training and was an investment banker by vocation. During his banking career he held senior managerial positions with various banking institutions including HSBC, Bankers Trust and Deutsche Bank.

His areas of specialisation were in mergers and acquisitions and equity capital markets. In addition to our board, Mr Huang also serves on the boards of several other companies including MTQ (Singapore) Ltd, Kuchai Development Berhad, Kluang Rubber Company (Malaya) Berhad and Sungai Bagan Rubber Company (Malaya) Berhad. He is also a director of Mercator Lines Singapore Limited.

Mr Huang has degrees in Economics and Law.

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.

ONG ENG YAW

Manager, Investments
Singapore Warehouse Company (Private) Ltd.

Mr Ong Eng Yaw joined the Company as Manager for Investments on 1 August 2008. He is responsible for the Group's business development and investment activities. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas, DBS Bank, CIMB Group and Parkway Life Real Estate Investment Trust. Mr Ong's career has primarily been in corporate finance. His primary experience has been in advising companies on various equity capital market transactions including initial public offerings, secondary equity offerings as well as mergers and acquisitions. In addition, he has had experience in corporate strategy and planning as well as real estate investment.

Mr Ong graduated with a Bachelor of Laws (second class upper division) from University College London, an MSc (Investment Management) from Cass Business School and an MBA from INSEAD.

LEE SOO WEI, YVONNE

Chief Financial Officer
Hwa Hong Corporation Limited

Ms Lee Soo Wei, Yvonne joined the Company as Chief Financial Officer on 16 July 2012. She oversees the financial management of the Group, which covers accounting, tax, financial control and reporting.

Ms Lee is a non-practising member of the Institute of Certified Public Accountants of Singapore.

Prior to joining the Group, Ms Lee was a senior audit manager in the Singapore office of a big four accounting firm where she was involved in various audit and special engagements of local and multi-national companies in various industries.

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.

corporate governance report

Hwa Hong Corporation Limited (the "Company") recognises the importance of good corporate governance practices. The Company has established policies and processes to protect stakeholder interests, guided in part by adhering to the principles prescribed under the Code of Corporate Governance 2005 (the "Code"). The Board of Directors and Management are committed to use its best endeavours to align the governance framework with the recommendations of the revised Code of Corporate Governance which was issued on 2 May 2012 by the Monetary Authority of Singapore (the "2012 Code") and applicable to the Company with effect from financial year commencing 1 January 2013.

This report describes the Company's corporate governance practices with reference to the principles of the Code and 2012 Code (where stated).

(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:-

- overseeing 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 quarterly financial results announcements, circulars, and audited financial statements and annual reports;
- 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 changes in the composition of the Board;
- overseeing the Group's system of internal controls, risk management, financial reporting and compliance; and
- overseeing and enhancing corporate governance and practices within the Group.

The Board has adopted a set of internal guidelines which sets out authorisation and approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories at Board and Management levels.

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 regularly 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 2012 is disclosed below:

Number Of Meetings Attended In 2012

Name of Director	Board of Directors	Audit and Risk Committee	Nominating Committee	Remuneration Committee	Divestment and Investment Committee
Hans Hugh Miller	4	Not applicable	2	3	3
Ong Choo Eng	4	Not applicable	Not applicable	Not applicable	3
Ong Mui Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Ong Hian Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Guan Meng Kuan	4	Not applicable	2	3	Not applicable
Goh Kian Hwee	4	4	2	3	Not applicable
Ma Kah Woh, Paul	4	4	Not applicable	Not applicable	3
Wee Sin Tho	3	3	Not applicable	Not applicable	Not applicable
Number of meetings held in 2012	4	4	2	3	3

Newly appointed directors will be given briefings and orientation by the Executive Directors and 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. As part of their continuing education, Directors may attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, to keep themselves apprised and updated on the latest corporate, regulatory, legal and other requirements. During the year 2012, the Board was briefed on the 2012 Code and changes to the relevant laws.

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, half of whom (including the Chairman of the Board) are independent directors. Out of the eight directors, two are full-time Executive Directors, and therefore, non-independent. There is an alternate director who is a full-time management executive in the Group. In compliance with the recommendation of the 2012 Code where an alternate director should only be appointed for limited periods in exceptional cases, the alternate director will step down upon the conclusion of the Annual General Meeting to be held on 19 April 2013 ("2013 AGM").

The Nominating Committee determines on an annual basis whether or not a director is independent, taking into account the Code's definition. In respect of the review of the independence of each director, the Nominating Committee assessed the independence of each Director and had considered that Mr Hans Hugh Miller, Mr Goh Kian Hwee, Mr Ma Kah Woh, Paul and Mr Wee Sin Tho are independent. Each member of the Nominating Committee has abstained from deliberations in respect of assessment of his own independence.

The Nominating Committee reviewed the size and composition of the Board 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 Group's strategy and plans, and in reviewing and monitoring the Management's performance against set targets.

The non-executive directors met twice separately after the scheduled board meeting without the presence of Management in FY2012.

As part of the Board renewal process, the Board has accepted the recommendation of the Nominating Committee on the appointment of two independent directors, namely Ms Ong Wui Leng, Linda and Mr Huang Yuan Chiang in place of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho who will step down on 20 April 2013 after the 2013 AGM. The profiles of Ms Ong and Mr Huang are found on page 15.

In compliance with the recommendation of the 2012 Code on rigorous review of independence of any director who has served the Board beyond nine years, the Nominating Committee recommended that Mr Goh Kian Hwee to seek re-election at every AGM. This is also to ensure continuity of institutional experience and knowledge, and stability of the Board arising from the aforesaid Board renewal. The Board believes that Mr Goh will continue to contribute objectively and positively to the Board deliberations.

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 executives 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 on a timely basis 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 three non-executive directors, a majority of whom, including the Chairman, are independent. The Chairman is not a substantial shareholder or directly associated with a substantial shareholder. The Nominating Committee members are:

Goh Kian Hwee *Chairman*
Guan Meng Kuan
Hans Hugh Miller

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;
– 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;
– reviewing the Board structure, size, balance and composition;
– reviewing Board succession plans for Directors, in particular, the Chairman and Chief Executive Officer; and
– making recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of 70 years.

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 compliance with the recommendation of the 2012 Code on rigorous review of independence of any director who has served the Board for a period of more than nine years from the date of his first appointment, the Board has accepted the Nominating Committee's recommendation that Mr Goh Kian Hwee be subject to re-election at every AGM henceforth. This is also to ensure continuity of institutional experience and knowledge, and stability of the Board arising from the Board renewal disclosed under "Board Composition and Guidance".

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 13 to 15. Details of directors' shareholdings in the Company and related corporations are set out in the "Directors' Report" on pages 32 to 34.

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 in place a Board performance evaluation whereby the Board will complete a self-and-peer assessment. An independent third party consultant was engaged to collate the Board's evaluations and provide summary observations for the Nominating Committee Chairman and Board Chairman.

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.

Management including the Executive Directors keep the Board apprised of the Group's operations and performance through quarterly 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 who 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

The roles, duties and responsibilities of the Remuneration Committee cover the functions described in the Code including but not limited to, ensuring a fair and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of directors and key management personnel. 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 and structure 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. The extension of the 2001 Scheme for a further period of 10 years from 29 May 2011 to 28 May 2021 was approved by shareholders at the Annual General Meeting held on 27 April 2011. 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 in 2012.

Disclosure On Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

The breakdown (in percentage terms) of the remuneration of directors of the Company for the financial year ended 31 December 2012 ("FY 2012") 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) *$500,001 to $750,000*						
Ong Choo Eng[1]	67.8	30.5	–	1.7	–	100
(ii) *$250,001 to $500,000*						
Ong Hian Eng[1]	66.2	11.1	6.2	16.5	–	100
Ong Eng Loke[2]	81.9	12.6	–	5.5	–	100
(iii) *$250,000 and below*						
Ong Mui Eng[1]	80.6	13.1	–	6.3	–	100
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 2012 were approved by shareholders at the AGM held on 26 April 2012. An additional amount of $8,114 to a non-executive Director will be subject to shareholders approval at the AGM held on 19 April 2013.

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 2012. Dr Ong Hian Eng has been re-designated to non-executive Director with effect from 18 July 2012.

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$50,000 for FY 2012.

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

Top 3 Key Executives In Remuneration Bands		Number
(i)	$500,001 to $750,000	1
(i)	$250,001 to $500,000	1
(ii)	$250,000 and below	1
	TOTAL	3

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

In compliance with the recommendation of the 2012 Code, two of the employees whose all-in remuneration exceeded $50,000 are the immediate family members of Mr Ong Choo Eng, the Group Managing Director. 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 $50,000 in the year 2012.

(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 Groups' financial performance and commentary of the competitive conditions of the industry in which the Group 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.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Audit and Risk Committee ("ARC"), on behalf of the Board, reviews the Hwa Hong Group's system of internal controls, including financial, operational and compliance controls, and risk management policies and systems established by Management. This ensures that such system is sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding shareholders' interests and the Group's assets.

A formalized risk management has been established since 2006 whereby key risks, control measures and management actions are identified and monitored by Management, with oversight by the ARC and the Board. The Risk Management Report can be found on page 31.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management and written representation from the Group Managing Director and Chief Financial Officer on internal controls, the Board, with the concurrence of the Audit and Risk Committee, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks are adequate as at 31 December 2012.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

Audit and Risk Committee ("ARC")

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARC comprises three members, all of whom are independent directors. The members of the ARC are:

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

The Board believes that the ARC is appropriately qualified to discharge their duties and responsibilities.

The ARC 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 ARC include the following:

– reviewing the overall scope of the internal and external audits and its cost effectiveness;
– reviewing the assistance given by the Group's officers to the internal and 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 judgements and auditors' report prior to submission to the Board for approval and release;
– reviewing with the internal and external auditors the results of their examination of the Group's system of internal controls;
– reviewing non-audit services provided by the external auditors;
– reviewing the independence and objectivity of the external auditors;
– reviewing the adequacy and effectiveness of the internal audit function;
– reviewing the effectiveness and adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management policies;
– nominating external auditors for appointment, re-appointment, or removal, and approving their remuneration and terms of engagement; and
– reviewing interested person transactions.

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

The external auditors have confirmed to the ARC that no non-audit services have been provided by them to the Group and accordingly, no non-audit fee of any kind has been paid or is payable. Accordingly, the ARC is of the opinion that the independence and objectivity of the external auditors have not been affected.

The accounts of the Company and significant subsidiaries and associated companies are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority. The Company has complied with Rule 712 and Rule 715 together with Rule 716 of the Listing Rules of the SGX-ST. The Group's overseas subsidiaries and associated companies whose contributions to the Group are not significant, are audited by other auditors.

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to communicate directly with the ARC Chairman.

Internal Audit

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

The internal audit function is outsourced to KPMG LLP ("IA") who reports directly to the ARC. The IA conducts independent reviews, assessment and follow-up procedures on the Group's financial, operational and compliance controls and the IA's findings and recommendations are presented to and reviewed by the ARC.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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.

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").

Directors and employees of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities & Futures Act, Chapter 289 of Singapore.

The Code also makes clear that it is an offence to deal in the Company's securities and securities of other listed companies, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and

ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant results of the Company.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit and Risk Committee and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Transactions entered into with interested persons during FY 2012 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)
Hong Leong Investment Holdings Pte. Ltd. Group - interest charged on shareholder loan to Hong Property Investment Pte Ltd	$278,930	Not applicable**
Ong Hian Eng - Interest charge on convertible debt instrument issued by a company in which the above director has a substantial interest	$274,835	Not applicable**
- Proceeds from sale of motor vehicle	$118,000	Not applicable **
- Purchase consideration paid for convertible debt issued by a company in which the above director has a substantial interest.	$2,000,000	Not applicable **
- Expenses paid on behalf by a company in which the director has a substantial interest	$26,052	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.

risk management and control environment

Risk Management

The main objective of risk management in Hwa Hong Group is to protect the Group against material losses that may result from taking on unnecessary risks for which it has not been adequately compensated. The Board of Directors' philosophy on risk management is that all risks must be identified, understood, monitored and managed. Furthermore, risk management processes must be closely aligned to the Group's vision and strategy. Since 2006, the Group has implemented a formalised Risk Management Framework for the identification, monitoring and reporting of risks.

