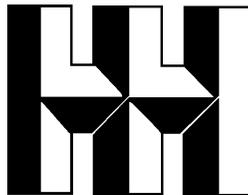


CIRCULAR DATED 4 MAY 2001

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred your ordinary shares in the capital of Hwa Hong Corporation Limited, you should immediately forward this Circular and the attached Proxy Form to the purchaser or to the stockbroker or other 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

**(1) PROPOSED HWA HONG CORPORATION LIMITED (2001)
SHARE OPTION SCHEME**

**(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
OF THE COMPANY**

IMPORTANT DATES AND TIMES:-

Last date and time for lodgment of Proxy Form : 27 May 2001 at 10.30 a.m.

Date and time of Extraordinary General Meeting : 29 May 2001 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same venue)

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

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HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

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

Date: 4 May 2001

Dear Shareholders

- (1) **PROPOSED HWA HONG CORPORATION LIMITED (2001) SHARE OPTION SCHEME**
- (2) **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

1. INTRODUCTION

The Companies Act, Chapter 50 (the "Companies Act") was amended on 18 November 1998. Prior to the amendment to the Companies Act, Section 77(1) of the Companies Act provided that any option granted by a public company which enables any person to take up unissued shares of the company after a period of five (5) years has elapsed from the date on which the option was granted shall be void. The new Section 77(1A) permits options granted on or after 18 November 1998 to an employee of that company or its related corporation (including any director holding a salaried office or employment in that company or corporation) to take up unissued shares of the company to have a validity period of up to ten (10) years from the date the option was granted.

The Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual") was also amended by a statement of the Singapore Exchange Securities Trading Limited ("Singapore Exchange") dated 6 April 1999. Chapter 9 and Practice Note No. 9h of the Listing Manual which govern share option schemes were amended. Consequential amendments were made to Appendix 5 of the Listing Manual which governs the Articles of Association of listed companies.

As a consequence of the above, the Directors of Hwa Hong Corporation Limited (the "Company") propose :-

- (a) to terminate the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "Existing Scheme") and to implement a new share option scheme to be known as the "Hwa Hong Corporation Limited (2001) Share Option Scheme" (the "2001 Scheme") to replace the Existing Scheme; and
- (b) in conjunction therewith, to amend certain provisions in the Articles of Association of the Company.

The purpose of this Circular is to provide Shareholders with information relating to the termination of the Existing Scheme and the adoption of the 2001 Scheme, the granting of options at a discount, and the amendments to certain provisions in the Articles of Association. The approval of Shareholders, *inter alia*, for the termination of the Existing Scheme and the adoption of the 2001 Scheme, the granting of options at a discount, and the amendments to the Articles of Association will be sought at the Extraordinary General Meeting ("EGM") of the Company to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 29 May 2001 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same venue).

2. PROPOSED HWA HONG CORPORATION LIMITED (2001) SHARE OPTION SCHEME

THE EXISTING SCHEME

The Existing Scheme was implemented after the approval of the Shareholders at an EGM held on 28 June 1995. The purpose of the Existing Scheme was to provide an opportunity for full-time executive employees of the Company and its subsidiaries, and (subject to the approval of the Stock Exchange of Singapore Limited on a selective basis) employees of associated companies of the Company, to participate in the equity of the Company.

Unless earlier terminated or extended with the approvals of Shareholders at a general meeting of the Company and any relevant approvals which may then be required, the Existing Scheme has a maximum duration of ten (10) years ending on 27 June 2005. The rules of the Existing Scheme conform with the listing rules of the Singapore Exchange and the requirements under the Companies Act in effect at the time the Existing Scheme was adopted in June 1995. As a result, the Existing Scheme contains many restrictions imposed under the previous listing rules and the Companies Act which have now been lifted. The Company is proposing to update its share option scheme to take advantage of the greater flexibility afforded by the amendments to the listing rules and the Companies Act.

To bring about the proposed changes to the Company's share option scheme, it is proposed that the Company adopts a new scheme in the form of the 2001 Scheme in place of the Existing Scheme, rather than amending the Existing Scheme. If the Existing Scheme were to be continued, but amended to take in the changes required to be made to its existing rules to introduce new participants and greater flexibility in the grant of options, as permitted by the present listing rules, such amendments would result in quite a number of changes having to be made to the existing rules of the Existing Scheme. As a consequence, one set of rules (as now existing) would apply to the options granted under the Existing Scheme prior to the amendments taking effect, and another set of rules (as amended) would apply to options granted in future under the Existing Scheme. In effect, there would be one existing scheme with what would be tantamount to two sets of rules. This would cause the administration and management of the Existing Scheme to become more complex and cumbersome for the Company. It might also create confusion for existing participants who hold options granted under the pre-existing rules as well as under the modified rules. Such results would neither be in the interests of the Company nor the participants.

