



HWA HONG CORPORATION LIMITED

(Company Registration No. 195200130C)

UNAUDITED RESULTS FOR FULL YEAR ENDED 31 DECEMBER 2004

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

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

| | GROUP | | |
|--|----------------------|-----------------------|------------|
| | 31.12.2004 \$'000 | 31.12.2003* \$'000 | +/(–) % |
| Revenue | 53,939 | 46,335 | 16.41 |
| Cost of sales | (29,473) | (24,229) | 21.64 |
| Gross profit | 24,466 | 22,106 | 10.68 |
| Other income | 11,183 | 11,786 | (5.12) |
| General and administrative costs | (14,810) | (15,292) | (3.15) |
| Selling and distribution costs | (3,640) | (3,345) | 8.82 |
| Other operating income/(costs) | 850 | 775 | 9.68 |
| Operating profit | 18,049 | 16,030 | 12.60 |
| Finance costs | (1,044) | (1,132) | (7.77) |
| Share of results of associated companies and unincorporated joint venture | (1,084) | (365) | 196.99 |
| Profit before taxation | 15,921 | 14,533 | 9.55 |
| Taxation | 19 | (1,028) | (101.85) |
| Profit after taxation | 15,940 | 13,505 | 18.03 |
| Minority interests | 18 | 64 | (71.88) |
| Profit attributable to shareholders | 15,958 | 13,569 | 17.61 |

* Certain comparative figures have been reclassified to conform with current year's presentation.

| | GROUP | | |
|--|------------------------------------|-------------------------------------|--------------------------|
| | 31.12.2004 \$'000 | 31.12.2003* \$'000 | +/(–) % |
| Investment income | 1,166 | 1,136 | 2.64 |
| Other income including interest income | 15,508 | 15,513 | (0.03) |
| Interest on borrowings | (1,044) | (1,132) | (7.77) |
| Depreciation and amortisation and impairment loss on fixed assets | (1,099) | (1,650) | (33.39) |
| Write-off for stock obsolescence | – | – | – |
| Adjustments for (under) or overprovision of tax in respect of prior years | 1,244 | 1,591 | (21.81) |
| Exceptional items | – | – | – |
| Extraordinary items | – | – | – |
| Allowance for doubtful debts and bad debts written off | (342) | (256) | 33.59 |
| (Provision)/Write-back for impairment in value of investments | 1,261 | 1,046 | 20.55 |
| Foreign exchange gain <i>(included in other income)</i> | 2,742 | 4,316 | (36.47) |
| Gain on disposal of investments | 1,807 | 260 | 595.00 |
| Gain on disposal of investment properties <i>(included in other income)</i> | 3,223 | 197 | 1,536.04 |
| Gain on disposal of fixed assets <i>(included in other income)</i> | 113 | 15 | 653.33 |
| Negative goodwill amortised <i>(included in other income)</i> | – | 3,410 | (100.00) |

