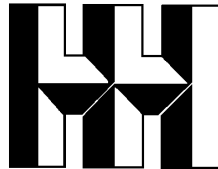


Circular dated 16 May 2001

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Hwa Hong Corporation Limited, you should forward this Circular and the attached Proxy Form immediately to the purchaser or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

**THE PROPOSED DISPOSAL OF
THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF
SINGAPORE PILING & CIVIL ENGINEERING PRIVATE LIMITED**

This Circular has been prepared with the advice of



VICKERS BALLAS

VICKERS BALLAS & CO. PTE LTD

(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form : 31 May 2001 at 3.00 p.m.

Date and time of Extraordinary General Meeting : 31 May 2001 at 3.00 p.m.

Place of Extraordinary General Meeting : Conference Room, Level 2
38 South Bridge Road
Singapore 058672

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:-

- “Act”* : The Companies Act, Chapter 50 of Singapore
- “BBR Group”* : The Purchaser and its subsidiaries
- “BBR Rights Issue”* : The proposed renounceable non-underwritten rights issue by the Purchaser of a minimum of 171,842,000 and a maximum of 300,000,000 new ordinary shares of \$0.05 each in the capital of the Purchaser at an issue price of \$0.05 for each BBR Rights Share on the basis of one (1) BBR Rights Share for every one (1) ordinary share of \$0.05 each held by members of the Purchaser, fractions of a BBR Rights Share to be disregarded
- “BBR Rights Shares”* : A minimum of 171,842,000 and a maximum of 300,000,000 new ordinary shares of \$0.05 each in the capital of the Purchaser to be issued by the Purchaser pursuant to the BBR Rights Issue
- “CDP”* : The Central Depository (Pte) Limited
- “Charge”* : An equitable charge to be created by the Purchaser over the Sale Shares in favour of Hwa Hong or (at the direction of Hwa Hong) any of its wholly-owned subsidiaries as security under the Promissory Notes
- “Completion Date”* : The date of issue of the BBR Rights Shares pursuant to the BBR Rights Issue, being a date no later than 15 March 2001, as set out in the Sale and Purchase Agreement but which was subsequently extended to a date no later than 11 July 2001 (or such other date as the Company and the Purchaser may agree in writing)
- “Consideration Shares”* : Such number of ordinary shares of \$0.05 each in the capital of the Purchaser, representing 24.5 per cent. of the enlarged issued share capital of the Purchaser (taking into consideration the BBR Rights Shares subscribed for as at the close of BBR Rights Issue and the Consideration Shares to be issued) rounded down to the nearest 1,000 shares, at an issue price of \$0.05 for each Consideration Share, credited as fully paid-up on issue, to be allotted and issued to Hwa Hong or (at the direction of Hwa Hong) any of its wholly-owned subsidiaries
- “Directors”* : The directors of the Company as at the date of this Circular
- “Hwa Hong” or the “Company”* : Hwa Hong Corporation Limited
- “Hwa Hong Group” or the “Group”* : Hwa Hong and its subsidiaries
- “Latest Practicable Date”* : The latest practicable date prior to the printing of this Circular, being 11 May 2001

<i>“NTA”</i>	:	Net tangible assets
<i>“Promissory Notes”</i>	:	The promissory notes issued or to be issued by the Purchaser to Hwa Hong as part of the consideration for the Proposed Disposal and in respect of the NTA undertakings, details of which are set out on pages 9 to 12 of this Circular (if applicable)
<i>“Proposed Disposal”</i>	:	The proposed disposal by Hwa Hong of the entire issued and paid-up share capital of Singapore Piling pursuant to the Sale and Purchase Agreement
<i>“Purchaser” or “BBR”</i>	:	BBR Holdings (S) Ltd
<i>“Sale and Purchase Agreement”</i>	:	The sale and purchase agreement relating to the proposed disposal of the entire issued and paid-up share capital of Singapore Piling entered into between Hwa Hong and the Purchaser (including any supplement or amendment thereto)
<i>“Sale Shares”</i>	:	The 10,000,000 issued and fully paid-up ordinary shares of \$1.00 each in the capital of Singapore Piling owned by Hwa Hong, representing 100 per cent. of the total issued and paid-up share capital of Singapore Piling
<i>“SGX-ST”</i>	:	The Singapore Exchange Securities Trading Limited
<i>“SGX-Sesdaq”</i>	:	The Stock Exchange of Singapore Dealing and Automated Quotation System
<i>“Shareholders”</i>	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons to whose direct securities accounts maintained with CDP are credited with Shares
<i>“Shares”</i>	:	Ordinary shares of \$0.25 each in the capital of the Company
<i>“Singa Development”</i>	:	Singa Development Pte Ltd
<i>“Singapore Piling”</i>	:	Singapore Piling & Civil Engineering Private Limited, a wholly-owned subsidiary of Hwa Hong
<i>“Singapore Piling Group” or “Singapore Piling Group Companies”</i>	:	Singapore Piling, Singa Development, Singa Construction (S) Pte Ltd, S.D. Construction Sdn. Bhd., SD Metals Pte Ltd, S Comm Technology Pte Ltd and Sinminh Industries Pte Ltd and “Singapore Piling Group Company” shall mean any one of them
<i>“Vickers Ballas”</i>	:	Vickers Ballas & Co. Pte Ltd
<i>“%” or “per cent.”</i>	:	Per centum or percentage
<i>“\$” and “cents” or “¢”</i>	:	Singapore dollars and cents, respectively

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Act or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

Board of Directors

Ong Choo Eng (Chairman and Group Managing Director)
Ong Mui Eng
Dr Ong Hian Eng
Guan Meng Kuan
Chew Loy Kiat
Goh Kian Hwee
Yong Kok Kean
Boon Suan Lee

Registered Office

38 South Bridge Road
Singapore 058672

16 May 2001

To: The Shareholders of
Hwa Hong Corporation Limited

Dear Shareholders,

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SINGAPORE PILING & CIVIL ENGINEERING PRIVATE LIMITED

1. INTRODUCTION

On 1 November 2000, the Company announced that it had, on the same day, entered into a conditional sale and purchase agreement with the Purchaser pursuant to which the Purchaser had agreed to acquire the entire issued and paid-up share capital of Singapore Piling from the Company in consideration for (i) the issue and allotment of Consideration Shares and (ii) the issue of Promissory Notes.

For the last financial year ended 31 December 2000, the Singapore Piling Group recorded a consolidated audited profit before taxation and extraordinary item of \$15.9 million. As this represents more than 20% but less than 100% of Hwa Hong Group's consolidated audited profit before taxation and extraordinary item of \$16.9 million for the financial year ended 31 December 2000, the Proposed Disposal constitutes a major transaction under Clause 1007 of the SGX-ST Listing Manual and, accordingly, is subject to the approval of the Shareholders of Hwa Hong.

The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders' approval for, the Proposed Disposal at an extraordinary general meeting ("EGM") of the Company to be held on 31 May 2001. Shareholders' attention is drawn to the ordinary resolution set out in the Notice of EGM on page 25 of this Circular.