The Group believes that effective risk management is the responsibility of all directors and managers, with the Board of Directors providing general oversight. The Audit and Risk Committee supports the Board in the oversight of the financial reporting risks, adequacy and effectiveness of the Group's internal controls and risk management system, and other operational risks. A sound system of internal control is essential and in this regard, the responsibilities of managers are designed such that there is adequate segregation of duties so that there is a system of checks and balances in the key areas of operations.

The Group's financial risk management objectives and policies are discussed further in Note 36 to the financial statements.

Risk Processes and Activities

During the year, Management carried out a review of the Group's Risk Journals to update and identify new risks that may adversely affect the Group's operations. In addition, an external consultant was appointed during the year, to review the adequacy and effectiveness of existing controls for certain key risks documented in the risk journals. Based on the reviews, the Board of Directors is not aware of any matter which suggests that key risks are not being satisfactorily managed.

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 (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2012.

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 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)*

Arrangements to enable directors to acquire shares and 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 or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

	Shares beneficially held by director		Shareholdings in which director is deemed to have an interest	
	At 1.1.2012	At 31.12.2012	At 1.1.2012	At 31.12.2012
Ong Choo Eng	587,000	587,000	63,646,395	63,646,395
Ong Mui Eng	11,505,664	11,505,664	321,748	321,748
Ong Hian Eng	9,898,463	9,898,463	32,385,000	32,385,000
Guan Meng Kuan	4,534,860	4,534,860	–	–
Ong Eng Loke	36,090,858	36,090,858	884,000	884,000

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2013.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' interests in contracts

Except as disclosed in this report and the accompanying financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share option

Hwa Hong Corporation Limited (2001) Share Option Scheme

At an Extraordinary General Meeting held on 29 May 2001, shareholders approved the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "Scheme"). The Scheme will continue in operation for a maximum period of 10 years from 29 May 2001, unless otherwise extended and subject to relevant approvals. At the 58th Annual General Meeting held on 27 April 2012, shareholders approved the extension of the Scheme for another ten years to 28 May 2021.

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

The Scheme is administered by the Remuneration Committee, comprising the following directors who are ineligible for the Scheme:

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

Since the commencement of the Scheme till the end of the financial year, no options have been granted to directors and employees of the Company and its subsidiaries.

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 LLP 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 except as disclosed in the accompanying notes, 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 that Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly owned subsidiary, has entered into property joint ventures and related transactions with certain related corporations of Hong Leong Investment Holdings Pte. Ltd., a controlling shareholder of the Company as defined. The joint 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 LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
8 March 2013

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 income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with 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 2012 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 ended on that date; 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
8 March 2013

independent auditor's report

for financial year ended 31 December 2012

To the Members of Hwa Hong Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Hwa Hong Corporation Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 38 to 121, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter. 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's 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 about 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 management, as well as evaluating the overall presentation of the financial statements.

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

independent auditor's report

for financial year ended 31 December 2012

Opinion

In our opinion, 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 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 2012 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.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 LLP
Public Accountants and
Certified Public Accountants

Singapore
8 March 2013

consolidated income statement

for financial year ended 31 December 2012

	Note	Group 2012 $	Group 2011 $
Revenue	4	26,378,005	28,118,545
Cost of sales	5	(12,407,971)	(13,105,870)
Gross profit		13,970,034	15,012,675
Other income	6	6,255,634	4,830,055
General and administrative costs	7	(9,623,446)	(9,597,391)
Selling and distribution costs		(210,602)	(183,003)
Other operating costs	8	(13,313,618)	(5,400,894)
Finance costs	9	(402,021)	(640,472)
Share of results of associates and unincorporated joint venture		9,645,761	(1,063,170)
Profit before tax		6,321,742	2,957,800
Income tax expense	10	728,976	(805,660)
Profit for the year		7,050,718	2,152,140
Earnings per share:			
Basic and fully diluted	11	1.08¢	0.33¢

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

consolidated statement of comprehensive income

for financial year ended 31 December 2012

	Group	
	2012	2011
	$	$
Profit for the year	7,050,718	2,152,140
Other comprehensive income		
Available-for-sale investments		
Changes in fair value	2,953,630	(5,595,746)
Reclassification adjustments for gains/(losses) included in the consolidated income statement		
– gain on disposal	(540,349)	(1,961,491)
– impairment losses	252,375	5,414,112
Income tax effect	(333,664)	396,373
Net gain/(loss) on available-for-sale investments (net of tax)	2,331,992	(1,746,752)
Foreign currency translation	(444,933)	(369,788)
Reclassification adjustment for gain on disposal of investment properties, which were previously revalued and purchased from an associate, included the consolidated income statements	(360,048)	(214,730)
Other comprehensive income for the year	1,527,011	(2,331,270)
Total comprehensive income for the year	8,577,729	(179,130)

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

balance sheets

as at 31 December 2012

		Group		Company	
	Note	2012	2011	2012	2011
		$	$	$	$
Equity Attributable to Owners of the Company					
Share capital	12	172,153,626	172,153,626	172,153,626	172,153,626
Reserves	13	24,892,188	22,849,499	18,146,097	8,067,937
Total equity		**197,045,814**	**195,003,125**	**190,299,723**	**180,221,563**
Non-Current Assets					
Property, plant and equipment	14	6,003,025	6,043,778	–	–
Investment properties	15	89,330,845	80,890,423	–	–
Investment in subsidiaries	16	–	–	164,903,733	149,903,733
Investment in associates	17	9,837,419	165,563	745,800	745,800
Investment securities	18	10,899,366	7,593,758	–	10
Amount due from associates	17	3,639,616	16,871,379	–	–
Other receivables	19	1,093	12,295,890	–	–
		119,711,364	123,860,791	165,649,533	150,649,543
Current Assets					
Inventories	20	4,613	65,636	–	–
Trade receivables	21	969,588	747,531	–	–
Properties classified as held for sale	29	1,450,843	3,573,413	–	–
Tax recoverable		7	7	–	–
Prepayments and deposits		554,362	543,469	58,597	66,297
Other receivables	19	9,265,457	5,733,786	16,618	18,236
Amounts due from subsidiaries	16	–	–	12,940,000	6,440,000
Amounts due from associates	17	15,181,447	15,503,520	–	–
Investment securities	18	29,341,291	24,435,245	–	–
Cash and bank balances	22	51,827,169	47,160,939	12,366,363	23,879,567
		108,594,777	97,763,546	25,381,578	30,404,100
Total Assets		228,306,141	221,624,337	191,031,111	181,053,643

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

balance sheets

as at 31 December 2012

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Current Liabilities					
Trade payables	23	660,882	840,361	–	–
Other payables	24	3,010,562	2,084,291	271,109	282,954
Accrued operating expenses		1,780,826	1,577,098	126,418	187,735
Amounts due to associates	17	519,864	608,078	327,061	350,521
Bank overdraft (secured)	22	–	1,545,160	–	–
Bank loans (secured)	25	19,159,760	13,160,721	–	–
Income tax payable		2,021,491	1,048,867	6,800	10,870
		27,153,385	20,864,576	731,388	832,080
Net Current Assets		81,441,392	76,898,970	24,650,190	29,572,020
Non-Current Liabilities					
Deferred tax liabilities	26	3,776,168	5,298,987	–	–
Other payables	24	330,774	457,649	–	–
		4,106,942	5,756,636	–	–
Total Liabilities		31,260,327	26,621,212	731,388	832,080
Net Assets		**197,045,814**	**195,003,125**	**190,299,723**	**180,221,563**

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

consolidated statement of changes in equity

for financial year ended 31 December 2012

	Attributable to owners of the Company					
	Share Capital $	Revenue Reserve $	Capital Reserve $	Fair Value Reserve $	Currency Translation Reserve $	Total $
At 1 January 2012	172,153,626	29,818,371	1,824,945	6,252,231	(15,046,048)	195,003,125
Total comprehensive income for the year	–	7,050,718	(360,048)	2,331,992	(444,933)	8,577,729
Distributions to owners						
Dividends paid (Note 27)	–	(6,535,040)	–	–	–	(6,535,040)
At 31 December 2012	172,153,626	30,334,049	1,464,897	8,584,223	(15,490,981)	197,045,814
At 1 January 2011	172,153,626	109,354,231	2,039,675	7,998,983	(14,676,260)	276,870,255
Total comprehensive income for the year	–	2,152,140	(214,730)	(1,746,752)	(369,788)	(179,130)
Distributions to owners						
Dividends paid (Note 27)	–	(81,688,000)	–	–	–	(81,688,000)
At 31 December 2011	172,153,626	29,818,371	1,824,945	6,252,231	(15,046,048)	195,003,125

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

statement of changes in equity

for financial year ended 31 December 2012

	Company	
	2012	**2011**
	$	**$**
Share Capital		
Balance at 1 January and 31 December	172,153,626	172,153,626
Revenue Reserve		
Balance at 1 January	8,067,937	25,685,696
Total comprehensive income for the year	16,613,200	64,070,241
Dividends paid (Note 27)	(6,535,040)	(81,688,000)
Balance at 31 December	18,146,097	8,067,937
Total Equity	**190,299,723**	**180,221,563**

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

consolidated cash flow statement

for financial year ended 31 December 2012

	Note	Group 2012 $	Group 2011 $
Cash flows from operating activities			
Profit before tax		6,321,742	2,957,800
Adjustments for:			
Interest income		(3,870,581)	(4,172,007)
Interest expense	9	402,021	640,472
Depreciation expense of property, plant and equipment and investment properties		1,669,812	1,714,700
Gain on sale of investment properties	6	(3,852,877)	(2,574,157)
(Gain)/loss on disposal of property, plant and equipment		(190,830)	4,062
Share of results in associates and unincorporated joint venture		(9,645,761)	1,063,170
Impairment loss of non-current investment securities	8	36,284	99,812
Impairment loss of current investment securities	8	252,375	5,314,300
Investment property written off	8	342,082	–
Impairment loss of investment properties	8	1,439,254	–
Reversal of interest receivable from an associate	8	11,243,623	–
Operating cash flows before changes in working capital		4,147,144	5,048,152
Decrease/(increase) in receivables and current investment securities		580,408	(4,599,268)
Decrease/(increase) in inventories		61,023	(48,181)
Increase/(decrease) in payables		823,645	(1,529,999)
Cash generated from/(used in) operations		5,612,220	(1,129,296)
Interest received		1,548,743	960,950
Interest paid		(402,021)	(640,472)
Income tax paid		(154,883)	(1,722,698)
Cash generated from/(used in) operating activities		6,604,059	(2,531,516)

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

consolidated cash flow statement

for financial year ended 31 December 2012

	Note	Group 2012 $	Group 2011 $
Cash flows from investing activities			
Additions to investment properties		(13,758,615)	(4,187,901)
Increase in other receivables		(3,389,149)	–
Purchase of property, plant and equipment		(398,234)	(345,671)
(Increase)/decrease in investment securities		(3,067,057)	1,562,836
Proceeds from sale of investment properties		7,060,867	4,492,195
Decrease in amounts due from associates		13,592,856	2,348,803
Proceeds from disposal of property, plant and equipment		196,347	–
Net cash flows generated from investing activities		237,015	3,870,262
Cash flows from financing activities			
Proceeds from bank loans		11,179,537	–
Repayment of bank loans		(5,180,498)	(2,126,806)
Dividends paid		(6,535,040)	(81,688,000)
Increase in pledged fixed deposits		(4,000,000)	–
Net cash flows used in financing activities		(4,536,001)	(83,814,806)
Net increase/(decrease) in cash and cash equivalents		2,305,073	(82,476,060)
Cash and cash equivalents at the beginning of year		32,275,779	114,949,945
Effects of exchange rate changes on cash and cash equivalents		(93,683)	(198,106)
Cash and cash equivalents at the end of the year		34,487,169	32,275,779

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

	Note	2012 $	2011 $
Cash and bank balances	22	51,827,169	47,160,939
Less: Cash and cash equivalents pledged	22	(17,340,000)	(13,340,000)
Less: Bank overdrafts	22	–	(1,545,160)
Cash and cash equivalents at the end of the year		34,487,169	32,275,779

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

notes to the financial statements

31 December 2012

1. Corporate information

Hwa Hong Corporation Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at 38 South Bridge Road, Singapore 058672.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are disclosed below. The Group operates in Singapore, Malaysia and United Kingdom.