In view of the foregoing, it would simplify the administration and operational procedures, as well as avoid confusion, if a new scheme were to be implemented to replace the Existing Scheme. As both the Existing Scheme and the 2001 Scheme will not operate concurrently, no further grants of options will be made under the Existing Scheme once it is terminated and replaced by the 2001 Scheme. Options outstanding under the Existing Scheme will continue to be governed by the rules of the Existing Scheme. Subject to the requisite approvals being obtained, options would, in future, be granted only under the 2001 Scheme, which bears a different name from the Existing Scheme.

Certain details of the Existing Scheme as at 23 April 2001, being the latest practicable date prior to the printing of this Circular ("Latest Practicable Date"), are set out as follows :-

- | | | | |
|-----|---|---|--|
| (a) | Total number of options granted under the Existing Scheme to subscribe for shares of \$0.25 each which remain outstanding | : | 2,420,000
(representing 0.371% of the existing issued share capital of the Company) |
| (b) | Total number of shares of \$0.25 each allotted pursuant to options granted under the Existing Scheme | : | 9,840,000
(representing 1.507% of the existing issued share capital of the Company) |
| (c) | Number of participants under the Existing Scheme | : | 39 |

(d) Details of options granted to Directors of the Company under the Existing Scheme :-

<u>Name of Director</u>	<u>Date of grant of options</u>	<u>Number of shares of \$0.25 each in respect of which options were granted</u>	<u>Number of shares of \$0.25 each allotted upon exercise of options</u>
Guan Meng Kuan	25 September 1995	280,000	0 *
	5 November 1996	280,000	0 *
	13 November 1997	280,000	280,000
	6 November 1998	280,000	280,000
	2 November 1999	280,000	0 *
Chew Loy Kiat	25 September 1995	280,000	0 *
	5 November 1996	280,000	280,000
	13 November 1997	280,000	280,000
	6 November 1998	280,000	280,000

* lapsed

THE 2001 SCHEME

Share option schemes are an integral and important component of a compensation plan to attract and retain quality employees in an increasingly competitive environment. Hence, it is desired that the Company should implement a share option scheme which gives the Company the flexibility to use share options as an effective means of promoting long term staff retention. It will make the Company's wage system more flexible, building a variable component into the remuneration package so that the Company can better manage its fixed overhead costs without compromising on the employees' performance standards and efficiency.

The 2001 Scheme takes into consideration, *inter alia*, (a) the introduction of the new Section 77(1A) of the Companies Act, and (b) the amendments to Practice Note No. 9h of the Listing Manual on share option schemes.

SUMMARY OF THE PRINCIPAL TERMS OF THE 2001 SCHEME

The following is a summary of the principal terms of the 2001 Scheme and is qualified in its entirety by reference to the more detailed information on the 2001 Scheme found in the Rules of the 2001 Scheme as set out in Appendix 1 on pages 15 to 32 of this Circular. Terms used in this summary which are not otherwise defined in this summary bear the same meaning as ascribed to them in the Rules of the 2001 Scheme.

1. Employees (including Executive Directors) of the Company and its Subsidiaries ("Group") who satisfy the criteria set out in Rule 3 of the 2001 Scheme will be eligible to participate in the 2001 Scheme at the discretion of a committee comprising Directors of the Company duly authorised by the Board of Directors of the Company to administer the 2001 Scheme ("Committee"). A member of the Committee shall not be involved in the deliberation of the Committee in respect of options to be granted to him.
2. An Employee of the Group who is either a Controlling Shareholder of the Company or an associate of a Controlling Shareholder shall not be eligible to participate in the 2001 Scheme. For the avoidance of doubt, a Non-Executive Director and an employee of an associated company of the Group shall not be eligible to participate in the 2001 Scheme.
3. Options may be offered by the Committee to Employees at any time and from time to time Provided That in the event that an announcement on any matter of an exceptional nature involving unpublished price-sensitive information is made, offers may only be made after the fifth market day from which the aforesaid announcement is released.