2. INFORMATION ON SINGAPORE PILING & CIVIL ENGINEERING PRIVATE LIMITED

(a) Business

Singapore Piling was incorporated on 7 December 1970 as a private limited company. The Singapore Piling Group is primarily engaged in piling, civil engineering and building construction activities. Singapore Piling is registered with the Building and Construction Authority ("BCA") as a Grade 8 ("G8") contractor in civil engineering and building construction and a Grade 7 ("G7") contractor in piling. The G8 classification is the highest classification of registration with BCA and enables a company so registered to tender for public sector projects of unlimited value. The G7 classification is a classification of registration with BCA and enables a company so registered to tender for public sector projects of up to \$50 million.

Singapore Piling has obtained the ISO 9002 certification in building, civil engineering and piling services from the then Construction Industry Development Board since January 1996.

The Singapore Piling Group is the building and construction arm of the Hwa Hong Group and subsequent to the Proposed Disposal, the Hwa Hong Group does not intend to take on any general building and piling, civil and structural engineering, renovation and retrofitting work.

For the last financial year ended 31 December 2000, the Singapore Piling Group reported a consolidated audited turnover of \$108.3 million, profit before taxation and extraordinary item of \$15.9 million and profit after taxation and extraordinary item of \$14.2 million. As at 31 December 2000, the consolidated audited NTA of the Singapore Piling Group amounted to \$12.5 million.

(b) Board of Directors

The directors of Singapore Piling as at the Latest Practicable Date are set out below:-

Ong Choo Eng (Chairman)
Guan Meng Kuan
Ong Mui Eng
Dr Ong Hian Eng

Messrs Ong Choo Eng, Guan Meng Kuan, Ong Mui Eng and Dr Ong Hian Eng will vacate their office as directors of Singapore Piling and, where applicable, its subsidiaries after the Proposed Disposal. Accordingly, Messrs Ong Choo Eng, Guan Meng Kuan, Ong Mui Eng and Dr Ong Hian Eng will not be involved in the management of Singapore Piling henceforth. Mr Andrew Tan Kheng Hwee, currently Managing Director of the Purchaser, will be appointed as an Executive Director of Singapore Piling after the Proposed Disposal.

(c) Financial Highlights

The financial highlights of Singapore Piling for the last three financial years ended 31 December 1999 and of Singapore Piling Group for the financial year ended 31 December 2000 are set out below:-

	← Audited →			
	FY1997 \$	FY1998 \$	FY1999 ⁽¹⁾ \$	FY2000 ⁽²⁾⁽³⁾ \$
Turnover	207,279,503	83,716,352	107,533,056	108,254,249
Profit/(Loss) before taxation and extraordinary item	(3,786,646)	(1,891,656)	(1,040,530)	15,945,343
Profit/(Loss) after taxation and extraordinary item	(3,406,807)	(1,891,656)	(1,036,801)	14,151,438
Shareholders' equity	11,764,153	9,333,131	8,296,330	12,464,627
Represented by:-				
Fixed assets	11,734,301	10,788,206	9,792,073	8,682,593
Other investments	12,335,172	8,676,744	499,572	190,000
Investment in associated company	—	—	1	2,921
Other debtors	—	—	—	350,765
Current assets	46,185,282	43,993,277	44,560,094	67,612,479
Current liabilities	(56,653,682)	(52,288,176)	(44,718,490)	(62,885,131)
Net current assets/(liabilities)	(10,468,400)	(8,294,899)	(158,396)	4,727,348
Deferred taxation	(1,836,920)	(1,836,920)	(1,836,920)	(1,489,000)
	11,764,153	9,333,131	8,296,330	12,464,627

Notes:-

1. During the financial year ended 31 December 1999, 33.33% of the issued and paid-up share capital of Singa Development was transferred from Singapore Warehouse Company (Private) Ltd., a wholly-owned subsidiary of Hwa Hong, to Singapore Piling. Accordingly, Singa Development became an associated company of Singapore Piling.
2. The principal activities of Singa Development are those of building contractors, project and contract managers, reinforced concrete specialists and contractors for all types of building and civil engineering work. Singa Development became a wholly-owned subsidiary of Hwa Hong Group in March 2000 when SPACE Resources Pte Ltd ("SPACE Resources"), a wholly-owned subsidiary of Hwa Hong, acquired the remaining 66.67% of the issued and paid-up share capital of Singa Development. The aforesaid 66.67% of the issued and paid-up share capital of Singa Development was then transferred from SPACE Resources to Singapore Piling in June 2000, making Singa Development a wholly-owned subsidiary of Singapore Piling. Accordingly, the consolidated audited results of Singapore Piling Group for the financial year ended 31 December 2000 had consolidated the financial performance of Singa Development.
3. Notwithstanding that Singapore Piling Group registered a profit after taxation and extraordinary item of \$14.2 million for the financial year ended 31 December 2000, approximately \$15.2 million higher compared to the loss after taxation and extraordinary item of \$1.0 million for the financial year ended 31 December 1999, the shareholders' equity of Singapore Piling Group increased by approximately \$4.2 million from \$8.3 million for the financial year ended 31 December 1999 to \$12.5 million for the financial year ended 31 December 2000. The smaller increase in the shareholders' equity compared to the improvement in the profit/(loss) after taxation and extraordinary item was due to total net dividend payment with respect to the financial year ended 31 December 2000, amounting to \$9.8 million.

(d) Review of Performance

Financial year ended 31 December 1997 ("FY1997")

The turnover for FY1997 was \$207.3 million, compared to \$180.3 million in FY1996. In FY1997, two major contracts contributed about \$200.8 million to the turnover compared to FY1996 for which three projects contributed about \$175.1 million. However, Singapore Piling registered a loss of \$3.8 million in FY1997 compared to a profit of \$1.7 million in FY1996. This was primarily due to a \$5.8 million provision for anticipated losses and liquidated damages for two completed projects. It is typical in the construction industry that finalisation of billings and liquidated damages takes place many months after the construction of a project is completed.

Financial year ended 31 December 1998 ("FY1998")

The turnover for FY1998 was \$83.7 million as compared to \$207.3 million in FY1997, representing a decrease of approximately 59.6%. The lower turnover was primarily attributable to the slow down in the construction industry. As a result, there were only two major projects which contributed about \$79.4 million to the turnover. Despite the lower turnover, the operating loss of Singapore Piling was reduced from \$3.8 million in FY1997 to \$1.9 million in FY1998 mainly due to a write-back of provision of \$2.0 million, arising from a commercial settlement with a client which resulted in a reduction of liquidated damages already provided for in previous years.

Financial year ended 31 December 1999 ("FY1999")

Singapore Piling recorded a turnover of \$107.5 million for FY1999, approximately 28.4% higher than in FY1998 due to the completion of a major project. The operating loss of \$1.0 million in FY1999 was attributed primarily to an additional provision of \$2.0 million for anticipated project deficits and liquidated damages expected to be imposed by the developer of a completed project. It is typical in the construction industry that finalisation of billings and liquidated damages takes place many months after the construction of a project is completed.