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

| | GROUP | | COMPANY | |
|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| | As at 31.12.2004 \$'000 | As at 31.12.2003* \$'000 | As at 31.12.2004 \$'000 | As at 31.12.2003* \$'000 |
| Fixed assets | 13,550 | 13,536 | 4,731 | 4,945 |
| Investment properties | 111,306 | 128,130 | – | – |
| Investment in subsidiaries | – | – | 457,654 | 456,372 |
| Investment in associated companies | 57,801 | 59,256 | – | – |
| Long term investments | 85,526 | 100,355 | 3,323 | 3,323 |
| Other receivables | 319 | 357 | – | – |
| Reinsurer's share of technical provisions | | | | |
| Provision for unearned premiums | 3,169 | 4,354 | – | – |
| Provision for outstanding claims | 8,552 | 7,890 | – | – |
| Current assets | | | | |
| Short term investments | 54,320 | 43,157 | – | – |
| Inventories | 368 | 387 | – | – |
| Trade receivables | 3,503 | 3,914 | – | – |
| Amount due from associated companies | 105,763 | 93,979 | – | – |
| Amount due from subsidiaries | – | – | 11,421 | 10 |
| Amount due from affiliated companies | 88 | 636 | 88 | 620 |
| Other receivables, deposits and prepayments | 6,092 | 6,336 | 80 | 1,214 |
| Cash and bank balances | 57,518 | 63,140 | 91 | 189 |
| | 227,652 | 211,549 | 11,680 | 2,033 |
| Current liabilities | | | | |
| Trade payables and accruals | (1,958) | (3,409) | – | – |
| Other payables | (9,742) | (8,927) | (1,484) | (2,459) |
| Amount due to subsidiaries | – | – | (48,138) | (39,857) |
| Advance premiums | (974) | (982) | – | – |
| Hire purchase creditors | – | (49) | – | – |
| Bank overdrafts | (458) | (129) | – | – |
| Bank loans | (1,171) | (10,801) | – | – |
| Provision for taxation | (717) | (1,496) | (27) | – |
| | (15,020) | (25,793) | (49,649) | (42,316) |
| Net current assets/(liabilities) | 212,632 | 185,756 | (37,969) | (40,283) |
| Non current liabilities | | | | |
| Bank loans | (8,608) | (9,879) | – | – |
| Hire purchase creditors | – | (37) | – | – |
| Tenancy deposits | (163) | (150) | – | – |
| Deferred taxation | (2,625) | (5,626) | (45) | (45) |
| Provision for unearned premiums | (11,841) | (13,462) | – | – |
| Provision for outstanding claims | (39,895) | (44,446) | – | – |
| Provision for premium deficiency | (2,021) | (1,696) | – | – |
| | (65,153) | (75,296) | (45) | (45) |
| | 427,702 | 424,338 | 427,694 | 424,312 |

| | GROUP | | COMPANY | |
|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| | As at 31.12.2004 \$'000 | As at 31.12.2003* \$'000 | As at 31.12.2004 \$'000 | As at 31.12.2003* \$'000 |
| Share capital | 163,376 | 163,255 | 163,376 | 163,255 |
| Share premium | 8,778 | 8,681 | 8,778 | 8,681 |
| Capital reserve | 125,016 | 130,070 | 232,043 | 230,761 |
| Revenue reserve | 126,719 | 121,216 | 23,497 | 21,615 |
| Currency translation adjustment reserve | 3,805 | 1,090 | – | – |
| Share capital and reserves | 427,694 | 424,312 | 427,694 | 424,312 |
| Minority interests | 8 | 26 | – | – |
| | 427,702 | 424,338 | 427,694 | 424,312 |

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

Amount repayable in one year or less, or on demand

| As at 31.12.2004 | | As at 31.12.2003 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$1,629,000 | – | \$10,930,000 | – |

Amount repayable after one year

| As at 31.12.2004 | | As at 31.12.2003 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$8,608,000 | – | \$9,879,000 | – |

Details of any collateral

The amount of long term bank loans repayable after one year and an amount of \$1.07 million (31.12.2003: \$10.09 million) of long term bank loans repayable within one year of a subsidiary are secured over the investment properties of the Group. Short term bank overdrafts of \$0.458 million (31.12.2003: \$0.13 million) of two subsidiaries are secured by corporate guarantees supported by charges over time deposits. Short term bank loans of \$0.11 million (31.12.2003: \$0.71 million) of another subsidiary are secured by its plant and machinery.