4. The total number of Shares in respect of which the Company may grant options shall at no time exceed five (5) per cent. of the total issued share capital of the Company from time to time.
5. The number of Shares in respect of which options may be granted shall be determined at the discretion of the Committee who shall take into account, *inter alia*, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the Employee.
6. The subscription price to be paid upon exercise of an option ("Subscription Price") shall be determined by the Committee in its absolute discretion, and fixed by the Committee as follows :-
 - (a) in relation to Employees ranked below the rank of Senior Manager (or an equivalent or analogous rank), a price equal to the Market Price, or the nominal value of the Shares, whichever is greater; or
 - (b) in relation to Employees of the rank of Senior Manager (or an equivalent or analogous rank) and above, a price which may be set at a discount (such discount to be determined in accordance with Rule 5 of the 2001 Scheme) to the Market Price, or the nominal value of the Shares, whichever is greater Provided That :-
 - (i) the maximum discount shall not exceed twenty (20) per cent. of the Market Price; and
 - (ii) the Shareholders of the Company in general meeting shall have authorised the making of offers and grants of options under the 2001 Scheme at a discount not exceeding the maximum discount as stated in (i) above.
7. The last day for acceptance of an offer of the option by an Employee shall be one (1) month after the date on which an offer of options is made to him (or such other date as the Committee may determine). Options granted to Employees are personal to them and are not transferable. Upon acceptance of the option, the Employee shall, *inter alia*, pay to the Company a consideration of S\$1.00 or such other amount as the Committee may prescribe.
8. Options which are accepted by the Employees may be exercised on such terms as the Committee may determine and in the period commencing not earlier than the first anniversary (in the case of options not granted at a discount) or the second anniversary (in the case of options granted at a discount) of the date on which the option is offered and ending on the date immediately preceding the tenth anniversary of such date. Special provisions dealing with the lapsing or permitting the earlier exercise of options under certain circumstances include:
 - (a) a general offer being made for the Company;
 - (b) a scheme of arrangement or compromise between the Company and its Shareholders which is sanctioned by the Court;
 - (c) the voluntary or compulsory liquidation of the Company;
 - (d) the termination of an Employee's employment;
 - (e) the company by which the Employee is employed ceases to be a company in the Group;
 - (f) the loss by a Participant of the legal or beneficial ownership of his option;
 - (g) the bankruptcy or death of a Participant;

- (h) the breach by a Participant of any terms of the option; and
 - (i) misconduct of a Participant.
9. The Shares issued and allotted upon the exercise of an option will rank for any dividend, right, allotment or other distribution the Record Date of which is on or after the date of the exercise of the option and (subject as aforesaid) will rank pari passu in all respects with the Shares of the Company then existing.
 10. The 2001 Scheme provides for adjustment to the Subscription Price and number of Shares in respect of which an option may be exercised or granted on the occurrence of certain events relating to the share capital of the Company.
 11. The 2001 Scheme may be altered in any respect by a resolution of the Committee except that:
 - (a) no alteration shall be made which would adversely affect the rights of any Participant in relation to options held by him except with the prior consent in writing of a specified percentage of all the Participants holding unexpired options;
 - (b) no alterations may be made to certain specified Rules of the 2001 Scheme to the advantage of the Participants except with the prior approval of the Shareholders of the Company in general meeting; and
 - (c) no alteration shall be made without the prior approval of the Singapore Exchange.
 12. The 2001 Scheme will continue in operation at the discretion of the Committee for a maximum period of ten (10) years from the date on which the 2001 Scheme is adopted by resolution of the Shareholders in general meeting. This period may however be extended with the approval of Shareholders at a general meeting of the Company and any relevant approvals which may then be required.

KEY DIFFERENCES BETWEEN THE 2001 SCHEME AND THE EXISTING SCHEME AND RATIONALE FOR THE CHANGES

(a) Eligibility to participate in the 2001 Scheme

The Existing Scheme provides that confirmed full-time executive employees of the Group and Executive Directors who satisfy certain eligibility criteria, employees who qualify as aforesaid and are seconded to any associated company of the Company or any other company in which the Group holds shares, and (subject to the approval of the Stock Exchange of Singapore Limited and on a selective basis) employees of associated companies of the Company (collectively, "Executives") will be eligible to participate in the Existing Scheme. It is proposed that the 2001 Scheme be extended to include all employees of the Group, including Executive Directors ("Employees"). It is proposed that the 2001 Scheme not be extended to employees of associated companies of the Group and Non-Executive Directors of the Company.

The Company intends to extend the 2001 Scheme to include all Employees of the Group so as to promote group cohesiveness and team spirit amongst the Employees through a sense of ownership of the Company. The Company is of the view that the grant of options to Employees of the Group will motivate the Employees to develop a long-term view of their relationship with the Group.