Financial year ended 31 December 2000 ("FY2000")

For FY2000, the turnover of the Singapore Piling Group was \$108.3 million, marginally higher than the \$107.5 million registered for FY1999. The higher turnover was due to three major projects contributing approximately \$86.2 million in FY2000. The Singapore Piling Group registered a profit before tax of \$15.9 million in FY2000, compared to a loss of \$1.0 million in FY1999. The improved performance was mainly due to a one-off compensation of \$4.8 million from a client for an aborted building project, better margin from one major project, contribution from Singa Development of \$4.4 million and write-back of provisions for liquidated damages and cost over-runs of approximately \$2.7 million.

(e) Material Litigation

As at the Latest Practicable Date, none of the Singapore Piling Group Companies is engaged in any litigation, either as a plaintiff or defendant, which may materially and adversely affect the financial position of Singapore Piling Group taken as a whole.

Save as disclosed below, the directors of Singapore Piling are not aware of any legal or arbitration proceedings pending or threatened against any Singapore Piling Group Company or any facts likely to give rise to any such proceedings which, in the opinion of the directors of Singapore Piling may materially and adversely affect the financial position of Singapore Piling Group taken as a whole:-

- (i) On 14 April 2000, a German company (the "German Partner") and Singapore Piling, submitted a joint tender bid for the design and construction of a transmission cable tunnel. On 11 July 2000, the German Partner advised PowerGrid Ltd that it wished to withdraw from the tender while Singapore Piling maintained its stance for the tender bid. The tender expired on 11 September 2000. Arising from the withdrawal by the German Partner, Singapore Piling is debarred by Singapore Power Ltd from tendering for tenders and quotations of Singapore Power Ltd and all its subsidiary companies for a period of one year from 28 December 2000 to 27 December 2001, both dates inclusive. This restriction is not expected to have a significant impact on the business of Singapore Piling as Singapore Power Ltd and its subsidiaries are not major customers of Singapore Piling.
- (ii) Singapore Piling has incurred liquidated damages amounting to \$5 million due to a delay in the completion of a project. This amount was fully accounted for in the financial statements of Singapore Piling for FY1999. Singapore Piling has contended that a subcontractor has contributed to the delay in completion. The subcontractor has agreed to pay \$450,000 as liquidated damages. This amount has been accounted for in the financial statements of Singapore Piling for FY2000.

3. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED DISPOSAL

(a) Consideration

The consideration was arrived at on a willing-buyer willing-seller basis and is fixed at not less than \$13.9 million ("Agreed SP NTA") for the purpose of completion and will be based on the consolidated audited adjusted NTA of the Singapore Piling Group ("Adjusted SP NTA") as at 31 December 2000.

On completion, the consideration will be satisfied as follows:-

- (i) The issue and allotment of shares at par of \$0.05 each in the capital of the Purchaser, representing 24.5 per cent. of the enlarged issued share capital of the Purchaser (taking into consideration the BBR Rights Shares subscribed for as at the close of the BBR Rights Issue and the Consideration Shares to be issued).

As the BBR Rights Issue is not underwritten, the number of Consideration Shares will vary between 153,114,000 and 194,701,000 shares of \$0.05 each (depending on the subscription level of the BBR Rights Issue). The total issue price of the Consideration Shares to be issued and allotted to Hwa Hong or any of Hwa Hong's wholly-owned subsidiaries (at Hwa Hong's discretion) will therefore vary between approximately \$7.7 million and \$9.7 million.

The issue price of \$0.05 per Consideration Share represents a discount of approximately 54.5% to the last transacted price of BBR share of \$0.11 on the SGX-Sesdaq as at the close of trading on 1 November 2000. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the existing ordinary shares of \$0.05 each in the capital of the Purchaser as at the date of the issue of the Consideration Shares. For the avoidance of doubt, the Consideration Shares will be issued after the close of the BBR Rights Issue.

- (ii) The balance of between approximately \$6.2 million and \$4.2 million (depending on the subscription level of the BBR Rights Issue) by the issue of Promissory Notes. The Promissory Notes will be repayable in 4 equal annual instalments commencing on the second anniversary of the date of issue and will carry an interest rate of 6% per annum computed based on the principal amount outstanding from time to time and payable annually in arrears. The Promissory Notes will be secured by the Charge.

(b) Conditions to the Proposed Disposal

The obligations of the Company to complete the Proposed Disposal under the Sale and Purchase Agreement are conditional upon, *inter alia*, the following:-

- (i) the results of the Company's financial due diligence investigation conducted in respect of the results and financial position (including cash flow position) of the BBR Group as at and for the period ended 31 August 2000 and completed before 30 November 2000 (or such later date as agreed in writing between the Company and the Purchaser) being to the satisfaction of the Company;
- (ii) the results of the Purchaser's financial due diligence investigation conducted in respect of the results and financial position (including cash flow position) of the Singapore Piling Group as at and for the period ended 31 August 2000 and completed before 30 November 2000 (or such later date as agreed in writing between the Purchaser and the Company) being to the satisfaction of the Purchaser;
- (iii) the approval of the Shareholders of the Company at a general meeting to be convened for, *inter alia*, the disposal of the Sale Shares having been obtained;
- (iv) the approval of the shareholders of the Purchaser at a general meeting to be convened for, *inter alia*, (a) the acquisition of the entire issued and paid-up share capital of Singapore Piling, (b) the BBR Rights Issue, (c) the increase in the authorised share capital of the Purchaser and (d) the allotment and issue of the Consideration Shares having been obtained and continuing in force or having been renewed at the next Annual General Meeting of the Purchaser;
- (v) the approval in-principle of the SGX-ST for the listing and quotation of the Consideration Shares and the BBR Rights Shares on the SGX-Sesdaq having been obtained and if such approval is subject to conditions (other than those which are in practice imposed by the SGX-ST), such conditions being acceptable to the Purchaser and the Company, such acceptance not to be unreasonably withheld;
- (vi) BBR Holding Ltd and Mr Andrew Tan Kheng Hwee (who are substantial shareholders of the Purchaser) subscribing and paying in full for their respective entitlements, namely, 128,360,000 BBR Rights Shares and 43,482,000 BBR Rights Shares to be issued under the BBR Rights Issue pursuant to their undertakings;
- (vii) the Purchaser being listed and there not being any suspension of the trading of the shares of the Purchaser on the SGX-Sesdaq for any period of more than ten (10) consecutive market days from 1 November 2000, being the date of the Sale and Purchase Agreement up to the Completion Date; and
- (viii) if required, the consents of certain financial institutions having been obtained by the Purchaser for and in connection with the acquisition of the entire issued and paid-up share capital of Singapore Piling, the issue and allotment of the Consideration Shares, the issue of the Promissory Notes and the creation of the Charge and the transactions contemplated and completion of the terms of the Sale and Purchase Agreement having been obtained and continuing to be in force.

Subsequent to the Sale and Purchase Agreement, Hwa Hong and the Purchaser have agreed to extend the completion date of the financial due diligence investigation referred to in Clauses (i) and (ii) above. On 22 December 2000, Hwa Hong and the Purchaser have each indicated that the financial due diligence investigation was to their satisfaction.