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

| | GROUP | |
|--|-------------------|-------------------|
| | 31.12.2004 | 31.12.2003 |
| | \$'000 | \$'000 |
| Cash flow from operating activities: | | |
| Operating profit | 18,049 | 16,030 |
| <i>Adjustments for:-</i> | | |
| Interest income | (7,511) | (7,430) |
| Depreciation and impairment loss on fixed assets | 1,099 | 1,650 |
| Exchange gain on adoption of INT FRS 19 | – | (1,750) |
| Exchange realignment | (1,836) | 349 |
| Negative goodwill amortised | – | (3,410) |
| Gain on disposal of investment properties | (3,223) | (197) |
| Gain on disposal of fixed assets | (113) | (15) |
| Loss on disposal of an associated company | – | 15 |
| Allowance for doubtful receivables from affiliated companies | 411 | 272 |
| Provision for outstanding claims | 4,912 | 8,425 |
| Movement on provision for unearned premiums | (68) | (807) |
| Fixed assets written off | – | 18 |
| | (6,329) | (2,880) |
| Operating income before reinvestment in working capital | 11,720 | 13,150 |
| (Increase)/decrease in receivables and short term investments | (10,565) | 20,536 |
| Decrease/(increase) in inventories | 19 | (123) |
| Decrease in payables | (827) | (1,708) |
| | (11,373) | 18,705 |
| Cash generated from operations | 347 | 31,855 |
| Net claims paid | (10,124) | (12,173) |
| Interest received | 7,721 | 6,404 |
| Interest paid | (1,044) | (1,132) |
| Income taxes paid | (3,606) | (342) |
| | (7,053) | (7,243) |
| Net cash (used in)/generated from operating activities | (6,706) | 24,612 |
| Cash flow from investing activities: | | |
| Purchase of investment properties | – | (1,506) |
| Purchase of fixed assets | (1,307) | (586) |
| Decrease in other investments | 15,200 | 2,930 |
| Proceeds from disposal of investment properties | 19,418 | 485 |
| Amounts due from associated companies | (11,784) | (873) |
| Proceeds from disposal of fixed assets | 279 | 15 |
| Net cash generated from investing activities | 21,806 | 465 |
| Cash flow from financing activities: | | |
| Net repayment of bank loans | (10,902) | (210) |
| Increase/(decrease) in bank overdrafts | 329 | (179) |
| Payment from affiliated companies | 137 | 3 |
| Dividends paid | (10,455) | (12,733) |
| Repayment to hire purchase creditors | (49) | (49) |
| Proceeds from issue of shares | 218 | 15 |
| Net cash used in financing activities | (20,722) | (13,153) |
| Net (decrease)/increase in cash and cash equivalents | (5,622) | 11,924 |
| Cash and cash equivalents at beginning of the year | 63,140 | 51,216 |
| Cash and cash equivalents at end of the year | 57,518 | 63,140 |

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

| | GROUP | | COMPANY | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | 31.12.2004 \$'000 | 31.12.2003* \$'000 | 31.12.2004 \$'000 | 31.12.2003* \$'000 |
| Share capital | | | | |
| Balance at beginning of the year | 163,255 | 163,240 | 163,255 | 163,240 |
| Issue of ordinary shares | 121 | 15 | 121 | 15 |
| Balance at end of the year | 163,376 | 163,255 | 163,376 | 163,255 |
| Share premium | | | | |
| Balance at beginning of the year | 8,681 | 8,681 | 8,681 | 8,681 |
| Premium on issue of ordinary shares | 97 | - | 97 | - |
| Balance at end of the year | 8,778 | 8,681 | 8,778 | 8,681 |
| Revenue reserve | | | | |
| Balance at beginning of the year | 121,216 | 120,380 | 21,615 | 32,056 |
| Profit/(Loss) for the year | 15,958 | 13,569 | 12,337 | 2,292 |
| Dividend | (10,455) | (12,733) | (10,455) | (12,733) |
| Balance at end of the year | 126,719 | 121,216 | 23,497 | 21,615 |
| Capital reserve | | | | |
| Balance at beginning of the year | 130,070 | 150,590 | 230,761 | 237,420 |
| Adjustment due to liquidation of subsidiaries | - | 476 | - | - |
| Effect of adoption of INT FRS 19 | - | (4,201) | - | - |
| Net surplus/(deficit) on revaluation of :- | | | | |
| - investment properties | (3,008) | 2,736 | - | - |
| - subsidiaries | - | - | 1,282 | (5,390) |
| - associated companies | - | (19,422) | - | - |
| Disposal of property | (2,200) | - | - | - |
| Transfer of investment in a subsidiary | - | - | - | (1,269) |
| Deferred tax | 154 | (109) | - | - |
| Balance at end of the year | 125,016 | 130,070 | 232,043 | 230,761 |
| Currency translation adjustment reserve | | | | |
| Balance at beginning of the year | 1,090 | (1,494) | - | - |
| Effect of adoption of INT FRS 19 | - | 2,450 | - | - |
| Exchange differences arising on consolidation | 2,715 | 134 | - | - |
| Balance at end of the period | 3,805 | 1,090 | - | - |
| Share capital and reserves | 427,694 | 424,312 | 427,694 | 424,312 |