The subsidiaries and associates at 31 December 2012 are:

	Name of company	Percentage of interest held 2012 %	Percentage of interest held 2011 %	Place of incorporation	Cost of investment 2012 $'000	Cost of investment 2011 $'000	Principal activities
(a)	**Subsidiaries**						
	Held by the Company						
	Singapore Warehouse Company (Private) Ltd. (1)	100.0	100.0	Singapore	154,425	139,425	Owner of warehouse for rental and storage and investment holding.
*	Phratra Sdn. Bhd. (2)	100.0	100.0	Malaysia	6,985	6,985	Property investment and development.
	Hwa Hong Edible Oil Industries Pte. Ltd. (1)	100.0	100.0	Singapore	14,800	14,800	Packing of edible oil products and trading.
	Paco Industries Pte. Ltd. (1)	100.0	100.0	Singapore	5,970	5,970	Provision of management services.
					182,180	167,180	

1. Corporate information (cont'd)

Name of company	Percentage of interest held 2012 %	Percentage of interest held 2011 %	Place of incorporation	Principal activities
(a) Subsidiaries (cont'd)				
Held by Singapore Warehouse Company (Private) Ltd.				
Thackeray Properties Limited [(2)]	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Pumbledon Limited [(2)]	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Global Trade Investment Management Pte Ltd [(1)]	100.0	100.0	Singapore	Leasing of residential and commercial properties, business management, consultancy and investment holding.
Vantagepro Investment Limited [(5)]	100.0	100.0	British Virgin Islands	Investment holding.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Jining Ningfeng Chemical Industry Co., Limited [(6)]	100.0	100.0	People's Republic of China	Dormant.
Held by Paco Industries Pte. Ltd.				
Jining Paco Chemical Industry Co., Ltd [(6)]	100.0	100.0	People's Republic of China	Dormant.
Held by Vantagepro Investment Limited				
Capital East Limited [(4)(8)]	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Liverpool Limited [(4)(8)]	60.0	60.0	United Kingdom	Acting as nominee company for investment holding.

1. **Corporate information** (cont'd)

Name of company	Percentage of interest held 2012 %	2011 %	Place of incorporation	Principal activities
(a) Subsidiaries (cont'd)				
Held by Vantagepro Investment Limited (cont'd)				
Capital Hatton Limited (4)(8)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 18 Vestry Limited (4)(8)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 20 Vestry Limited (4)(8)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital New Mount Limited (4)(8)	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Glasgow Limited(4)(8)	82.0	82.0	United Kingdom	Leasing of residential and commercial properties.
Capital Fitzalan Limited(4)(8)	50.0	50.0	United Kingdom	Acting as nominee Company for investment holding

1. Corporate information (cont'd)

Name of company	Percentage of interest held 2012 %	2011 %	Place of incorporation	Principal activities
(b) Associates				
Held by the Company				
Singamet Trading Pte. Ltd. (1)	20.0	20.0	Singapore	Property investment.
Held by Singapore Warehouse Company (Private) Ltd.				
Riverwalk Promenade Pte Ltd (3)	50.0	50.0	Singapore	Property development.
Hong Property Investments Pte Ltd (3)	30.0	30.0	Singapore	Property investment.
Scotts Spazio Pte. Ltd. (1)	50.0	50.0	Singapore	Property investment.
Held by Thackeray Properties Limited				
Matahari 461 Ltd (6)	50.0	50.0	United Kingdom	Dormant.
Capital Willenhall Limited (4)	50.0	50.0	United Kingdom	Property investment.
Capital Britton Street Limited (4)	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
Held by Pumbledon Limited				
Fieldfare Investments Limited (4)	25.0	25.0	United Kingdom	Property investment.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Norwest Holdings Pte Ltd (7)	49.5	49.5	Singapore	In liquidation.

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by member firms of Ernst & Young Global in the respective countries
(3) Audited by KPMG LLP, Singapore
(4) Audited by BDO Stoy Hayward LLP, London
(5) Not required to be audited in the country of incorporation
(6) Not required to be audited as the company is dormant
(7) Not required to be audited as the company is in liquidation
(8) Collectively known as Capital Group

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group, and 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 the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD).

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 Disclosures – *Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently and will continue to apply proportionate consolidation for its joint ventures, except for its interest in an unincorporated joint venture which has been and will continue to be accounted for using the equity method, upon adoption of FRS 111.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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 resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.5 Transactions with non-controlling interests (cont'd)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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 rate of exchange ruling at the end of the reporting period. 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 end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, freehold office property, leasehold land and buildings, and furniture, motor vehicles, computers and other equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Cost also includes replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold office property	–	50 years
Leasehold land and buildings	–	43 to 50 years
Furniture, motor vehicles, computers and other equipment	–	3 to 15 years

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 value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 Investment properties

Investment properties are properties that are owned by the Group to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are subject to renovations or improvements at regular intervals. Its cost is recognised in the carrying amount of the investment property as a replacement if the recognition criteria are satisfied. Components that are replaced are derecognised and included in profit or loss. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line method over the investment properties' estimated useful lives of 50 years. Freehold land has an unlimited useful life and therefore the freehold land component of investment properties is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered. The residual value, useful life and depreciation method are reviewed, and adjusted prospectively, if appropriate.

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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in Singapore Dollars at the rates prevailing at the date of acquisition.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an 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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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 rights, or controls the composition of the board of directors.

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

2. Summary of significant accounting policies (cont'd)

2.12 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting rights, or has representation on the board of directors. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are 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 associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

2. Summary of significant accounting policies (cont'd)

2.12 Associates (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates 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.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.13 Joint venture

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 the joint venture, except for its interest in an unincorporated joint venture that has been accounted for using the equity method similar to the accounting policy for associates as disclosed in Note 2.12 above, using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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 profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

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

2. Summary of significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

Subsequent measurement (cont'd)

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss 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 include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

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.

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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 discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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 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 or 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 profit or loss.

(b) Financial 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 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, fixed deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs using the weighted average cost formula.
- Finished goods: costs of direct materials and labour and a proportion of production overheads based on normal operating capacity. These costs are assigned on the weighted average cost formula.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.18 Provisions

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

Provisions are reviewed at the end of each reporting period 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.

2.19 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

2. Summary of significant accounting policies (cont'd)

2.19 Financial liabilities (cont'd)

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

2. Summary of significant accounting policies (cont'd)

2.22 Leases (cont'd)

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 2.24. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated or amortised.

2.24 Revenue

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. 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.

(b) Rendering of services

Revenue from rendering of management, administrative and support services to related companies is recognised when the services are rendered and is computed at 5% of total operating expenses incurred in performing the services.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2. Summary of significant accounting policies (cont'd)

2.24 Revenue (cont'd)

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(f) Sale/redemption of investment securities

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

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

2. Summary of significant accounting policies (cont'd)

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or 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 income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(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. Summary of significant accounting policies (cont'd)

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

2. Summary of significant accounting policies (cont'd)

2.29 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment of available-for-sale investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2012, the amount of impairment loss recognised for available-for-sale financial assets was $288,659 (2011: $5,414,112).

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

3.1 Judgments made in applying accounting policies (cont'd)

(b) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgment 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 income tax payables and deferred tax liabilities at 31 December 2012 were $2,021,491 (2011: $1,048,867) and $3,776,168 (2011: $5,298,987) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 35.

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

The cost 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.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Valuation of investment properties

External independent valuations of the Group's investment properties portfolio are carried out once every three years. Directors' valuations are carried out annually. Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

As the Group apply the cost method for its investment properties (note 2.8), the valuation is for disclosure purposes and impairment assessment.

(d) Loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for the assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 35 to the financial statements.

4. Revenue

	Group 2012 $	Group 2011 $
Dividend income from investment securities	5,703,377	4,087,858
Rental and storage income	5,434,507	6,911,752
Trading sales	805,895	581,837
Interest income from		
- Associates	2,977,541	3,388,725
- Deposits with financial institutions	56,168	187,871
- Investment securities	567	563
- Others	385,923	134,710
	3,420,199	3,711,869
Proceeds from sale of investment securities	11,014,027	12,825,229
	26,378,005	28,118,545

5. Cost of sales

Included in cost of sales are:

	Group 2012 $	Group 2011 $
Cost of sale of investment securities	(10,045,493)	(10,832,488)
Depreciation of investment properties	(1,253,571)	(1,215,859)

6. Other income

	Group 2012 $	Group 2011 $
Interest income from		
- Deposits with financial institutions	93,117	141,533
- Associates	81,557	104,548
- Investment securities	275,708	214,057
	450,382	460,138
Dividend income from quoted equity investments	322,612	298,639
Gain from		
- Sale of investment properties	3,852,877	2,574,157
- Sale of investment securities	23,982	1,309,465
- Disposal of property, plant and equipment	190,830	–
	4,067,689	3,883,622

6. Other income (cont'd)

	Group 2012 $	Group 2011 $
Other investment income	1,341,902	–
Sundry income	73,049	187,656
	6,255,634	4,830,055

Other investment income relates to receipt of carried interest payment from an investment classified as available-for-sale.

7. General and administrative costs

	Group 2012 $	Group 2011 $
Directors' fees		
- Directors of the Company	(320,614)	(292,500)
- Other directors of a subsidiary	(4,831)	(4,926)
	(325,445)	(297,426)
Directors' remuneration		
- Directors of the Company	(1,447,850)	(1,440,825)
- Other directors of subsidiaries	(794,006)	(561,964)
- CPF contributions	(52,499)	(52,674)
	(2,294,355)	(2,055,463)
Audit fees paid to:		
- Auditors of the Company		
Current year	(158,000)	(148,398)
Under-provision in respect of previous years	(10,000)	(7,950)
	(168,000)	(156,348)
- Other auditors		
Current year	(122,500)	(122,767)
Under-provision in respect of previous years	–	(172)
	(122,500)	(122,939)
	(290,500)	(279,287)
Depreciation on property, plant and equipment	(416,241)	(323,727)
Fees paid to firms in which certain directors are members	(27,500)	(77,000)
Staff costs (including executive directors)	(4,133,623)	(4,152,281)
CPF contribution (including executive directors)	(165,737)	(174,677)
Foreign currency loss	(749,705)	(477,203)

No non-audit fees were paid to auditors of the Company and other auditors.