On 15 March 2001, 21 April 2001 and 11 May 2001, Hwa Hong and the Purchaser further agreed to the following:-

- (1) to extend the date on or before which the condition referred to in Clause (v) above shall be fulfilled, from 15 March 2001 to 23 March 2001 (or such later date as may be agreed in writing between the parties);
- (2) to extend the date on or before which conditions referred to in Clause (iii), (iv) and (viii) above shall be fulfilled, from 15 March 2001 to 31 May 2001 (or such later date as may be agreed in writing between the parties);
- (3) to extend the date on or before which conditions referred to in Clause (vi) and (vii) above shall be fulfilled, from 15 March 2001 to 30 June 2001 (or such later date as may be agreed in writing between the parties); and
- (4) to extend the Completion Date from 15 March 2001 to 11 July 2001.

On 23 March 2001, the Purchaser received the in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares and the BBR Rights Shares on the SGX-Sesdaq, referred to in Clause (v) above.

(c) Covenants

Pursuant to the Sale and Purchase Agreement, the Company had covenanted and undertaken with the Purchaser that the Adjusted SP NTA shall be no less than \$13.9 million after taking into account, *inter alia*, the following:-

- (i) provisions for retrenchment benefits and other benefits relating to employees of the Singapore Piling Group expected to be made upon the completion of the Proposed Disposal;
- (ii) write-back of provisions relating to excess provisions for cost overruns and liquidated damages in relation to completed construction contracts as at 31 December 2000;
- (iii) provisions for cost overruns and liquidated damages in relation to completed and ongoing construction contracts as at 31 December 2000;
- (iv) the fair market value of the assets, plant and equipment of the Singapore Piling Group as appraised by independent valuers jointly appointed by both the Company and the Purchaser. The Company and the Purchaser have for this purpose appointed Knight Frank Pte Ltd and Asian Appraisal Company Pte Ltd, whom have since completed the appraisal of the assets, plant and equipment of the Singapore Piling Group. The valuation surplus arising therefrom amounts to \$2.5 million;
- (v) transfers out of the Singapore Piling Group at book value certain motor vehicles, club memberships and two real estate properties located in Colombo, Sri Lanka and such other assets as may be approved by the Purchaser;
- (vi) operating profits/(losses) for the financial year ended 31 December 2000;
- (vii) dividends to be declared in respect of the financial year ended 31 December 2000; and
- (viii) any tax effects of the above items.

In addition, the Company had covenanted and undertaken with the Purchaser that as at 31 December 2000 and on completion of the Proposed Disposal on the Completion Date, Singapore Piling Group shall have Cash (defined as cash, fixed deposits, investments in floating rate notes, government fixed income securities and short-term money market instruments) of not less than \$7.5 million and the Net Monetary Assets of Singapore Piling Group (defined as the net working capital excluding inventory, contract work-in-progress and deferred expenses that may be included in current assets and/or current liabilities, and for the avoidance of doubt, such computation shall be net of provision for retrenchment benefits and other benefits relating to employees of the Singapore Piling Group) shall be no less than \$7.5 million.

In the event that, as at 31 December 2000, the Adjusted SP NTA as determined by the auditors of Singapore Piling shall be less than the Agreed SP NTA, Hwa Hong shall pay to the Purchaser the difference between the Adjusted SP NTA and the Agreed SP NTA in cash.

In the event that, as at 31 December 2000, the Adjusted SP NTA shall exceed the Agreed SP NTA, the Purchaser shall issue Promissory Notes to the Company of an amount equal to the difference between the Adjusted SP NTA and the Agreed SP NTA (on terms similar to the terms of the Promissory Notes referred to on page 9 of this Circular).

As at 31 December 2000, the consolidated audited NTA, Cash and Net Monetary Assets of the Singapore Piling Group amounted to \$12.5 million, \$40.1 million and \$9.7 million respectively. The Adjusted SP NTA after taking into account, *inter alia*, the fair market value of the assets, plant and equipment of the Singapore Piling Group and the related tax effect, is approximately \$14.3 million. Accordingly, the difference between the Adjusted SP NTA and the Agreed SP NTA will be accounted for by the issuance of additional Promissory Notes to the Company amounting to \$0.4 million.

Under the Sale and Purchase Agreement, the Purchaser warrants to the Company that the consolidated audited adjusted NTA of the BBR Group for the financial year ended 31 December 2000 shall be no less than \$6.0 million. The adjustments may, at the Purchaser's option, include those relating to the fair market value of the assets, plant and equipment of the BBR Group and any tax impact. As at 31 December 2000, the consolidated unaudited NTA of the BBR Group was \$3.9 million. In the event that the adjusted NTA of the BBR Group falls below \$6.0 million, the Purchaser will enter into discussions with the Company to reach an agreement as to how the matter will be resolved.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Directors have reviewed the Group's activities. The Group will focus on the business of investment holding, property management and development, which the Directors believe will generate better shareholders' return. The Proposed Disposal is in line with the Group's strategy of focusing on its core business and will enable the Company to rationalise its operations and channel more of its resources towards property management and development projects.

The Directors believe that due to the weakness in the construction industry, consolidation of companies in the industry would allow these companies to compete more effectively. The transaction will allow Singapore Piling and the Purchaser to pool financial resources and technical and management expertise. The Directors believe that the combined Singapore Piling and the Purchaser will be in a better position to compete for large projects locally as well as in the region.

Further, in view of the weak performance and the intense competition in the construction sector, the Directors are of the view that the Proposed Disposal offers the Company an opportunity to divest its interest in Singapore Piling and hold marketable securities in the Purchaser. However, the Company will not be out of the construction sector completely and will still be subjected to the risks and conditions in the construction sector through its shareholding in BBR. Notwithstanding that the Chairman of the Company, Mr Ong Choo Eng will be appointed as a non-executive director on the

board of BBR, the Company will lose control over Singapore Piling Group with the Proposed Disposal, and will become an investor. The value of BBR shares is affected by several factors, including but not limited to stock market conditions, construction industry outlook and financial performance of BBR.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Hwa Hong's resultant interest in the Purchaser of 24.5% will be recognised as a long-term investment and not as an associated company as the Company will not have control and influence over the management of BBR. Accordingly, the financial results of the Purchaser will not be equity accounted for in the financial statements of Hwa Hong.