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

Since 30 September 2004, changes in the issued ordinary share capital of the Company are as follows:

| | No. of shares of \$0.25 each |
|---|---|
| As at 1 October 2004 | 653,444,000 |
| Issue and allotment of shares arising from exercise of options granted under the <i>terminated</i> Hwa Hong Corporation Limited Executives' Share Option Scheme | 60,000 |
| As at 31 December 2004 and 23 February 2005 | 653,504,000 |
| Issued ordinary share capital as at 23 February 2005 | \$163,376,000 |

As at 31 December 2004, there were no outstanding options to subscribe for ordinary shares of \$0.25 each in the capital of the Company under the *terminated* Hwa Hong Corporation Limited Executives' Share Option Scheme as compared with 484,000 unexercised options as at 31 December 2003.

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

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2003.

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

There are no changes in accounting policies and methods of computation.

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

| | GROUP | |
|---|-------------------|-------------------|
| | 31.12.2004 | 31.12.2003 |
| Earnings per \$0.25 ordinary share after deducting any provision for preference dividends:- | | |
| (i) Based on the weighted average number of ordinary shares in issue | 2.44 cents | 2.08 cents |
| (ii) On a fully diluted basis | 2.44 cents | 2.08 cents |

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year.

| | GROUP | | COMPANY | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As at 31.12.2004 | As at 31.12.2003 | As at 31.12.2004 | As at 31.12.2003 |
| Net asset value per \$0.25 ordinary share | 65.45 cents | 64.98 cents | 65.45 cents | 64.98 cents |

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Group revenue increased by about \$7.6 million or 16.41% from \$46.3 million in the financial year ended 31 December 2003 ("FY 2003") to \$53.9 million in the financial year ended 31 December 2004 ("FY 2004"). This was mainly attributable to:

- (a) Increase in proceeds from disposal of short term investments (FY 2004: \$16.3 million; FY 2003: \$6.7 million) to take advantage of the recovery in prices of equities and to realise profits.
- (b) Increase in interest income (FY 2004: \$4.3 million; FY 2003: \$3.9 million) which was mainly due to higher interest rates and increase in amount of loans to associated companies.

These increases in revenue as stated in (a) to (b) above were partially offset by (i) lower revenue recorded by the manufacturing and trading segment (FY 2004: \$2.6 million; FY 2003: \$4.1 million) whose sales were partly affected by volatile raw material prices; and (ii) lower rental income (FY 2004: \$4.7 million; FY 2003: \$5.1 million) mainly due to the disposal of investment properties during FY 2004.

Gross profit in FY 2004 increased by about \$2.36 million or 10.68% as compared to FY 2003. The increase was mainly due to higher gross profit (FY 2004: \$12.3 million; FY 2003: \$9.3 million) from Tenet Insurance Company Ltd ("Tenet Insurance") as a result of lower cost of sales. The cost of sales of Tenet Insurance decreased from \$14.7 million in FY 2003 to \$12.5 million in FY 2004 mainly due to lower claims incurred (FY 2004: \$4.9 million; FY 2003: \$8.4 million).

Other income consists of negative goodwill amortisation, foreign exchange gain and gain on disposal of investments. Other income decreased as there was no amortisation of negative goodwill in FY 2004 as compared to an amount of \$3.4 million of negative goodwill amortised in FY 2003 and foreign exchange gain decreased by about \$1.57 million in FY 2004 from FY 2003. However, other income was increased by the gain on disposal of investments (FY 2004: \$3.3 million; FY 2003: loss of \$0.95 million) and increase in dividend income (FY 2004: \$1.08 million; FY 2003: \$0.734 million).

General and administrative costs in FY 2004 decreased by about \$0.48 million or 3.15% from FY 2003 mainly due to lower provision for impairment loss on fixed assets (FY 2004: Nil; FY 2003: \$0.5 million).