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

8. Other operating costs

	Group 2012 $	Group 2011 $
Allowance for doubtful receivables from associates written back	–	13,218
Impairment loss of:		
- Unquoted equity investment (non-current)	(36,284)	–
- Quoted non-equity investment (non-current)	–	(99,812)
- Quoted equity investments (current)	(252,375)	(5,314,300)
- Investment properties	(2,892,551)	–
Investment property written off	(342,082)	–
Impairment loss of investment properties written back	1,453,297	–
Reversal of interest receivable on loan due from an associate pursuant to an agreement in the current year on reduced interest charge (Note 19)	(11,243,623)	–
	(13,313,618)	(5,400,894)

9. Finance costs

	Group 2012 $	Group 2011 $
Interest expense on bank loans and overdrafts	(402,021)	(640,472)

10. Income tax expense

Major components of income tax expense

Major components of income tax expenses for the years ended 31 December 2012 and 2011 are:

	Group 2012 $	Group 2011 $
Consolidated income statement:		
Current income tax:		
- Current income taxation	(989,885)	(380,782)
- Over/(under) provision in respect of previous years	675	(1,482)
	(989,210)	(382,264)
Deferred income tax		
- Origination and reversal of temporary differences	1,848,823	(423,396)
- Overprovision in respect of previous years	7,660	–
	1,856,483	(423,396)

10. Income tax expense (cont'd)

Major components of income tax expense (cont'd)

	Group	
	2012	2011
	$	$
Withholding tax	(138,297)	–
Income tax expense recognised in profit or loss	728,976	(805,660)
Consolidated statement of other comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Net (gain)/loss on fair value changes of available-for-sale financial assets	(333,564)	396,373

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 tax for the years ended 31 December is as follows:

	Group	
	2012	2011
	$	$
Profit before tax	6,321,742	2,957,800
	%	%
Domestic statutory tax rate	17.00	17.00
Adjustments:		
Non-deductible expenses	24.50	53.64
Income not subject to taxation	(79.90)	(50.88)
Benefits from previously unrecognised tax losses	(2.37)	(2.94)
Deferred tax assets not recognised	0.06	1.34
Over provision in respect of previous years	(0.13)	–
Share of results of associates and unincorporated joint venture	25.94	6.11
Others	3.37	2.97
Effective tax rate	(11.53)	27.24

11. Earnings per share

Basic earnings per share (EPS) are calculated by dividing profit for the year attributable to owners of the Company, which amounted to $7,050,718 (2011: $2,152,140), by the weighted average number of ordinary shares outstanding during the year, which amounted to 653,504,000 (2011: 653,504,000). There is no dilutive EPS as no options have been granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

12. Share capital

	Group and Company 2012 and 2011 No. of shares	$
Issued and fully paid ordinary shares		
Balance at the beginning and end of the year	653,504,000	172,153,626

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. The ordinary shares have no par value.

Share repurchase

At the Extraordinary General Meeting held on 7 November 2003, shareholders approved the grant of a general mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares (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 26 April 2012. The Company did not repurchase any shares during the financial year.

13. Reserves

	Group		Company	
	2012 $	2011 $	2012 $	2011 $
Revenue reserve	30,334,049	29,818,371	18,146,097	8,067,937
Capital reserve	1,464,897	1,824,945	–	–
Fair value reserve	8,584,223	6,252,231	–	–
Currency translation reserve	(15,490,981)	(15,046,048)	–	–
	24,892,188	22,849,499	18,146,097	8,067,937

Capital reserve represents unrealised revaluation gain pertaining to certain properties purchased from an associate.

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

Currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

14. Property, plant and equipment

Group	Freehold office property $	Leasehold land and buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
Cost				
At 1 January 2011, as previously reported	2,299,292	5,165,495	1,530,070	8,994,857
Prior year adjustments	–	–	1,337,266	1,337,266
At 1 January 2011, as restated	2,299,292	5,165,495	2,867,336	10,332,123
Additions	–	–	345,671	345,671
Disposals	–	–	(24,264)	(24,264)
Reclassification to properties held for sale	–	–	(10,801)	(10,801)
Currency realignment	–	–	(13,725)	(13,725)
At 31 December 2011 and 1 January 2012, as restated	2,299,292	5,165,495	3,164,217	10,629,004
Additions	–	–	398,234	398,234
Disposals	–	–	(801,697)	(801,697)
Reclassification to properties held for sale	–	–	(6,196)	(6,196)
Currency realignment	–	–	(27,486)	(27,486)
At 31 December 2012	2,299,292	5,165,495	2,727,072	10,191,859
Accumulated depreciation and impairment loss				
At 1 January 2011, as previously reported	459,858	1,755,910	561,010	2,776,778
Prior year adjustments	–	–	1,337,266	1,337,266
At 1 January 2011, as restated	459,858	1,755,910	1,898,276	4,114,044
Depreciation charge for the year	45,986	120,128	332,727	498,841
Reclassification to properties held for sale	–	–	(5,426)	(5,426)
Disposals	–	–	(20,202)	(20,202)
Currency realignment	–	–	(2,031)	(2,031)
At 31 December 2011 and 1 January 2012, as restated	505,844	1,876,038	2,203,344	4,585,226
Depreciation charge for the year	45,986	120,128	250,127	416,241
Reclassification to properties held for sale	–	–	(4,158)	(4,158)
Disposals	–	–	(801,555)	(801,555)
Currency realignment	–	–	(6,920)	(6,920)
At 31 December 2012	551,830	1,996,166	1,640,838	4,188,834

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

Group	Freehold office property $	Leasehold land and buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
Net carrying amount				
At 31 December 2011	1,793,448	3,289,457	960,873	6,043,778
At 31 December 2012	1,747,462	3,169,329	1,086,234	6,003,025

Prior year adjustments relate to errors in posting which have no impact on the financial position and results of the Group.

Company	Furniture, motor vehicles, computers and other equipment $
Cost	
At 1 January 2011, 31 December 2011 and 1 January 2012	491,989
Disposals	(208,888)
Balance at 31 December 2012	283,101
Accumulated depreciation and impairment loss	
At 1 January 2011	463,678
Depreciation for the year	28,311
At 31 December 2011 and 1 January 2012	491,989
Disposals	(208,888)
At 31 December 2012	283,101
Net carrying amount	
At 31 December 2011	–
At 31 December 2012	–

The Group's leasehold land and buildings are mortgaged to secure the Group's banking facilities and these facilities have not been utilised as at 31 December 2012 and 2011.

15. Investment properties

	Freehold land $	Buildings $	Construction in-progress $	Total $
Cost				
At 1 January 2011	45,135,953	57,658,640	420,596	103,215,189
Additions (subsequent expenditure)	–	1,206,218	2,981,683	4,187,901
Disposals	(1,402,065)	(762,687)	–	(2,164,752)
Reclassification to properties held for sale	(2,257,089)	(1,388,926)	–	(3,646,015)
Currency realignment	(342,704)	(623,655)	3,319	(963,040)
At 31 December 2011 and 1 January 2012	41,134,095	56,089,590	3,405,598	100,629,283
Additions (subsequent expenditure)	–	–	13,758,615	13,758,615
Written off	–	(712,669)	–	(712,669)
Reclassification to properties held for sale	(943,647)	(550,021)	–	(1,493,668)
Currency realignment	(296,805)	(887,005)	(79,373)	(1,263,183)
Reclassification	–	4,067,855	(4,067,855)	–
At 31 December 2012	39,893,643	58,007,750	13,016,985	110,918,378
Accumulated depreciation and impairment loss				
At 1 January 2011	2,093,972	16,702,852	–	18,796,824
Additions	–	1,215,859	–	1,215,859
Disposals	–	(36,046)	–	(36,046)
Reclassification to properties held for sale	–	(77,977)	–	(77,977)
Currency realignment	(38,005)	(121,795)	–	(159,800)
At 31 December 2011 and 1 January 2012	2,055,967	17,682,893	–	19,738,860
Additions	–	1,253,571	–	1,253,571
Written off	–	(370,587)	–	(370,587)
Impairment loss, net	132,201	1,307,053	–	1,439,254
Reclassification to properties held for sale	–	(44,863)	–	(44,863)
Currency realignment	(55,394)	(373,308)	–	(428,702)
At 31 December 2012	2,132,774	19,454,759	–	21,587,533

15. Investment properties (cont'd)

	Freehold land $	Buildings $	Construction in-progress $	Total $
Net carrying amount				
At 31 December 2011	39,078,128	38,406,697	3,405,598	80,890,423
At 31 December 2012	37,760,869	38,552,991	13,016,985	89,330,845

	2012 $	2011 $
Rental income from investment properties	5,434,507	6,911,752
Direct operating expenses (including depreciation, repairs and maintenance) arising from		
- Rental generating properties	4,186,380	4,763,115
- Non-rental generating properties	–	–
Market value of investment properties	172,659,000	161,236,000

The investment properties held by the Group are disclosed in Note 34 to the financial statements. During the year, the Group made additions and alterations to its existing investment properties. Components replaced amounting to $342,082 was written off during the year. The remaining capital expenditure commitments are disclosed in Note 31 (b) to the financial statements.

Valuation of the investment properties

The Group has a policy to obtain external, independent valuations for its properties once every three years. During the year, valuations were performed by PA International Property Consultants Sdn Bhd for a property in Malaysia, Gerald Eve LLP for three properties in United Kingdom and Richard Susskind & Co for six properties in United Kingdom. These independent valuers have recognised and relevant professional qualification with relevant experience in the location and category of the properties being valued. These valuations are based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market. The valuations are reassessed by directors as at year end, using recent transacted prices and/or applying a yield that reflects the specific risk inherent in the net cash flows expected to be received from renting out the properties.

Valuation for one of the investment properties in Singapore was valued by Allied Appraisal Consultants Pte Ltd, an independent accredited valuer, as at 31 December 2012 based on direct comparison with recent transactions of comparable properties. Valuation for the remaining properties were performed by directors as at year end, using recent transacted prices and/or applying a yield that reflects the specific risk inherent in the net cash flows expected to be received from renting out the properties

15. Investment properties (cont'd)

Valuation of the investment properties (cont'd)

An impairment loss of $2,892,551 (2011: nil), representing the change in market value over the carrying value of certain properties in the United Kingdom was recognised in "Other operating expenses" (Note 8) line of profit or loss for the year ended 31 December 2012. Impairment loss of $1,453,297 (2011: nil) previously recognised in the profit and loss was written back for the year end 31 December 2012 to reflect the change in market value over the carrying value of the property in Malaysia and certain properties in United Kingdom.

Properties pledged as security

Investment properties amounting to $15,492,860 (2011: $17,230,085) in Singapore are mortgaged and their rental income assigned to a bank to secure bank loans for a subsidiary. The bank loans were fully repaid in 2011.

Certain investment properties amounting to $4,332,242 in the United Kingdom are mortgaged to secure bank loans (Note 25). The bank loans were fully repaid in 2012.

16. Investment in subsidiaries

	Company	
	2012	**2011**
	$	**$**
Unquoted shares, at cost	182,180,275	167,180,275
Impairment losses		
Balance at 1 January	(17,276,542)	(14,086,542)
Charge to income statement	–	(3,190,000)
Balance at 31 December	(17,276,542)	(17,276,542)
	164,903,733	149,903,733
Amounts due from subsidiaries	12,940,000	6,440,000

Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

During the last financial year, management performed an impairment test for the investment in Hwa Hong Edible Oil Industries Pte Ltd. An impairment loss of $3,190,000 was recognised for the year ended 31 December 2011 to write down this subsidiary to its net asset value.

17. Investment in associates

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Unquoted shares, at cost	9,250,341	9,250,341	800,000	800,000
Impairment losses	–	–	(54,200)	(54,200)
Share of post-acquisition reserves	587,078	(9,084,778)	–	–
	9,837,419	165,563	745,800	745,800

Share of post-acquisition reserves comprises:

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Revenue reserve	(92,840)	(9,730,043)	–	–
Currency translation reserve	679,918	645,265	–	–
	587,078	(9,084,778)	–	–

Included in revenue reserve in 2011 was an amount of $420,429 which was previously disclosed as share of capital reserve. This amount in 2011 was reclassified to share of revenue reserve. The reclassification has no impact on the financial and position and results of the Group.

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Amounts due from associates:				
- Loan 1	13,458,871	14,139,941	–	–
- Loan 2	2,000,000	15,000,000	–	–
- Loan 3	1,639,616	1,871,379	–	–
Total loans	17,098,487	31,011,320	–	–
- Non-trade	3,799,281	3,497,454	–	–
- Allowance for doubtful debts	(2,076,705)	(2,133,875)	–	–
	1,722,576	1,363,579	–	–
	18,821,063	32,374,899	–	–
Amounts due within one year	15,181,447	15,503,520	–	–
Amount due between one and five years	3,639,616	16,871,379	–	–
	18,821,063	32,374,899	–	–

17. Investment in associates (cont'd)

Movement of allowance for doubtful debts:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Balance at 1 January	(2,133,875)	(2,189,570)	–	–
Written off	–	34,077	–	–
Written back	–	13,218	–	–
Currency realignment	57,170	8,400	–	–
Balance at 31 December	(2,076,705)	(2,133,875)	–	–
Amounts due to associates	(519,864)	(608,078)	(327,061)	(350,521)

Loan 1 is due from an associate that is related to Hong Leong Investment Holdings Pte Ltd, a substantial shareholder of the Company. The amount is unsecured, repayable upon demand and bears interest at 2% (2011: 2%) per annum.