For illustrative purposes, assuming that the BBR Rights Issue and the Proposed Disposal take place on 1 January 2000 and the BBR Rights Issue is fully subscribed, the financial effects on the consolidated audited NTA and profit/(loss) after tax but before extraordinary item of Hwa Hong Group for the financial year ended 31 December 2000 are as follows:-

	<i>31 December 2000</i>	<i>Proforma</i>
NTA (\$'000)	421,696	423,550 ⁽¹⁾
Profit / (loss) after tax but before extraordinary item (\$'000)	13,095	(948) ⁽²⁾
NTA per Share (cents) ⁽³⁾	64.61	64.90
Earnings/(loss) per Share (cents) ⁽⁴⁾	2.01	(0.15)

Notes:-

1. The proforma NTA takes into consideration (i) the disposal of Singapore Piling Group with audited NTA of \$12.5 million as at 31 December 2000 (without any adjustments); (ii) investment in Promissory Notes issued by the Purchaser amounting to about \$4.6 million (assuming Adjusted SP NTA of \$14.3 million taking into consideration the fair market value of the assets, plant and equipment of the Singapore Piling Group as appraised by Knight Frank Pte Ltd and Asian Appraisal Company Pte Ltd and adjusting for the related tax effect, and the difference between the Adjusted SP NTA and the Agreed SP NTA being satisfied by the issuance of Promissory Notes) and (iii) investment in 194.7 million shares of the Purchaser issued at \$0.05 each amounting to about \$9.7 million.
2. The proforma loss of Hwa Hong takes into consideration the disposal of the Singapore Piling Group which contributed earnings of approximately \$14.0 million for the financial year ended 31 December 2000. The proforma loss of Hwa Hong Group does not take into account any interest income on the Promissory Notes to be issued by the Purchaser. Had the aforementioned interest effect been taken into consideration, the proforma loss after tax but before extraordinary items and loss per Share of Hwa Hong Group would have been approximately \$673,180 and 0.10 cents respectively.
3. The NTA per Share is based on the issued share capital of 652,660,000 Shares as at 31 December 2000.
4. The earnings/(loss) per Share is based on the weighted average number of 651,681,584 Shares for the financial year ended 31 December 2000.

With the Proposed Disposal, the Group expects turnover and profit to be lower for the current financial year compared to the financial year ended 31 December 2000. The Group will focus on the business of investment holding, property management and development and barring any unforeseen circumstances, the Group expects to remain profitable in the current financial year.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Mr Goh Kian Hwee, a Director, is a partner of Messrs Lee & Lee, who are solicitors for the Purchaser. Accordingly, Mr Goh will not be making any recommendation in respect of the Proposed Disposal.

Save as disclosed, none of the Directors has any interest in the Purchaser and the Proposed Disposal (other than through their shareholdings in Hwa Hong) as at the date of this Circular. To the best of the Company's knowledge, none of its substantial shareholders has an interest, whether direct or indirect, in the Purchaser and the Proposed Disposal (other than through their shareholdings in Hwa Hong). Accordingly, the Proposed Disposal is not an interested person transaction for the purposes of Chapter 9A of the SGX-ST Listing Manual.

7. DIRECTORS' RECOMMENDATION

Save for Mr Goh Kian Hwee who has abstained from making any recommendation, the Directors are of the opinion that the Proposed Disposal is in the interests of the Company and recommend that Shareholders vote in favour of the ordinary resolution set out in the Notice of EGM on page 25 of this Circular at the EGM.

In arriving at this recommendation, the Directors have considered, *inter alia*, the principal terms and conditions, the rationale and the financial effects of the Proposed Disposal set out respectively under "Principal Terms and Conditions of the Proposed Disposal", "Rationale for the Proposed Disposal" and "Financial Effects of the Proposed Disposal" on pages 9 to 13 of this Circular.

Ong Holdings (Private) Limited, a substantial shareholder of the Company having an interest in approximately 38.7% of the issued share capital of the Company, has undertaken to the Purchaser to vote in favour of the ordinary resolution to be proposed at the EGM of the Company to be held on 31 May 2001, relating to the disposal of the entire issued and paid-up share capital of Singapore Piling by the Company.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

The EGM, notice of which is set out on page 25 of this Circular, will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 31 May 2001 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without modification the ordinary resolution set out in the Notice of EGM.

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 38 South Bridge Road, Singapore 058672, not less than 48 hours before the time appointed for holding the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.

9. VICKERS BALLAS' RESPONSIBILITY STATEMENT

Vickers Ballas acknowledges that, having made all reasonable enquiries, to the best of its knowledge and belief and based on the information provided to Vickers Ballas by the Company, this Circular constitutes full and true disclosure of all material facts on the Proposed Disposal and it is not aware of any other material facts the omission of which would make any information in this Circular misleading.

10. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by the Directors who collectively and individually accept full responsibility for the accuracy of the information given insofar as it relates to Hwa Hong Group, and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material aspects, as at the date hereof and that there are no other material facts the omission of which would make any statement misleading. Where information has been taken from published or publicly available sources, the Directors' sole responsibility for such information has been to ensure, having made all reasonable enquiries, that such information has been accurately and correctly reproduced in this Circular.

Yours faithfully,
For and on behalf of the Board of Directors of
Hwa Hong Corporation Limited

Ong Choo Eng
Chairman

ADDITIONAL INFORMATION

1. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The details of Directors' and substantial shareholders' interests in the Shares as at the Latest Practicable Date as extracted from the Register of Directors' Shareholdings and Register of Substantial Shareholders are set out below:-

	Direct Interests		Deemed Interests		Aggregate	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Directors						
Ong Choo Eng	0	0.00	265,713,520 ⁽²⁾	40.69	265,713,520	40.69
Ong Mui Eng	4,547,248	0.70	253,294,268 ⁽³⁾	38.79	257,841,516	39.49
Dr Ong Hian Eng	3,062,604	0.47	253,357,520 ⁽⁴⁾	38.80	256,420,124	39.27
Guan Meng Kuan	5,534,860	0.85	0	0.00	5,534,860	0.85
Chew Loy Kiat	840,000	0.13	0	0.00	840,000	0.13
Goh Kian Hwee	0	0.00	0	0.00	0	0.00
Yong Kok Kean	0	0.00	0	0.00	0	0.00
Boon Suan Lee	0	0.00	0	0.00	0	0.00
Substantial Shareholders (other than Directors)						
Ong Kwee Eng	200,000	0.03	254,973,020 ⁽⁵⁾	39.05	255,173,020	39.08
Ong Eng Loke	356,500	0.05	253,796,520 ⁽⁶⁾	38.87	254,153,020	38.92
Ong Eng Yaw	0	0.00	252,972,520 ⁽⁷⁾	38.74	252,972,520	38.74
Ong Holdings (Private) Limited	216,795,676	33.20	36,176,844 ⁽⁸⁾	5.54	252,972,520	38.74
Hong Leong Investment Holdings Pte. Ltd.	0	0.00	106,426,248 ⁽⁹⁾	16.30	106,426,248	16.30
Kwek Holdings Pte Ltd	0	0.00	106,426,248 ⁽⁹⁾	16.30	106,426,248	16.30
Hong Leong Enterprises Pte. Ltd.	32,429,000	4.97	18,906,000 ⁽¹⁰⁾	2.89	51,335,000	7.86

Notes:-

- This represents the shareholding percentage based on the issued and paid-up share capital of 652,960,000 Shares.
- The deemed interests arise from interests in Ong Holdings (Private) Limited ("OH") and its wholly-owned subsidiaries and Ely Investments (Pte) Ltd.
- The deemed interests arise from interests in OH and its wholly-owned subsidiaries and Shares held by his spouse.
- The deemed interests arise from interests in OH and its wholly-owned subsidiaries and Fica (Pte) Ltd.
- The deemed interests arise from interests in OH and its wholly-owned subsidiaries and Shares held by his spouse.
- The deemed interests arise from interests in OH and its wholly-owned subsidiaries and OME Investment Holding Pte Limited.
- The deemed interests arise from interests in OH and its wholly-owned subsidiaries.
- The deemed interests arise from Shares held by its wholly-owned subsidiaries, namely, Bee Tong Trading Company Private Limited and International Foundation Engineering Pte. Ltd.
- The deemed interests arise from interests in Hong Leong Enterprises Pte. Ltd., Starich Investments Pte Ltd ("Starich"), Tudor Court Gallery Pte Ltd, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.
- The deemed interests arise from interests in Starich.