The increase of about \$0.3 million or 8.82% in selling and distribution costs in FY 2004 as compared to FY 2003 was mainly due to the increase in net commission expense (FY 2004: \$3.4 million; FY 2003: \$2.8 million) of Tenet Insurance. Net commission expense increased mainly due to the decrease in commission rate received and the non renewal of a treaty protection from reinsurance, which reduced the commission received.

Other operating income had increased. There was a write-back of provision for impairment in value of investments of \$1.26 million in FY 2004, compared to \$1.05 million in FY 2003.

Finance costs decreased mainly due to the decrease in borrowings used to finance the properties in United Kingdom.

The share of net losses of associated companies had increased from \$0.365 million in FY 2003 to \$1.08 million in FY 2004 and this was mainly due to higher losses incurred by Riverwalk Promenade Pte Ltd whose rental income had decreased as tenancies were not renewed in view of the redevelopment of the property.

Group profit before taxation was, thus, increased from \$14.53 million for FY 2003 to \$15.92 million for FY 2004 mainly attributable to the reasons above.

The reduction of the tax charge for FY 2004 was due mainly to the write-back of overprovision of deferred taxation in respect of prior years.

The net current assets of the Group had increased from \$185.76 million as at 31 December 2003 to \$212.63 million as at 31 December 2004, and this was mainly due to:

- (i) increase in short term investments as surplus funds were invested to earn a better return; and
- (ii) repayment of bank borrowings from proceeds from disposal of investment properties.

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

Not applicable.

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

2005 will be a challenging year for the Group as the Singapore economy is expected to slowdown compared to the 8.4% growth in 2004. Tenet Insurance Company Ltd continues to face keen competition and declining premium rates. However, with a focused and well defined business plan in place, the insurance subsidiary should be able to face the difficult environment and aim to maintain market share.

Rental rates for industrial space have stabilised but will not be expected to increase substantially. In London, rental for the Group's residential and commercial properties is expected to continue to enjoy good occupancy at acceptable rates.

The residential development project with CapitaLand Residential Limited will be launched in early 2005. In 2004, URA figures showed the private home price index edging up 0.9% for the full year and to further improve in 2005. This augers well for the project.

In the Third Quarter's results announcement released by the Company on 8 November 2004, the Company had stated that Norwest Holdings Pte Ltd and its subsidiaries ("Norwest Group") had returned to profitability and that a potential amount of about \$1.5 million of provision for impairment loss may be written back if such provision is considered not necessary. The Company has a 49.5% interest in Norwest Group which is involved in the manufacturing, refining, distribution and marketing of premium grade value added phosphate chemicals in China. The Directors of the Company considered the carrying value of Norwest Group amounting to approximately \$886,000 as at 31 December 2004 and on the recommendation of Management, the Directors of the Company had, as a matter of prudence, decided that no write-back of the provision be made for the year ended 31 December 2004. A review of the carrying value will be carried out again at the end of this financial year to determine whether the provision for impairment loss may be written back.

11. Dividend

(a) Current Financial Period Reported On

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

| Name of Dividend | Final Ordinary Dividend |
|--------------------------------------|-------------------------|
| Dividend Type | Cash |
| Dividend Amount per Share (in cents) | 1 cent |
| Optional:- Dividend Rate (in %) | 4% |
| Par value of shares | \$0.25 |
| Tax Rate | 20% |

(b) Corresponding Period of the Immediately Preceding Financial Year

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

| Name of Dividend | Final Ordinary Dividend | Interim Dividend |
|--------------------------------------|-------------------------|------------------|
| Dividend Type | Cash | Cash |
| Dividend Amount per Share (in cents) | 1 cent | 1 cent |
| Optional:- Dividend Rate (in %) | 4% | 4% |
| Par value of shares | \$0.25 | \$0.25 |
| Tax Rate | 20% | 22% |

(c) Date payable

The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 20 May 2005.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2005 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrars, Lim Associates (Pte) Ltd, 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315 up to 5.00 p.m. on 6 May 2005 will be registered before entitlements to the dividend are determined. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

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

| Name of Dividend | Interim Dividend |
|--------------------------------------|-------------------|
| Dividend Type | Cash |
| Dividend Amount per Share (in cents) | 1 cent |
| Optional:- Dividend Rate (in %) | 4% |
| Par value of shares | \$0.25 |
| Tax Rate | 20% |
| Date of Payment | 10 September 2004 |

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

Not applicable.