Loan 2 is unsecured, bears interest at 5% (2011: 20%) per annum and is not expected to be repaid within the next twelve months. An amount of $13,000,000 (2011: nil) was repaid during the year.

Loan 3 is unsecured, bears interest at 3.5% (2011: 3.5%) per annum and is not expected to be repaid within the next twelve months.

Other amounts due from/to associates are non-trade related, unsecured, non-interest bearing, repayment upon demand and are to be settled in cash.

The Group has not recognised losses relating to Capital Willenhall Limited and Fieldfare Investments Limited where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $2,482,000 (2011: $2,097,000), of which $385,000 (2011: $108,000) was the share of the current year's losses. The Group has no obligation in respect of those losses.

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

	2012	**2011**
	$'000	**$'000**
Assets and liabilities		
Total assets	122,934	126,642
Total liabilities	(102,608)	(125,390)
Results		
Revenue	14,923	12,849
Profit/(loss) for the year	19,060	(2,153)

18. Investment securities

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Non-current				
Held-to-maturity:				
- Unquoted bonds	–	10	–	10
Available-for-sale:				
- Quoted equity, at fair value	49,000	41,000	–	–
- Quoted non-equity, at fair value	3,482,851	3,187,427	–	–
- Unquoted equity, at fair value	2,527,518	1,772,434	–	–
- Unquoted debt investment, at fair value	4,310,675	2,035,839	–	–
- Unquoted equity, at cost	352,314	388,598	–	–
Assets carried at cost:				
- Unincorporated joint venture	177,008	168,450	–	–
	10,899,366	7,593,758	–	10
Current				
Available-for-sale:				
- Quoted equity, at fair value	29,341,291	24,435,245	–	–

Unquoted equity, bonds and unincorporated joint venture stated at cost are not listed on any markets and their 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 available-for-sale quoted non-equity investment, is an amount of $3,482,851 (2011: $3,187,427) denominated in Sterling Pound while an amount of $2,429,832 (2011: $2,719,696) in available-for-sale unquoted equity investment is denominated in United States Dollar.

Unincorporated joint venture

Unincorporated joint venture relates to the Group's interest in a joint venture residential development with a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd. The Group's interest in the joint venture is 20%.

Included in unincorporated joint venture is an amount of $177,007 (2011: $168,449) relating to the Group's share of its revenue reserve.

18. Investment securities (cont'd)

Unincorporated joint venture (cont'd)

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

	2012 $'000	2011 $'000
Assets and liabilities		
Current assets	2,252	2,288
Current liabilities	(1,092)	(1,556)
Net assets	1,160	732
Results		
Revenue	–	–
Profit/(loss) for the year	428	(53)

Unquoted debt instruments

On 1 October 2010, the Group subscribed for convertible loan notes (the "Notes") with an aggregate principal amount of $2,000,000 issued by a company controlled by a director for an aggregate consideration of $1,800,000.

In the event of an initial public offer ("IPO"), a reverse takeover ("RTO"), or a sale, trade sale, reconstruction, merger, amalgamation or reconstruction ("Liquidity Event") of the issuer and/or its subsidiaries, a Noteholder shall convert all its Notes into ordinary shares in the capital of the ultimate listing entity of the issuer. The number of shares to which a holder is entitled on conversion of the Notes shall be determined by dividing the aggregate total of the principal amount of the Notes and interest chargeable on such principal amount at an interest rate of 7.5% per annum commencing from the date of the issuance of the Notes and ending on the conversion date, by the applicable conversion price, which shall be at 25% discount to the offer price per share for an IPO or the price offered by the acquirer at a RTO or a Liquidity Event.

The issuer shall not be obliged to redeem any of the Notes except in the event the issuer failed to be listed whether through an IPO, RTO or otherwise. In such cases, the issuer shall redeem the Notes from such Noteholder at a redemption amount being the aggregate of the principal amount of such Notes and the interest chargeable on such principal amount at an interest of 7.5% per annum for the period commencing from the date of the issuance of the Notes and ending on the redemption date, which is expected to be in January 2014 if the Notes have not been converted into shares.

During the financial year, the Group recognised interest income of $214,057 (2011: $214,057) based on effective interest rate of 10.7% (2011: 10.7%) per annum.

18. Investment securities (cont'd)

Unquoted debt instruments (cont'd)

On 18 July 2012, the Group subscribed for additional convertible loan notes (the "Notes") with an aggregate principal amount of $2,000,000 issued by a company controlled by a director for an aggregate consideration of $2,000,000.

In the event of an IPO or a RTO of the issuer's subsidiary or a sale by the issuer of the subsidiary, the Notes shall be converted to ordinary shares in the capital of the issuer's subsidiary or redeemed. The number of shares to which a holder is entitled on conversion of the Notes shall be determined by dividing the aggregate total of the principal amount of the Notes and interest chargeable on such principal amount at an interest rate of 6.5% per annum commencing from the date of the issuance of the Notes and ending on the conversion date, by the applicable conversion price, which shall be at 25% discount to the offer price per share for an IPO or the price offered by the acquirer at a RTO.

The issuer shall not be obliged to redeem any of the Notes except (i) the issuer's subsidiary failed to be listed through an IPO; (ii) there is a material breach of any of the warranties and undertakings set out in the Investment Agreement dated 18 July 2012; (iii) for the purposes of effecting a restructuring exercise in connection with the proposed listing of the issuer's subsidiary (the "Restructuring") and/or the proposed listing of the issuer's subsidiary (the "Proposed Listing"); or (iv) for such other purposes as agreed by the parties. The issuer shall redeem the Notes from such Noteholder at a redemption amount being the aggregate of the principal amount of such Notes and the interest chargeable on such principal amount at an interest of 6.5% per annum for the period commencing from the date of the issuance of the Notes and ending on the redemption date, which is expected to be in January 2014. In the event of the Restructuring or the Proposed Listing, in lieu of cash, such Noteholder shall receive such number of new ordinary shares in the issuer's subsidiary at the applicable conversion price, which shall be at 25% discount to the offer price per share for an IPO or the price offered by the acquirer at a RTO.

During the financial year, the Group recognised interest income of $60,778 (2011: nil) based on effective interest rate of 6.5% (2011: nil) per annum.

Impairment losses

During the financial year, the Group recognised impairment loss of $252,375 (2011: $5,314,300) and $nil (2011: $99,812) for quoted equity investments and quoted non-equity investments as there were "significant" or "prolonged" decline in the fair value of these investments below their costs. The Group also recognised impairment loss of $36,284 (2011: nil) for unquoted equity investment to write down its carrying value in this investment to its net asset value.

19. Other receivables

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Current				
Sundry receivables	373,596	227,422	–	–
Dividend receivable	127,160	130,620	–	–
Interest receivable	33,637	29,667	–	–
Staff advances	100	100	–	–
Deposits receivable	256,629	242,540	–	–
Other recoverables	133,022	96,763	16,618	18,236
Amounts receivable from joint ventures	7,926,006	4,536,857	–	–
Amounts due from estate agents	415,307	469,817	–	–
	9,265,457	5,733,786	16,618	18,236
Non-current				
Interest receivable on loan to an associate	1,093	12,295,890	–	–
Total other receivable	9,266,550	18,029,676	–	–

Deposits receivable

Amount pertains to tenant's deposits receivable from agents and is repayable on demand.

Amounts receivable from joint ventures

The amounts are interest-free, repayable on demand and to be settled in cash and are secured by way of legal mortgage over investment properties of these joint ventures in United Kingdom, including the joint venture partner's share of the properties. At 31 December 2012, the carrying amount of these properties was $27,202,622 (2011: $26,064,500).

Interest receivable on loan to an associate

Amount relates to interest receivable on a shareholders' loan of $2 million (2011: $15 million) given to an associate (Note 17). During the year, all parties agreed to vary the interest rate from 20% to 5% per annum retrospectively, following an exercise to determine the appropriate interest rate for the loan, resulting in a reversal of interest receivable of $11,243,623 (2011: nil) to profit or loss. Accordingly, the Group's share of results of associates increased correspondingly by the same amount, arising from the reduction in interest payable by the associate.

20. Inventories

	Group 2012 $	Group 2011 $
Raw materials	66	203
Finished goods	4,547	65,433
Total inventories at lower of cost and net realisable value	4,613	65,636

21. Trade receivables

	Group 2012 $	Group 2011 $
Trade receivables	969,588	752,668
Allowance for doubtful debts	–	(5,137)
	969,588	747,531

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

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group 2012 $	Group 2011 $
Sterling Pound	–	583,073
Euro dollar	50,978	–

Receivables that are past due but not impaired

The Group has trade receivables amounting to $41,014 (2011: $601,484) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group 2012 $	Group 2011 $
Less than 30 days	38,111	601,484
More than 120 days	2,903	–
	41,014	601,484

21. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012	**2011**
	$	**$**
Trade receivables, nominal amounts	–	5,137
Allowance for doubtful debts	–	(5,137)
	–	–
Movement of allowance for doubtful debts:		
At 1 January	(5,137)	(108,774)
Charge for the year	–	(5,137)
Written off	–	108,774
Written back	5,137	–
At 31 December	–	(5,137)

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

22. Cash and bank balances

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Fixed deposits	40,410,146	39,716,433	12,190,345	23,569,920
Cash and bank balances	11,417,023	7,444,506	176,018	309,647
	51,827,169	47,160,939	12,366,363	23,879,567
Less: bank overdraft	–	(1,545,160)	–	–
	51,827,169	45,615,779	12,366,363	23,879,567
Included in above are:				
Fixed deposits pledged for banking facilities	17,340,000	13,340,000	–	–

Fixed deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group, and earned interests at the respective fixed deposit rates. The effective interest rates at 31 December 2012 were in the range of 0.2% to 0.35% (2011: 0.11% to 4.9%) per annum.

Bank overdrafts is secured by a corporate guarantee for $15 million (2011: $15 million) from the Company. Interest on bank overdrafts is charged on daily balances at the bank's Singapore Dollar prime lending rate.

23. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

24. Other payables

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Current				
Tenancy deposits	579,585	696,360	–	–
Unclaimed dividends	255,272	219,846	255,272	219,846
Deferred income	651,617	630,891	–	–
Rental received in advance	54,154	57,258	–	–
Sundry payables	1,469,934	479,936	15,837	63,108
	3,010,562	2,084,291	271,109	282,954
Non-current				
Tenancy deposits	330,774	457,649	–	–

Sundry payables are non-interest bearing and have an average term of 60 days.

Other payables for the Group denominated in foreign currencies as at 31 December are as follows:

	Group 2012 $	Group 2011 $
Sterling Pound	–	1,028,652
Chinese Renminbi	341,555	359,046

25. Bank loans (secured)

	Group 2012 $	Group 2011 $
Current		
- Long-term Sterling Pound bank loans	–	5,180,498
- Short-term Singapore Dollar bank loans	4,000,000	1,100,000
- Short-term Sterling Pound bank loan	15,159,760	6,880,223
Total bank loans	19,159,760	13,160,721

The long-term Sterling Pound bank loans were secured by a fixed charge over certain subsidiaries' investment properties and were fully repaid during the year.

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

Short-term Singapore Dollar bank loans comprise:

(a) A short-term Singapore Dollar loan of $1,100,000 (2011: $1,100,000) granted to a subsidiary. The loan is secured by an existing corporate guarantee of $4,000,000 from another subsidiary and bears interests at swap rate plus 1.375% per annum.

(b) Another short-term Singapore Dollar loan of $2,900,000 (2011: nil) granted to a subsidiary. The loan is secured by a legal charge of $4,000,000 over the subsidiary's fixed deposits and bears interest at swap rate plus 1.8% per annum.