2. MATERIAL LITIGATION

Save as disclosed on page 9 of this Circular, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the Directors, might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

3. CONSENT

Vickers Ballas has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

4. DOCUMENTS FOR INSPECTION

The following documents or copies thereof are available for inspection at the registered office of the Company at 38 South Bridge Road, Singapore 058672 during normal business hours from the date of this Circular up to and including the date of the EGM:-

- (a) the Memorandum and Articles of Association of Hwa Hong;
- (b) the consolidated audited accounts of Hwa Hong Group for FY2000;
- (c) the consolidated audited accounts of Singapore Piling Group for FY2000;
- (d) the Sale and Purchase Agreement; and
- (e) the letter of consent referred to in paragraph 3 above.

INFORMATION ON BBR HOLDINGS (S) LTD

The Directors and Vickers Ballas do not accept any responsibility for the accuracy of the information given below. The information presented in this Appendix is extracted from various published or publicly available sources and is included herein solely for the information of Shareholders only and may not be relied upon for any other purpose. This information should not be taken as complete and Shareholders should refer to the SGX-ST website <http://www.singaporeexchange.com> or the MASNET for further information on BBR.

1. BACKGROUND

BBR was incorporated in Singapore on 7 July 1993 as a private limited company under the name of "Maderia Enterprises Pte Ltd". The company changed its name to "BBR Construction Systems (Far East) Pte Ltd" on 17 November 1993, and subsequently to "BBR Construction Systems Pte Ltd" on 24 February 1994. BBR was admitted to the official list of the SGX-Sesdaq on 8 September 1997. With its public listing in 1997, the company changed its name to "BBR Construction Systems Ltd". Following a restructuring of the operations of the BBR Group in 1998, the company was renamed "BBR Holdings (S) Ltd".

The principal activities of the BBR Group and its associated company as at 31 December 2000 are set out below:-

Name	Interests held by the BBR group	Principal activities
BBR Construction Systems Pte Ltd	100.0	Structural engineering and design-and-build services
BBR Ground Engineering Pte Ltd	100.0	Ground engineering services
BBR Investments Pte Ltd ⁽¹⁾	100.0	Investment holding
TKP Development Pte Ltd	100.0	Property development
BBR Geotechnic (S) Pte Ltd	75.5	Geotechnical and foundation engineering services
BBR Construction Systems (M) Sdn Bhd	70.0	Structural engineering and design-and-build services
Chileon Pte Ltd ⁽¹⁾	70.0	Property development
BBR Philippines Corporation	40.0	Structural engineering

Note:-

1. BBR Investments Pte Ltd, a wholly-owned subsidiary of BBR has disposed of all its interest in its 70% owned subsidiary, Chileon Pte Ltd on 29 March 2001. With this disposal, Chileon Pte Ltd ceased to be a subsidiary of the BBR Group.

2. FINANCIAL HIGHLIGHTS

The financial summary of the consolidated audited profit and loss accounts for the BBR Group for each of the past three financial years ended 31 December 1999 and the consolidated unaudited profit and loss accounts for the financial year ended 31 December 2000 is set out below:-

	←———— Audited —————→			Unaudited
	FY1997 \$'000	FY1998 \$'000	FY1999 \$'000	FY2000 \$'000
Turnover	148,115	140,111	122,957	129,745
Investment income	0	0	0	0
Other income including interest income	160	415	322	299
Operating profit / (loss) before income tax, minority interests, extraordinary items, interest on borrowings, depreciation and amortisation, foreign exchange gain/(loss) and exceptional items	11,808	12,360	4,017	(9,275)
Interest on borrowings	(446)	(626)	(1,027)	(2,040)
Depreciation and amortisation	(2,404)	(4,124)	(7,806)	(10,983)
Foreign exchange gain/(loss)	(99)	(78)	(22)	32
Exceptional items	0	0	0	(2,843)
Share of (loss) / profit of associated company	0	0	(42)	(50)
Profit / (loss) before taxation	8,859	7,532	(4,880)	(25,159)
Taxation	(2,382)	(2,420)	125	50
Profit / (loss) after taxation	6,477	5,112	(4,755)	(25,109)
Minority interests	(1,311)	472	195	424
Profit / (loss) before extraordinary items	5,166	5,584	(4,560)	(24,685)
Extraordinary items	0	0	0	0
Profit / (loss) attributable to shareholders	5,166	5,584	(4,560)	(24,685)
Earnings / (loss) per share (cents) ⁽¹⁾ ⁽²⁾	3.35	1.99	(1.56)	(8.23)

Notes:-

- Earnings / (loss) per share is computed by dividing the profit / (loss) after taxation and minority interests but before extraordinary items with the weighted average number of 154,000,000 shares in issue during FY1997, 280,000,000 shares in issue during FY1998, 291,666,667 shares in issue during FY1999 and 300,000,000 shares in issue during FY2000.
- Loss per share for the financial year ended 31 December 2000 was derived after accounting for an exceptional item of \$2.84 million arising from the provision for cost incurred and for non-recovery of deposit paid for a development property.

The financial summary of the consolidated audited balance sheets of the BBR Group as at the end of the past three financial years and the consolidated unaudited balance sheet of the BBR Group as at 31 December 2000 is set out below:-

	← Audited →			Unaudited
	FY1997	FY1998	FY1999	
	\$'000	\$'000	\$'000	\$'000
Fixed assets	11,915	19,243	35,037	26,870
Associated companies	0	92	50	0
Other investments	14	14	14	4
Deferred expenditure	308	276	211	100
Patent	0	638	571	504
Current assets	68,407	69,826	76,816	77,628
comprised of :				
<i>Cash</i>	14,614	7,785	6,247	2,188
<i>Trade receivables</i>	47,687	57,946	56,486	66,178
<i>Other receivables and prepayments</i>	687	1,251	3,587	1,910
<i>Inventories</i>	1,309	1,403	1,524	1,067
<i>Development property</i>	0	0	673	3,256
<i>Costs of contracts work in progress in excess of related billings</i>	4,110	1,441	8,299	3,029
Current liabilities	51,087	56,648	69,514	92,336
comprised of :				
<i>Bank loans and overdraft</i>	1,920	2,160	5,492	13,741
<i>Trade payables</i>	34,098	41,751	52,443	57,304
<i>Other payables</i>	374	254	288	4,707
<i>Billings on contracts work in progress in excess of costs</i>	8,481	5,791	3,542	9,009
<i>Income tax payable</i>	2,750	2,332	295	285
<i>Proposed dividends</i>	1,090	1,036	—	—
<i>Current portion of finance leases</i>	2,374	3,324	7,145	6,981
<i>Current portion of long term debt</i>	—	—	309	309
Net current assets/ (liabilities)	17,320	13,178	7,302	(14,708)
Non-current liabilities	(4,843)	(5,603)	(13,472)	(7,993)
	24,714	27,838	29,713	4,777
Represented by :				
Share capital	7,000	7,000	15,000	15,000
Capital reserves	0	0	0	0
Exchange fluctuation reserve	(126)	(129)	(108)	65
Share premium	11,181	11,181	9,790	9,790
Unappropriated profit/(loss)	4,379	8,824	4,264	(20,421)
Share capital and reserves	22,434	26,876	28,946	4,434
Minority interests	2,280	962	767	343
	24,714	27,838	29,713	4,777
NTA per share (cents) ⁽¹⁾	15.8	18.5	9.4	0.98