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

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

BY BUSINESS SEGMENTS

| | Warehousing & Property | Insurance & Investment | Manufacturing & Trading | Eliminations | Total |
|--|---------------------------|---------------------------|----------------------------|------------------|-----------------|
| 2004 (\$'000) | | | | | |
| Segment Revenue | | | | | |
| External | 4,728 | 46,592 | 2,619 | - | 53,939 |
| Inter Segment | 29 | 8,370 | 1,482 | (9,881) | - |
| Total Revenue | <u>4,757</u> | <u>54,962</u> | <u>4,101</u> | <u>(9,881)</u> | <u>53,939</u> |
| Operating profit/(loss) | 5,694 | 22,068 | (2,707) | (7,006) | 18,049 |
| Finance costs | | | | | (1,044) |
| Share of results of associates and unincorporated joint venture | | | | | <u>(1,084)</u> |
| Profit before tax | | | | | 15,921 |
| Tax | | | | | <u>19</u> |
| Profit after tax | | | | | 15,940 |
| Minority interest | | | | | 18 |
| Profit attributable to shareholders | | | | | <u>15,958</u> |
| Segment Assets | 118,868 | 838,948 | 2,726 | (592,518) | 368,024 |
| Investment in Associated Companies | - | 57,801 | - | - | 57,801 |
| Unallocated Assets | <u>118,868</u> | <u>896,749</u> | <u>2,726</u> | <u>(592,518)</u> | <u>82,050</u> |
| Total Assets | | | | | <u>507,875</u> |
| Segment Liabilities | (26,066) | (120,772) | (7,336) | 87,616 | (66,558) |
| Unallocated Liabilities | | | | | <u>(13,615)</u> |
| Total Liabilities | | | | | <u>(80,173)</u> |
| Capital expenditure | 2 | 1,134 | 171 | - | 1,307 |
| Depreciation | 141 | 805 | 153 | - | 1,099 |
| Impairment loss/(Write-back) | - | (764) | 767 | (1,264) | (1,261) |
| Other non cash expenses | (25) | (14) | 1,082 | (641) | 402 |

Note: Additional internal management fees of about \$9.7 million in respect of previous years under recovery charged by the Company to the subsidiaries during the year have not been reflected in the various segments as it would distort the trend of results reported for each segment.

BY BUSINESS SEGMENTS (cont'd)

| | Warehousing & Property | Insurance & Investment | & Manufacturing & Trading | Eliminations | Total |
|--|-----------------------------------|-----------------------------------|--|---------------------|-------------------------|
| 2003* (\$'000) | | | | | |
| Segment Revenue | | | | | |
| External | 5,131 | 37,100 | 4,104 | - | 46,335 |
| Inter Segment | - | 106,162 | 1,902 | (108,064) | - |
| Total Revenue | <u>5,131</u> | <u>143,262</u> | <u>6,006</u> | <u>(108,064)</u> | <u>46,335</u> |
| Operating profit/(loss) | 4,731 | 105,357 | (2,118) | (91,940) | 16,030 |
| Finance costs | | | | | (1,132) |
| Share of results of associates and unincorporated joint venture | | | | | <u>(365)</u> |
| Profit before tax | | | | | 14,533 |
| Tax | | | | | <u>(1,028)</u> |
| Profit after tax | | | | | 13,505 |
| Minority interest | | | | | <u>64</u> |
| Profit attributable to shareholders | | | | | <u><u>13,569</u></u> |
| Segment Assets | 134,715 | 821,053 | 4,440 | (576,510) | 383,698 |
| Investment in Associated Companies | - | 59,256 | - | - | 59,256 |
| | <u>134,715</u> | <u>880,309</u> | <u>4,440</u> | <u>(576,510)</u> | <u>442,954</u> |
| Unallocated Assets | | | | | <u>82,473</u> |
| Total Assets | | | | | <u><u>525,427</u></u> |
| Segment Liabilities | (28,306) | (112,674) | (1,864) | 69,772 | (73,072) |
| Unallocated Liabilities | | | | | <u>(28,017)</u> |
| Total Liabilities | | | | | <u><u>(101,089)</u></u> |
| Capital expenditure | 1,795 | 264 | 33 | - | 2,092 |
| Depreciation | 102 | 848 | 700 | - | 1,650 |
| Impairment loss | - | 11,166 | 840 | (13,052) | (1,046) |
| Other non cash expenses | 22 | 28 | 306 | - | 356 |