The short-term Sterling Pound loan $15,159,760 (2011: $6,880,223) granted to a subsidiary is secured by a corporate guarantee of $6,660,000 (2011: $6,660,000) from the holding company and a legal charge of $13,340,000 (2011: $13,340,000) million over the subsidiary's fixed deposits. The loan bears interest at swap rate plus 1.8% per annum.

26. Deferred tax

Group	Consolidated balance sheet		Consolidated income statement	
	2012	2011	2012	2011
	$	$	$	$
Deferred tax liabilities				
Revaluations to fair value of available-for-sale financial assets	(996,402)	(662,738)	–	–
Unutilised tax losses	–	121,163	121,163	(121,163)
Differences in depreciation and capital allowances	(1,213,641)	(1,275,142)	(61,501)	(48,349)
Accrued interest income	(1,566,125)	(3,482,270)	(1,916,145)	592,908
	(3,776,168)	(5,298,987)	1,856,483	423,396

Unrecognised tax losses

As the end of the reporting period, the Group has tax losses of approximately $15,700,000 (2011: $15,962,000) 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 the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

27. Dividends

	Group 2012 $	Group 2011 $
In respect of financial year ended 31 December 2010:		
- Final exempt (one-tier) dividend of 1.25 cents per share	–	8,168,800
- Special exempt (one-tier) dividend of 8.75 cents per share	–	57,181,600
In respect of financial year ended 31 December 2011:		
- Interim exempt (one-tier) dividend of 1.00 cent per share	–	6,535,040
- Special interim exempt (one-tier) dividend of 1.50 cents per share	–	9,802,560
- Final exempt (one-tier) dividend of 1.00 cent per share	6,535,040	–
	6,535,040	81,688,000

The Directors of the Company have recommended a final tax exempt ordinary dividend of 1 cent per share, totalling about $6,535,040, to be paid in respect of the financial year ended 31 December 2012, subject to shareholders' approval at the annual general meeting of the Company.

28. Investment in joint ventures

The Group had a 50% interest in the assets, liabilities, revenue and expenses of the Capital Britton Street Limited and an 82% interest in the assets, liabilities, revenue and expenses of the Capital Group, except for Capital Liverpool Limited and Capital Fitzalan Limited in which the Group has a 60% and a 50% interest in their assets, liabilities, revenue and expenses, respectively.

Capital Britton Street Limited and the Capital Group are nominee companies which hold the Group's United Kingdom properties in trust for the Group's subsidiaries, which have a joint venture arrangement with an external party in respect of the United Kingdom properties.

The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenue and expenses related to the Group's interest in the joint ventures are as follows:

	Group 2012 $'000	Group 2011 $'000
Assets and liabilities		
Current assets	7,435	4,398
Non-current assets	30,698	34,222
Total assets	38,133	38,620
Current liabilities	(7,043)	(7,519)
Non-current liabilities	37,796	(35,423)
Net liabilities	(6,706)	(4,322)

28. Investment in joint ventures (cont'd)

	Group	
	2012	2011
	$'000	$'000
Results		
Revenue	3,251	3,698
Other income	83	33
Expenses	(4,939)	(3,814)
Finance costs	(986)	(802)
Loss for the year	(2,591)	(885)

Included in expenses is an amount of $1,867,218 (2011: $Nil) relating to allowance (net) for impairment of investment properties.

29. Properties classified as held for sale

On 12 October 2012, an option to purchase 93 Rivergate Singapore 238237 was exercised by the buyer at an agreed sale price of $3,160,000. The sale was completed on 11 January 2013.

In 2011, the following options were exercised:

(a) On 23 November 2011, an option to purchase 97 Roberson Quay #19-09 Rivergate Singapore 238237 was exercised by the buyer at an agreed sale price of $3,453,120. The sale was completed in January 2012.

(b) On 14 December 2011, an option to purchase 93 Robertson Quay #26-02 Rivergate Singapore 238255 was exercised by the buyer at an agreed sale price of $3,375,000. The sale was completed in April 2012.

The net book values of the above properties and related fixtures and fittings have been reclassified to properties held for sale as follows:

	2012	2011
	$	$
Property, plant and equipment (Note 14)	2,038	5,375
Investment properties (Note 15)	1,448,805	3,568,038
Total assets held for sale	1,450,843	3,573,413

30. Related party transactions

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Income statement				
Management fees paid and payable to a subsidiary	–	–	135,180	134,485
Interest received from an associate which is a related company of a substantial shareholder	(278,930)	(281,332)	–	–
Interest income from a convertible debt instrument issued by a director-related company	(274,835)	(214,057)	–	–
Share of staff cost with a director related company	–	46,800	–	–
Proceeds from sale of a motor vehicle to a director	(118,000)	–	–	–
Proceeds from sale of a motor vehicle to a person related to a director	(76,000)	–	–	–
Professional fee for services rendered by a firm related to a director	27,500	–	–	–
Reimbursement of expenses to a director-related company	26,052	–	–	–
Balance sheet				
Purchase consideration paid for convertible debt issued by a company which is controlled by a director (Note 18)	2,000,000	–	–	–

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

31. Commitment and contingencies

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
(a) Contingent liabilities				
Guarantees given to financial institutions in connection with facilities given to 2 subsidiaries	–	–	21,600,000	21,600,000
(b) Capital commitments				
Investment property	1,954,975	14,011,209	–	–
Property, plant and equipment	45,000	–	–	–
Unquoted investment securities	7,136,480	261,240	–	–

Operating lease commitments - As lessor

The Group has entered into residential and commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 10 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	
	2012	2011
	$	$
Within one year	2,437,750	2,762,797
Between one year and five years	1,102,958	1,849,416
Later than 5 years	–	–
	3,540,708	4,612,213

32. Directors' remuneration

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

	2012	2011
$500,000 to $749,999	1	1
$250,000 to $499,999	2	2
Below $250,000	6	6
	9	9

33. 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 operating decision maker to make decisions about allocation of resources and assessment of performance.

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 strategies.

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

- rental and investment ("RI"): rental of residential, commercial properties and warehouse as well as investment holding;
- trading and investment ("Trading"): packing and trading of edible oil as well as investment holding;
- corporate : provision of management, administrative and support services to related companies and investment holding.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. All assets and 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. Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

33. Group segmental information (cont'd)

	RI		Trading	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Revenue				
-External	15,385,913	16,941,057	10,992,092	11,177,488
-Inter-segment	1,687,803	487,347	–	–
Total revenue	17,073,716	17,428,404	10,992,092	11,177,488
Results:				
Interest income (in other income)	86,824	111,434	274,835	214,057
Interest expense	(382,659)	(980,761)	(19,362)	(45,519)
Depreciation of property, plant and equipment and investment properties	(1,539,993)	(1,406,845)	(2,952)	(37,641)
Gain from disposal of non-current investment securities	20,142	603,909	–	–
Gain from disposal of investment properties	3,852,877	2,574,157	–	–
Allowance for doubtful receivables from associates written back	–	13,218	–	–
Impairment loss of non-current investment securities	(36,284)	(99,812)	–	–
Impairment loss of current investment securities	(76,071)	(2,617,364)	(176,304)	(2,696,936)
Impairment loss on investment properties (net)	(1,439,254)	–	–	–
Investment property written off	(342,082)	–	–	–
Reversal of interest receivable on loan due from associate	(11,243,623)	–	–	–
Impairment loss of subsidiaries	–	–	–	–
Other non-cash income/ (expenses)	1,967	(15,439)	118,000	–
Share of results from associates and unincorporated joint venture	9,660,009	(1,085,796)	–	–
Income tax	735,625	(424,545)	(6,649)	
Segment profit/(loss)	6,084,098	6,087,935	(74,752)	(2,879,396)
Assets				
Segment assets	246,948,877	236,682,471	15,467,352	10,023,431
Interest in unincorporated joint venture	177,008	168,450	–	–
Investment in associates	9,083,194	(602,900)	–	–
Total assets				
Segment liabilities	(77,405,467)	(74,005,383)	(15,455,148)	(10,040,853)
Capital expenditure	12,411,686	4,773,326	1,745,163	39,313

Corporate and others 2012 $	Corporate and others 2011 $		Eliminations 2012 $	Eliminations 2011 $	Total 2012 $	Total 2011 $
–	–		–	–	26,378,005	28,118,545
18,755,880	65,934,092	A	(20,443,683)	(66,421,439)	–	–
18,755,880	65,934,092		(20,443,683)	(66,421,439)	26,378,005	28,118,545
88,723	135,610	A	–	(963)	450,382	460,138
–	–	A	–	385,808	(402,021)	(640,472)
(126,867)	(199,694)		–	–	(1,669,812)	(1,644,180)
3,840	–		–	–	23,982	603,909
–	–		–	–	3,852,877	2,574,157
–	–		–	–	–	13,218
–	–		–	–	(36,284)	(99,812)
–	–		–	–	(252,375)	(5,314,300)
–	–		–	–	(1,439,254)	–
–	–		–	–	(342,082)	–
–	–				(11,243,623)	
–	(3,190,000)	A	–	3,190,000	–	–
76,000	–	B	–	–	195,967	(15,439)
(14,248)	22,625		–	–	9,645,761	(1,063,171)
–	(12,352)		–	(368,765)	728,976	(805,662)
16,678,654	64,108,580	A	(16,366,258)	(64,359,319)	6,321,742	2,957,800
195,630,314	230,393,135	C	(229,740,403)	(255,808,713)	218,291,714	221,290,324
–	–		–	–	177,008	168,450
754,225	768,463		–	–	9,837,419	165,563
					228,306,141	221,624,337
(976,753)	(1,069,437)	D	62,577,041	58,494,461	(31,260,327)	(26,621,212)
–	7,653		–	–	14,156,849	4,820,292

33. Group segmental information (cont'd)

Reconciliation of revenue, income statement, assets, liabilities and other material items to Group total.

A. Inter-segment revenues, interest income, interest expense are eliminated and allowance for impairment on subsidiaries is reversed on consolidation.

B. Other non-cash income/(expenses) consist of allowance for doubtful receivables, profit on disposal of property, plant and equipment.

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

	2012	**2011**
	$	**$**
Segment assets	448,032,117	477,099,037
Investment in associates	9,837,419	165,563
Interest in unincorporated joint venture	177,008	168,450
Inter-segment elimination	(229,740,403)	(255,808,713)
Total assets	228,306,141	221,624,337

D. The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2012	**2011**
	$	**$**
Segment liabilities	93,837,368	85,115,673
Inter-segment elimination	(62,577,041)	(58,494,461)
Total liabilities	31,260,327	26,621,212

33. Group segmental information (cont'd)

Geographical information

	2012		2011	
	Revenue	Non-current assets	Revenue	Non-current assets
	$	$	$	$
Singapore	19,708,183	73,111,726	22,076,844	75,950,145
United Kingdom	6,628,193	43,295,918	6,003,774	44,948,068
Others	41,629	3,303,720	37,927	2,962,578
	26,378,005	119,711,364	28,118,545	123,860,791

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.

34. Major properties owned by the Group

Location	Company	Type/Usage	Area
Property, plant and equipment			
(i) Leasehold land and building			
38 South Bridge Road Singapore 058672	Paco Industries Pte. Ltd.	Lot 160 – 99 years lease from 1941. Lot 164 – 99 years lease from 1947. Office.	Lot 160 - land area of about 121 square metres. Lot 164 - land area of about 123 square metres. Gross floor area of about 1,022 square metres (10,989 sq feet).

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

Location	Company	Type/Usage	Area
Property, plant and equipment (cont'd)			
(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 157 square metres (1,690 square feet).
Investment properties			
(i) Held by the Group			
93,95,97,99 Robertson Quay Singapore 239825/6/7/8	Global Trade Investment Management Pte Ltd.	9 units of freehold residential apartments (including 1 unit classified under held-for-sale) and 4 units of commercial shops	Gross floor area of 1,639.02 square metres (17,644 square feet) including 1,507 square feet for 1 unit held-for-sale.
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 square metres. Gross floor area of about 14,612 square metres (157,109 square feet).