Note:-

1. The NTA per share is based on the consolidated NTA before minority interest divided by the number of shares in issue as at the end of each financial year.

The segmental information of the BBR Group by industry segment for each of the past three financial years ended 31 December 2000 is set out below:-

	<i>Design- and-Build \$'000</i>	<i>Structural engineering \$'000</i>	<i>Ground engineering \$'000</i>	<i>Property development \$'000</i>	<i>Total \$'000</i>
FY2000 (Unaudited)					
Revenue	64,170	28,064	37,511	—	129,745
Profit / (loss) before tax	(17,418)	2,311	(7,006)	(3,046)	(25,159)
FY1999					
Revenue	70,325	23,957	28,675	—	122,957
Profit / (loss) before tax	(2,864)	1,503	(3,512)	(7)	(4,880)
FY1998					
Revenue	57,442	29,606	53,063	—	140,111
Profit / (loss) before tax	4,056	3,410	66	—	7,532

3. REVIEW OF PERFORMANCE

A summary of the review of operations, business and financial performance of the BBR Group for each of the past three financial years ended 31 December 2000 is set out below:-

FY1997 compared to FY1998

For FY1998, the BBR Group derived most of its revenue from the design-and-build segment, which accounted for 41 per cent. of its turnover. The ground engineering and structural engineering segments accounted for 38 per cent. and 21 per cent. of the revenue of the BBR Group, respectively. In terms of profit before taxation, the design-and-build segment contributed 54 per cent. whilst the structural engineering and ground engineering segments accounted for 45 per cent. and 1 per cent., respectively.

Design-and-Build

The turnover for this segment decreased from \$82.8 million in FY1997 to \$57.4 million in FY1998 mainly because a major design-and-build project was awarded to the BBR Group for the first time as a project management contract for which it received a fee as opposed to a contract on the usual design-and-build terms. Had the contract been awarded on the usual design-and-build terms, the BBR Group would have recognised a higher turnover which would have included the recovery of construction costs at a profit margin. In addition, revenue recognition for major projects was lower in FY1998 compared to FY1997 due to the stage of completion of the relevant major projects in the respective financial years. Operating profit almost doubled from \$2.1 million in FY1997 to \$4.1 million in FY1998 largely due to higher operating margins for the aforesaid project management activity undertaken, and cost savings derived from a decrease in the cost of major construction materials.

Structural Engineering

The turnover for this segment increased from \$27.2 million in FY1997 to \$29.6 million in FY1998, while operating profit increased from \$2.8 million in FY1997 to \$3.4 million in FY1998. The growth was largely boosted by the completion of HDB flats and car parks at Sembawang and a Jurong Town Corporation ("JTC") factory at Serangoon North, as well as contribution from on-going projects such as a JTC factory at Jalan Buroh and HDB flats at Bukit Panjang N2C11.

Ground Engineering

The turnover for this segment increased from \$38.2 million in FY1997 to \$53.1 million in FY1998 mainly due to the completion of several major projects such as the JTC Headquarters and Kampong Ampat food factory. Operating profit decreased substantially from \$4.0 million in FY1997 to \$0.1 million in FY1998, dragged down by lower operating margins largely as a result of higher costs due to unforeseen adverse ground conditions incurred on its basement construction projects.

FY1998 compared to FY1999

For FY1999, the BBR Group derived most of its income from the design-and-build segment, which accounted for 57 per cent. of its turnover. The structural engineering segment was the only segment that contributed to profits, but this was offset by the losses incurred by the design-and-build and ground engineering segments.

Design-and-Build

The turnover for this segment increased from \$57.4 million in FY1998 to \$70.3 million in FY1999. This was mainly due to the completion of projects carried over from the previous year and contribution from a few major ongoing design-and-build projects such as the design, construction and maintenance of viaducts for the Light Rapid Transit Systems for Sengkang and Punggol New Towns ("LRT C810"), Cantonment Complex and viaduct for the Mass Rapid Transit Systems at Upper Serangoon. The segment recorded an operating loss of \$2.9 million in FY1999 as compared to an operating profit of \$4.1 million in FY1998 mainly due to provisions for costs associated with variation orders, higher costs upon completion of a few projects, and generally lower profit margins for projects secured during the year under review. The provisions for costs associated with variation orders were made as such costs incurred may not be fully recovered. The lower profit margins for projects secured during the year were attributable to lesser pool of jobs available coupled with stiff competition from more market players, including overseas contractors.

Structural Engineering

The turnover for this segment decreased from \$29.6 million in FY1998 to \$24.0 million in FY1999, while operating profit before taxation decreased from \$3.4 million in FY1998 to \$1.5 million in FY1999. The decrease was mainly attributable to fewer projects completed during the year, lower operating margins and specific provisions for doubtful debts amounting to \$2.1 million in respect of a customer who was put into liquidation. Fewer projects were completed during the year because some structural engineering works undertaken by the BBR Group were treated as part of certain design-and-build projects and were recognised under the design-and-build segment instead.

The lower profit margins for projects secured during the year were attributable to the contraction of the construction industry coupled with fewer contracts being awarded and stiff competition from other market players.

Ground Engineering

The turnover for this segment decreased from \$53.1 million in FY1998 to \$28.7 million in FY1999. Owing to the contraction of the construction industry which had not recovered from the economic crisis that affected the region at the beginning of 1997, there was a substantial reduction in the value of contracts awarded. This, together with the relatively shorter construction duration for ground engineering projects badly affected the order book for the ground engineering segment as

projects awarded before the industry contraction in 1997 were completed and fewer contracts were awarded during the financial periods under review. The loss recorded for this segment of \$3.5 million for FY1999 as compared to a profit of \$0.07 million for FY1998 was due to the decrease in turnover which resulted in profits generated from projects being insufficient to cover a certain amount of fixed operating overheads, provisions for foreseeable losses as a result of a reduction in contract values of two projects and the discontinuation of a project due to poor soil conditions.