BY GEOGRAPHICAL SEGMENTS

| | Singapore | United Kingdom | Others | Eliminations | Total |
|-----------------------|-----------|----------------|--------|--------------|---------|
| 2004 (\$'000) | | | | | |
| Revenue | | | | | |
| External | 49,587 | 3,776 | 576 | - | 53,939 |
| Inter Segment | 9,881 | - | - | (9,881) | - |
| Total Revenue | 59,468 | 3,776 | 576 | (9,881) | 53,939 |
| Segment Assets | 1,015,042 | 81,216 | 4,135 | (592,518) | 507,875 |
| Capital expenditure | 1,149 | - | 158 | - | 1,307 |
| 2003* (\$'000) | | | | | |
| Revenue | | | | | |
| External | 40,240 | 4,033 | 2,062 | - | 46,335 |
| Inter Segment | 106,525 | - | 1,539 | (108,064) | - |
| Total Revenue | 146,765 | 4,033 | 3,601 | (108,064) | 46,335 |
| Segment Assets | 1,003,310 | 93,948 | 4,679 | (576,510) | 525,427 |
| Capital expenditure | 485 | 1,574 | 33 | - | 2,092 |

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

Warehousing & Property

Decrease in revenue was due to lower rental income because of disposal of investment properties during the year.

Increase in operating profit was due to the profit recorded from disposal of investment properties.

Insurance & Investment

Decrease in revenue and operating profit was due mainly to the tax exempt one-tier dividend of \$100 million declared by an associated company in the previous year. There was no such exceptional dividend in the financial year under review.

Manufacturing & Trading

The reason for decrease in revenue was due to extremely keen competition and Management's decision not to be too aggressive in view of volatile and unfavourable raw material costs.

The increase in operating loss was due to provision for impairment loss for investment in a subsidiary company, Jining Ningfeng Chemical Industry Co., Ltd.

Singapore

Decrease in revenue was due mainly to the \$100 million one-tier tax exempt dividend declared by an associated company in the previous financial year.

United Kingdom

Decrease in revenue was due mainly to lower rental income because of disposal of investment properties during the year.

Others

Decrease in revenue was due to lower level of trading activity of Jining Ningfeng Chemical Industry Co., Ltd. because of extremely keen competition and Management's decision not to be too aggressive in view of volatile and unfavourable raw material costs.

15. A breakdown of sales.

| | GROUP | | |
|--|----------------------|-----------------------|------------|
| | 31.12.2004 \$'000 | 31.12.2003* \$'000 | +/(–) % |
| (a) Revenue reported for first half year | 24,358** | 28,242 | (13.75) |
| (b) Operating profit after tax before deducting minority interests reported for first half year | 6,943 | 6,751 | 2.84 |
| (c) Revenue reported for second half year | 29,581 | 18,093 | 63.49 |
| (d) Operating profit after tax before deducting minority interests reported for second half year | 11,106 | 9,279 | 19.69 |

** The figure had been restated.

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

| | GROUP | |
|------------|----------------------|----------------------|
| | 31.12.2004 \$'000 | 31.12.2003 \$'000 |
| Ordinary | 10,456 | 10,321 |
| Preference | – | – |
| Total | 10,456 | 10,321 |

17. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

18. INTERESTED PERSON TRANSACTIONS

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|--|--|--|
| Boon Suan Lee – professional services rendered to Hwa Hong Group by firms in which he has an interest | \$151,320 | – |

BY ORDER OF THE BOARD

TAN MEE CHOO
COMPANY SECRETARY
23 FEBRUARY 2005