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(i) Held by the Group (cont'd)			
523 Jalan Kluang 83000 Batu Pahat Johor, Malaysia	Phratra Sdn. Bhd.	Freehold. Factory and ancillary office.	Land area of about 13,897 square metres. Gross floor area of about 5,205 square metres (55,964 square feet).
58 Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments.	Gross floor area of 525.5 square metres (5,650 square feet).
115B Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 4 units of residential apartments.	Gross floor area of 298.1 square metres (3,206 square feet).
15/17 Hornton Street London W8 United Kingdom	Pumbledon Limited	Freehold. 11 units of residential apartments.	Gross floor area of 755 square metres (8,120 square feet).
82% interest in 10-18 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 928.90 square metres (9,998 square feet).
82% interest in 20-22 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 662.30 square metres (7,130 square feet).
82% interest in 65-69 East Road London N1 6AH United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 603.40 square metres (6,495 square feet).

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(i) Held by the Group (cont'd)			
82% interest in 23 New Mount Street Manchester United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 3,248.11 square metres (34,963 square feet).
82% interest in The Bridge Clerkenwell Road EC1, United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 1,453.40 square metres (15,644 square feet).
60% interest in 7 Water Street Liverpool L2 8TD United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 2,092.36 square metres (22,522 square feet).
50% interest in Head Post Office Fitzalan Square, Sheffield S1 2AB United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 6843.36 square metres (73,662 square 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 3,654 square metres (39,299 square feet).

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

Investment properties (cont'd)

(ii) Held by associates (cont'd)

Location	Company	Type/Usage	Area
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 335.26 square metres (3,605 square feet).
25% interest in Hollins Hall United Kingdom	Fieldfare Investments Limited	Freehold. 3 units of retirement homes.	Gross floor area of about 209 square metres (2,250 square feet).
West Midlands House Gipsy Lane Willenhall West Midlands	Capital Willenhall Limited	Freehold. Office building.	Gross floor area of about 2,532 square metres (27,228 square feet).
51 Scotts Road	Scotts Spazio Pte. Ltd.	Leasehold 15 years from 15 August 2007. 4-storey office block.	Land area of 1.04 hectares. Maximum permissible gross floor area of 15,666 sq metres (168,628 sq feet).

35. 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.

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

(a) Financial instruments carried at fair value

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
(iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
2012				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investment (current)	29,341,291	–	–	29,341,291
- Quoted equity investment (non-current)	49,000	–	–	49,000
- Quoted non equity investment (non-current)	3,482,851	–	–	3,482,851
- Unquoted equity investment (non-current)	–	2,011,894	515,624	2,527,518
- Unquoted debt investment (non-current)	–	–	4,310,675	4,310,675
	32,873,142	2,011,894	4,826,299	39,711,335

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

(a) Financial instruments carried at fair value (cont'd)

	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
2011				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investment (current)	24,545,782	–	–	24,545,782
- Quoted equity investment (non-current)	41,000	–	–	41,000
- Quoted non equity investment (non-current)	3,187,427	–	–	3,187,427
- Unquoted equity investment (non-current)	–	1,407,206	254,690	1,661,896
- Unquoted debt investment (non-current)	–	–	2,035,840	2,035,840
	27,774,209	1,407,206	2,290,530	31,471,945

There have been no transfers between fair value measurement levels during the financial years ended 2012 and 2011.

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

(a) Financial instruments carried at fair value (cont'd)

Determination of fair value

Fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for unquoted equity investments. These investments are included in Level 2.

In circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3. Fair value of unquoted debt investment is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest and assumptions regarding market liquidity.

It is not practicable to determine the fair values of the unquoted equity, non-equity investments and unincorporated joint venture held as long-term investments. These investments are carried at carrying value of $529,322 (2011: $557,048). The Group does not intend to dispose of this investment in the foreseeable future.

Movement in level 3 financial instruments measured at fair value

	Unquoted equity instrument $	**Unquoted debt instrument $**
At 1 January 2011	–	1,821,783
Total gains in profit or loss	–	214,057
Purchased during the year	254,690	–
At 31 December 2011 and 1 January 2012	254,690	2,035,840
Total gains in profit or loss	–	274,835
Total gains in other comprehensive income	60,934	–
Purchased during the year	200,000	2,000,000
At 31 December 2012	515,624	4,310,675

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

(b) Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, current trade and other receivables, bank overdraft, current trade and other payables, amounts due from subsidiaries and associates and the 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.

(c) Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values 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			
	Carrying amount		Fair value	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets:				
Equity instrument at cost	529	557	–	–

(d) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Amount due from associates (non-current) (Note 17)
Other receivables (non-current) (Note 19)

It is not practical to estimate the fair value of the non-current amount due from associates and other receivables as the amounts are not repayable within a year and there are no fixed repayment terms. Hence, the timing of future cash flows cannot be estimated reliably.

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

(e) 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 and non-equity shares)	Fair value has been determined by reference to published market prices or broker quotes at the end of the reporting period without factoring in transaction costs.
• Investment securities (unquoted bonds)	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.

(f) 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	**2012**	**2011**
		$	**$**
Held-to-maturity investments			
Unquoted bonds, at cost	18	–	10
Loans and receivables			
Other receivables	19	9,266,550	18,029,676
Trade receivables	21	969,588	747,531
Amount due from associates	17	18,821,063	32,374,899
Cash and bank balances	22	51,827,169	47,160,939
		80,884,370	98,313,045

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

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

		Group	
	Note	2012	2011
		$	$
Available-for-sale financial assets			
Quoted equity, at fair value	18	29,390,291	24,476,245
Quoted non-equity, at fair value	18	3,482,851	3,187,427
Unquoted equity, at fair value	18	2,527,518	1,772,434
Unquoted debt instrument, at fair value	18	4,310,675	2,035,839
Unquoted equity, at cost	18	352,314	388,598
		40,063,649	31,860,543
Financial liabilities measured at amortised cost			
Trade payables	23	660,882	840,361
Other payables (exclude rental received in advance)	24	3,287,182	2,484,682
Accrued operating expenses		1,780,826	1,577,098
Amounts due to associates	17	519,864	608,078
Bank overdraft (secured)	22	–	1,545,160
Bank loans (secured)	25	19,159,760	13,160,721
		25,408,514	20,216,100

36. Financial risk management objectives and policies

The Group has 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 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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

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 value 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 London. The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below demonstrates the sensitivity to a reasonably possible change in equity price risk with all other variables held constant, of the Group's profit before tax and the Group's fair value reserve:

	Group		
	Percentage point change in assumption	**Effect on profit before tax $'000**	**Effect on fair value reserve $'000**
2012			
- Straits times Index	+10%	–	1,098
	-10%	(163)	(935)
- Korea Composite Stock Price Index	+10%	–	582
	-10%	(40)	(542)
- London Stock Exchange	+10%	–	348
	-10%	–	(348)
2011			
- Straits times Index	+10%	–	367
	-10%	(143)	(224)
- Korea Composite Stock Price Index	+10%	–	556
	-10%	(367)	(189)
- London Stock Exchange	+10%	–	318
	-10%	–	(318)

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

(a) Equity price risk (cont'd)

As there is no reasonable correlation in any market index for one of the Group's unquoted equity investment which holds certain shares listed in Singapore and Indonesian Stock Exchange, an expected rate of change in the fair value of the Singapore and Indonesian quoted shares held by the investment is adopted to reflect the impact to the financial statements.

At 31 December 2012, if the fair value of the Singapore and Indonesian quoted shares had been 10% higher/lower with all other variables held constant, the Group's equity would be approximately $202,500 (2011: $197,500) higher/lower as a result of an increase in the fair value of equity instruments classified as available-for-sale.

(b) Interest rate risk

Interest rate risk is the risk that the fair value 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. The Group uses a combination of fixed and floating rates facilities to allow the Group to benefit from the relative lower interest rate in short term loans and mitigate sudden hike in interest rates.

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

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of taxation (through the impact on interest expenses on floating rate loans and borrowings).

	Group		
	Percentage point change in assumption	**Effect on profit before tax $'000**	**Effect on fair value reserve $'000**
2012	+50	(82)	–
	- 50	80	–
2011	+50	(80)	–
	- 50	80	–

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

(c) 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.

Surplus funds are placed with reputable banks and/or financial institutions.

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Group 2012	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Financial assets				
Amounts due from associate	15,181	2,000	1,640	18,821
Investment securities	29,341	7,570	3,767	40,678
Trade and other receivables	10,234	401	–	10,635
Cash and bank balances	51,827	–	–	51,827
Total undiscounted financial assets	106,583	9,971	5,407	121,961
Financial liabilities				
Trade and other payables	3,671	331	–	4,002
Accrued operating expenses	1,781	–	–	1,781
Amounts due to associates	519	–	–	519
Loans and borrowings	19,728	–	–	19,728
Total undiscounted financial liabilities	25,699	331	–	26,030
Total net undiscounted financial assets	80,884	9,640	5,407	95,931

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

(c) Liquidity risk (cont'd)

Group 2011	**1 year or less $'000**	**1 to 5 years $'000**	**After 5 years $'000**	**Total $'000**
Financial assets				
Amounts due from associate	15,503	10,250	6,621	32,374
Investment securities	24,435	4,806	3,073	32,314
Trade and other receivables	6,481	9,523	16,050	32,054
Cash and bank balances	47,161	–	–	47,161
Total undiscounted financial assets	93,580	24,579	25,744	143,903
Financial liabilities				
Trade and other payables	2,924	458	–	3,382
Accrued operating expenses	1,577	–	–	1,577
Amounts due to associates	608	–	–	608
Bank overdraft (secured)	1,630	–	–	1,630
Loans and borrowings	13,292	–	–	13,292
Total undiscounted financial liabilities	20,031	458	–	20,489
Total net undiscounted financial assets	73,549	24,121	25,744	123,414

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

(c) Liquidity risk (cont'd)

Company	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**
2012			
Financial assets			
Amount due from subsidiaries	12,940	–	12,940
Other receivables	17	–	17
Cash and bank balances	12,366	–	12,366
Total undiscounted financial assets	25,323		25,323
Financial liabilities			
Trade and other payables	271	–	271
Amounts due to associates	327	–	327
Accrued operating expenses	126	–	126
Total undiscounted financial liabilities	724	–	724
Total net undiscounted financial assets	24,599	–	24,599
2011			
Financial assets			
Amount due from subsidiaries	6,440	–	6,440
Other receivables	18	–	18
Investment securities	–*	–	–*
Cash and bank balances	23,880	–	23,880
Total undiscounted financial assets	30,338	–	30,338
Financial liabilities			
Trade and other payables	283	–	283
Amounts due to associates	351	–	351
Accrued operating expenses	188	–	188
Total undiscounted financial liabilities	822	–	822
Total net undiscounted financial assets	29,516	–	29,516

* Amounts less than $1,000

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

(d) 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 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 the end of the reporting period, 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 the end of the reporting period, there was no significant concentration of credit risks.

<u>Financial assets that are neither past due nor impaired</u>

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 are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(e) 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 gains/losses as a result of translating its overseas assets and liabilities held through its subsidiaries. Such translation gains/losses are of unrealised nature and do not impact current year profits unless the underlying assets or liabilities of the subsidiary are disposed.

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

(e) Foreign currency risk (cont'd)

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 Korean Won. 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. Foreign currencies received are kept in foreign currencies accounts and are converted to the respective functional currency of the Group companies on a need-to basis so as to minimise foreign exchange exposure.