FY1999 (audited) compared to FY2000 (unaudited)

For FY2000, the BBR Group's turnover increased by 5.5 per cent. from \$123.0 million in FY1999 to \$129.7 million in FY2000. The increase was mainly due to an increase in turnover of \$8.8 million and \$4.1 million for the ground engineering and structural engineering segments, respectively. The increase in these segments was, however, partially offset by a decrease in activities recorded for the design-and-build segment.

The BBR Group incurred a loss before taxation of \$25.2 million for FY2000 compared to a loss before taxation of \$4.9 million for FY1999. This included, an exceptional item that arose from the write-off amounting to \$2.8 million in relation to costs incurred and non-recovery of deposit paid for a property development project. The property development project was undertaken by Chileon Pte Ltd ("Chileon"), then a 70 per cent. owned subsidiary of BBR. In March 2001, the BBR Group disposed of all its shares in Chileon. With this disposal, Chileon has ceased to be a subsidiary of BBR. The write-off of \$2.8 million represents receivables of the BBR Group which are not recoverable as Chileon is unable to repay the advances made by the BBR Group.

Design-and-Build

The turnover for this segment decreased from \$70.3 million in FY1999 to \$64.2 million in FY 2000. This was mainly due to a decrease in activities recorded for the design-and-build segment in FY2000 as revenue recognition for major projects was lower in FY2000 compared to FY1999 due to the stage of completion of the relevant major projects in the respective years. The segment recorded an operating loss of \$17.4 million for FY2000 as compared to an operating loss of \$2.9 million in FY1999 mainly due to provisions for an anticipated loss amounting to \$9.0 million for the LRT C810 project and a loss amounting to \$3.4 million for the Cantonment Complex project completed during the year.

The loss attributable to the LRT C810 project was due to a significant amount of variation orders claimed by the BBR Group against its client not being included as turnover, cost overruns and additional costs to be incurred for optional works, giving rise to the provision for anticipated losses amounting to \$9.0 million. The variation orders arose mainly due to changes in design of LRT C810 initiated mainly by clients and third parties, resulting in significant increased work scope for the BBR Group. The additional costs to be incurred for optional works are not recoverable as these optional works are awarded on bills of quantity basis (which means that the amount to be charged to clients for the scope of work have been agreed upon prior to commencement of the said works).

The loss of \$3.4 million attributable to the Cantonment Complex project was due to a reduction in final contract value upon finalisation of accounts with the client. The reduction in final contract value was due to a reduction in the scope of certain works in the contract and certain variation orders completed by the BBR Group which could not be claimed against the client which were only known upon the finalisation of the accounts for the project with the client in FY2000. There was a reversal of costs accrued for sub-contract works performed amounting to \$100,000 which was made in the second half of FY2000, resulting in the loss for the Cantonment Complex project being reduced from \$3.5 million as reported during the first half of FY2000 to \$3.4 million.

Structural Engineering

The turnover for this segment increased from \$24.0 million in FY1999 to \$28.1 million in FY2000. The increase was largely due to higher turnover recorded by a Malaysian subsidiary of the BBR Group for structural engineering activities. Major projects which contributed to the increase in structural engineering activities included the Putrajaya Stay Cable project, SPRINT Highway project and Express Rail Link project. The turnover from this Malaysian subsidiary of the BBR Group increased from \$4.0 million in FY1999 to \$11.8 million in FY2000 of which \$6.6 million was derived from structural engineering activities.

Ground Engineering

The turnover for this segment increased from \$28.7 million in FY1999 to \$37.5 million in FY2000. This was mainly due to an increase in piling and soil improvement work recorded in FY2000. Major projects that contributed to the turnover included the NTU Micropile project, Parke Davis Pharmaceutical Plant project, Elim Church project and Changi Silt Pond. The segment recorded an operating loss of \$7.0 million for the financial year under review compared to an operating loss of \$3.5 million for FY1999 because of cost overruns and additional costs incurred due to adverse soil conditions on certain completed and on-going projects and poor margins as a result of keen competition. Projects that contributed to the said operating loss include the HDB flats at Bukit Panjang N2C11, Esplanade P3, Telok Blangah Expressway and Changi Silt Pond.

4. SHARE PRICES OF BBR

The highest, lowest and last transacted market prices of BBR shares traded on the SGX-ST on a monthly basis from April 2000 to April 2001 are as follows:-

For the month of	High \$	Low \$	Last \$
April 2000	0.280	0.220	0.240
May 2000	0.290	0.190	0.205
June 2000	0.220	0.190	0.200
July 2000	0.215	0.190	0.195
August 2000	0.200	0.165	0.170
September 2000	0.180	0.130	0.140
October 2000	0.125	0.090	0.095
November 2000	0.145	0.095	0.110
December 2000	0.115	0.090	0.105
January 2001	0.110	0.090	0.100
February 2001	0.130	0.095	0.100
March 2001	0.100	0.080	0.090
April 2001	0.095	0.070	0.085

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Hwa Hong Corporation Limited (the "Company") will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 31 May 2001 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without any modification, the following resolution, which will be proposed as an ordinary resolution:-

ORDINARY RESOLUTION

THAT:-

- (a) approval be and is hereby given for the Company to dispose of the entire issued and paid-up share capital of Singapore Piling & Civil Engineering Private Limited to BBR Holdings (S) Ltd upon the terms and conditions set out in the Sale and Purchase Agreement dated 1 November 2000 between the Company and BBR Holdings (S) Ltd; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they or he may consider necessary, desirable or expedient to give effect to this resolution.

By Order of the Board

Tan Mee Choo
Company Secretary

16 May 2001
Singapore

Notes:-

1. A shareholder of the Company entitled to attend and vote at the above Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.
2. The instrument appointing a proxy must be deposited at the Company's registered office at 38 South Bridge Road, Singapore 058672 not less than 48 hours before the time for holding the Extraordinary General Meeting.

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

IMPORTANT:-

1. For investors who have used their CPF monies to buy HWA HONG CORPORATION LIMITED shares, this Circular is sent to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM – EXTRAORDINARY GENERAL MEETING

*I/We _____

of _____

being * a Shareholder/Shareholders of **HWA HONG CORPORATION LIMITED** (the "Company"), hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			No. of Shares	%
*and/or				

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the **Extraordinary General Meeting** of the Company to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 31 May 2001 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolution as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the *proxy/proxies will vote or abstain as *he/they may think fit, as *he/they will on any other matter arising at the Extraordinary General Meeting).

Ordinary Resolution	For	Against
To approve the disposal of the entire issued and paid-up share capital of Singapore Piling & Civil Engineering Private Limited		

Dated this _____ day of _____ 2001

Total number of shares held

Signature(s) of Shareholder(s) / Common Seal

* Delete as appropriate

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the Shares held by you.
2. A Shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Shareholder of the Company.
3. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be completed and deposited at the registered office of the Company at 38 South Bridge Road, Singapore 058672 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
5. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument, failing which the instrument may be treated as invalid.
6. A corporation which is a Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit as its representative or representatives to attend and vote at the Extraordinary General Meeting in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shareholders whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument appointing a proxy or proxies lodged if such Shareholder is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Company.