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 Singapore Dollar, United States Dollar, Australian Dollar, Sterling Pound and Korean Won, against the respective functional currencies of the Group's entities with all other variables held constant, on the Group's net profit after taxation and fair value reserve:

	Group			
	2012		2011	
	Net profit after taxation $'000	Fair Value Reserve $'000	Net profit after taxation $'000	Fair Value Reserve $'000
United States Dollar/Singapore Dollar				
- strengthened 10% (2011: 10%)	12	134	15	110
- weakened 10% (2011: 10%)	(12)	(134)	(15)	(110)
Australian Dollar/Singapore Dollar				
- strengthened 10% (2011: 10%)	–	4	–	4
- weakened 10% (2011: 10%)	–	(4)	–	(4)
Sterling Pound/Singapore Dollar				
- strengthened 10% (2011: 10%)	2,804	184	2,793	168
- weakened 10% (2011: 10%)	(2,804)	(184)	(2,793)	(168)
United States Dollar/Sterling Pound				
- strengthened 10% (2011: 10%)	–	101	(19)	70
- weakened 10% (2011: 10%)	(101)	–	(51)	–
Korean Won/Singapore Dollar				
- strengthened 10% (2011: 10%)	–	582	–	556
- weakened 10% (2011: 10%)	(40)	(542)	(367)	(189)

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

(e) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

At 31 December 2012, if Sterling Pound strengthened/weakened against Singapore Dollar by 10% (2011: 10%), the Group's currency translation reserve would have increased/decreased by $1,316,000 (2011: $1,383,000) arising from quasi-capital intercompany loan denominated in Sterling Pound.

In the management's opinion, the above sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

37. Capital management

Capital includes equity attributable to owner of the Group.

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. The Company may also purchase its own shares on the market; subject to the terms of the share purchase mandate as approved by the shareholders. Share purchase allows the Company greater flexibility over its share capital structure with a view to improving, inter alia, its return on equity. Share purchase in lieu of issuing new shares would also mitigate the dilution impact on existing shareholders. No share purchase was made during the years ended 31 December 2012 and 2011.

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2012, total liabilities and total equity are $31,260,327 and $197,045,814 respectively. 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 2012, the Group's gearing ratio was 0.16 (2011: 0.14).

38. Events occuring after the reporting period

The Group completed its re-development of its property at 110 Paya Lebar Road Singapore 409009. Temporary occupation licence was obtained on 8 February 2013. On 20 February 2013, the Group executed a lease agreement with an international telecommunication company for the grant of a lease of the property. The non-cancellable lease is for a term of fifteen years with an option for extension and has a clause for fixed upward revisions of the rental charge over the lease term.

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 8 March 2013.

shareholdings statistics

as at 15 March 2013

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	149	2.28	51,092	0.01
1,000 - 10,000	3,131	47.96	20,853,363	3.19
10,001 - 1,000,000	3,210	49.16	151,848,746	23.24
1,000,001 and above	39	0.60	480,750,799	73.56
Total	6,529	100.00	653,504,000	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Ely Investments Pte Ltd	63,646,395	9.74
2.	Ong Eng Loke	36,090,858	5.52
3.	City Developments Realty Limited	33,355,000	5.10
4.	Ong Kay Eng	31,723,934	4.85
5.	Astute Investments Holdings Pte. Ltd.	31,328,552	4.79
6.	Fica (Pte) Ltd	30,385,000	4.65
7.	Tudor Court Gallery Pte Ltd	29,940,000	4.58
8.	Hong Leong Enterprises Pte Ltd	29,544,000	4.52
9.	BNP Paribas Nominees Singapore Pte Ltd	22,906,753	3.51
10.	Welkin Investments Pte Ltd	21,296,000	3.26
11.	Mayban Nominees (S) Pte Ltd	17,011,000	2.60
12.	United Overseas Bank Nominees Pte Ltd	11,189,000	1.71
13.	DBS Nominees Pte Ltd	10,698,500	1.64
14.	Starich Investments Pte. Ltd.	9,359,000	1.43
15.	Ong Hian Eng	8,899,623	1.36
16.	Ong Eng Hui David (Wang Ronghui David)	8,780,634	1.34
17.	HSBC (Singapore) Nominees Pte Ltd	8,263,448	1.26
18.	Ong Hoo Eng or Peter Sim Swee Yam	8,108,000	1.24
19.	Ong Mui Eng	6,958,416	1.06
20.	Citibank Nominees Singapore Pte Ltd	6,879,000	1.05
	Total	426,363,113	65.21

PERCENTAGE OF PUBLIC FLOAT

Based on information available to the Company as at 15 March 2013, approximately 34.89% of the issued ordinary shares of the Company are held by the public and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

TREASURY SHARES

There are no treasury shares held by the Company.

shareholdings statistics

as at 15 March 2013

EXTRACT FROM REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%
Ong Choo Eng	587,000	63,646,395	64,233,395	9.830
Ong Hian Eng	9,898,463	32,385,000	42,283,463	6.470
Ong Kwee Eng	2,809,812	32,929,052	35,738,864	5.469
Ong Eng Loke	36,090,858	884,000	36,974,858	5.658
Ong Eng Yaw	25,000	63,646,395	63,671,395	9.743
Ong Bee Leem	151,440	63,646,395	63,797,835	9.762
Ely Investments (Pte) Ltd.	63,646,395	–	63,646,395	9.740
Hong Leong Enterprises Pte. Ltd.	29,648,000	9,409,000	39,057,000	5.977
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.	–	123,648,000	123,648,000	18.921
Kwek Holdings Pte Ltd	–	123,648,000	123,648,000	18.921
Davos Investment Holdings Private Limited	–	123,648,000	123,648,000	18.921
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 Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments (Pte) Ltd. ("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.

2 Ong Hian Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Fica (Pte) Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

3 Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Astute Investment Holdings 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.

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

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

6 Ong Bee Leem is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which she and/or her associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

7 The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on its last notification to the Company on 14 April 2011. 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.

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

9 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.

10 The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on its last notification to the Company on 13 April 2011. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 39,057,000 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.

11 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 April 2011. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 123,648,000 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.

12 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.

notice of annual general meeting

HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

NOTICE IS HEREBY GIVEN that the Sixtieth 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, 19 April 2013 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited Financial Statements and the reports of the Directors and Auditors for the financial year ended 31 December 2012. **Resolution 1**

2. To declare a one-tier tax exempt final ordinary dividend of 1 cent per share in respect of the financial year ended 31 December 2012. **Resolution 2**

3. To approve the payment of additional fees amounting to S$8,114 to a non-executive Director of the Company for the financial year ended 31 December 2012. **Resolution 3**
   [See Explanatory Note (i)]

4. To approve the payment of fees up to S$333,000 in aggregate to the non-executive Directors of the Company for the financial year ending 31 December 2013 (2012: S$300,614), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter. **Resolution 4**
   [See Explanatory Note (ii)]

5. To re-elect Mr Hans Hugh Miller who is retiring by rotation in accordance with Article 113 of the Articles of Association of the Company. **Resolution 5**
   (Note: Mr Hans Hugh Miller, if re-elected, will remain as Chairman of Divestment and Investment Committee. He will also be appointed by the Board as Chairman of the Audit and Risk Committee. He is considered an independent non-executive Director.)

6. To re-elect Mr Goh Kian Hwee as a Director of the Company. **Resolution 6**
   [See Explanatory Note (iii)]
   (Note: Mr Goh Kian Hwee, if re-elected, will remain a member of Audit and Risk Committee and Remuneration Committee. He is considered an independent non-executive Director.)

7. 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 a non-independent executive 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 a member of the Nominating Committee and the Remuneration Committee. He is considered a non-executive and non-independent Director.)

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

9. 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:

10. **Appointment of Director pursuant to Article 102 of the Articles of Association of the Company:-**

    "That pursuant to Article 102 of the Articles of Association of the Company, Ms Ong Wui Leng, Linda be and is hereby appointed a Director of the Company. **Resolution 10**

    [See Explanatory Note (iv) and (v)]

    "That pursuant to Article 102 of the Articles of Association of the Company, Mr Huang Yuan Chiang be and is hereby appointed a Director of the Company. **Resolution 11**

    [See Explanatory Note (iv) and (vi)]

11. **Authority to allot and issue shares up to fifty per cent (50%) of the total number of Issued Shares** **Resolution 12**

"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.”
[See Explanatory Note (vii)]

12. **Authority to allot and issue shares under Hwa Hong Corporation Limited (2001) Share Option Scheme** **Resolution 13**

“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 extended for a further period of 10 years from 29 May 2011 to 28 May 2021 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."

[See Explanatory Note (viii)]

13. **Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme** **Resolution 14**

"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."

[See Explanatory Note (ix)]

BY ORDER OF THE BOARD

Lynn Wan Tiew Leng
Secretary

Singapore, 1 April 2013

Explanatory Notes to Ordinary Business

Note

A Member entitled to attend and vote at the meeting may appoint not more than two proxies to attend and vote in his stead. Where a Member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a Member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for holding the meeting.

Explanatory Notes to Ordinary Business

(i) Resolution 3, if passed, will authorise the Company to effect payment of Directors' fees to Dr Ong Hian Eng for the period from 18 July 2012 to 31 December 2012. Dr Ong was re-designated as a non-executive Director on 18 July 2012.

(ii) Resolution 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 2013, such payment to be made on a quarterly basis in arrears. This Resolution will facilitate the payment by the Company of the Directors' fees during the financial year in which they are incurred.

(iii) In compliance with the recommendation of the 2012 Code on rigorous review of independence of any director who has served the Board beyond nine years, the Nominating Committee recommended that Mr Goh Kian Hwee to seek re-election at every AGM. This is also to ensure continuity of institutional experience and knowledge, and stability of the Board. The Board believes that Mr Goh will continue to contribute objectively and positively to the Board deliberations.

Explanatory Notes to Special Business

(iv) As part of the Board renewal process, the Board has accepted the recommendation of the Nominating Committee on the appointment of Ms Ong Wui Leng, Linda and Mr Huang Yuan Chiang in place of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho who will step down on 20 April 2013 after the Annual General Meeting. The profile of Ms Ong and Mr Huang are found on page 15 of the Annual Report.

(v) Ms Ong, if appointed as a Director of the Company, will also be appointed by the Board as Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Divestment and Investment Committee. She is considered an independent non-executive Director.

(vi) Mr Huang, if appointed as a Director of the Company, will also be appointed by the Board as Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and Divestment and Investment Committee. He is considered an independent non-executive Director.

(vii) Resolution 12, 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.

(viii) Resolution 13, if passed, gives authorise to the 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).

(ix) Resolution 14, 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.

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HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

PROXY FORM

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.

*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 **Sixtieth 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 **19 April 2013** at **11.00 a.m.** and at any adjournment thereof.

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

Resolution No.	ORDINARY BUSINESS	To be used on a show of hands [(a)]		To be used in the event of a poll [(b)]	
		For	Against	Number of Votes For	Number of Votes Against
1	Adoption of reports and financial statements				
2	Declaration of final ordinary dividend				
3	Approval of payment of fees to a non-executive Director for the financial year ended 31 December 2012				
4	Approval of payment of fees to non-executive Directors for the financial year ending 31 December 2013				
5	Re-election of Mr Hans Hugh Miller				
6	Re-election of Mr Goh Kian Hwee				
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	Appointment of Ms Ong Wui Leng, Linda as Director of the Company				
11	Appointment of Mr Huang Yuan Chiang as Director of the Company				
12	Authority to allot and issue shares up to fifty per cent (50%) of the total number of Issued Shares				
13	Authority to allot and issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme				
14	Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme				

(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 ________ 2013

Total number of Shares held	
CDP Register	
Members' Register	

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

* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

Fold this flap for sealing

Affix
Postage
Stamp

The Company Secretary
HWA HONG CORPORATION LIMITED
38 South Bridge Road
Singapore 058672

2nd fold here

3rd fold here

Notes

1. Please insert in the box at the bottom right hand corner on the reverse of this form, the number of shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") in respect of shares in your Securities Account with CDP and the number of shares registered in your name in the Register of Members in respect of share certificates held by you. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.
3. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. This instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney, or if the appointor is a body corporate, executed under its common seal or signed by its duly authorised officer or attorney.
5. A body corporate which is a Member may also appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50, to attend and vote for and on behalf of such body corporate.
6. This instrument appointing a proxy or proxies, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time fixed for holding the meeting.
7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies. In addition, in the case of a Member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Company.

HWA HONG CORPORATION LIMITED

COMPANY REGISTRATION NO. 195200130C

38 South Bridge Road Singapore 058672

www.hwahongcorp.com