The 2001 Scheme, unlike the Existing Scheme, does not contain the requirements that (i) Executive Directors may only be granted options if the specific grant thereof has been approved by Shareholders, and (ii) only Employees who have been employed as a confirmed full-time employee of the Company, its subsidiaries or associated company for at least twenty-four (24) months (or six (6) months upon waiver and approval by the Committee) may participate in the Existing Scheme.

The Existing Scheme does not allow an Executive to participate in more than one scheme implemented by the Company or its subsidiaries and further provides that the Executive should always participate in the scheme of the company in which he is principally employed. These restrictions have been removed under the 2001 Scheme to take advantage of the greater flexibility afforded by the amendments to the listing rules.

(b) Exercise Period

The Existing Scheme provides that the exercise period of an option granted thereunder shall commence on (and include) the first anniversary of the date on which the option is offered (the "Offering Date") and end on (and include) the date immediately preceding the fifth anniversary of such date. In the case of an Executive who has been granted an option but who has been employed by the Company or any subsidiary or associated company for less than twelve (12) calendar months as at the date on which the option is offered, the Executive may only exercise his option in the period commencing on (and including) the second anniversary of the Offering Date and ending on (and including) the date immediately preceding the fifth anniversary of such date.

Under the 2001 Scheme, the exercise period of an option granted at Market Price (as defined under the 2001 Scheme) shall commence on the first anniversary of the Offering Date while the exercise period of an option granted at a discount to Market Price shall commence on the second anniversary. The exercise period for an option granted to an Employee shall expire on the tenth anniversary of the Offering Date.

The extension of the exercise period would enable an Employee to retain the options for a longer period and would be an incentive to encourage the Employee to work with greater dedication to enhance the performance of the Company and the Group.

(c) Offering Date

The Existing Scheme provides that options may be offered in each financial year within the period of forty-two (42) days commencing after the fifth market day following the date of announcement of the Company's interim or final results. Under the 2001 Scheme, save for the five (5) market days from the date an announcement on any matter of an exceptional nature involving price-sensitive information is made, the offers of options may be made at any time and from time to time, at the discretion of the Committee, in accordance with the terms of the 2001 Scheme. This change will give the Company more flexibility in granting options.

(d) Maximum Entitlements

Under the Existing Scheme, the number of Shares in respect of which options may be granted to an Executive is determined by the Committee, subject to the individual limits set out in the Existing Scheme. The exclusion of the individual limits would afford the Company greater flexibility in the implementation of the 2001 Scheme and in crafting out a balanced and innovative overall remuneration package for the Employees. The individual limits are unduly restrictive on the Company as the number of options which may be granted to Employees would have to be limited to the specified pre-determined limits in the 2001 Scheme even if the issued share capital of the Company is increased or the size of the 2001 Scheme is revised. The Company would have to constantly monitor and, if need be, amend the rules of the 2001 Scheme if the individual limits were not removed.

(e) Subscription Price

The Existing Scheme provides that the Subscription Price to be paid upon the exercise of an option shall be an amount equal to the greater of the nominal value of the Shares and the average of the last transacted prices of the Shares for the three (3) consecutive market days on which dealings in Shares took place on the Singapore Exchange immediately preceding the relevant Offering Date.

Under the 2001 Scheme, the market price of an option (“Market Price”) shall, save as provided below, be determined using the weighted average price of the Shares on the market day on which dealings in Shares took place on the Singapore Exchange immediately preceding the relevant Offering Date.

Under the 2001 Scheme, the Subscription Price of options granted to Employees below the rank of Senior Manager (or an equivalent or analogous rank) shall be the Market Price, or the nominal value of the Shares, whichever is greater. The Subscription Price of options granted to Employees of the rank of Senior Manager (or an equivalent or analogous rank) and above may be set at a discount of not more than twenty (20) per cent. of the Market Price (“Maximum Discount”) determined in accordance with Rule 5 of the 2001 Scheme as follows:

$$\text{Maximum Discount (\%)} = \frac{\text{EPS (current financial year)} - \text{EPS (last financial year)}}{\text{EPS (last financial year)}} \times 100$$

provided that :-

- (a) the profit after tax and minority interest but before extraordinary items of the Group based on the latest available full-year audited consolidated accounts of the Group at the Offering Date is not less than S\$9,000,000; and
- (b) EPS (current financial year) – EPS (last financial year) is more than zero.

where

- (i) “EPS” refers to the earnings per Share computed by dividing the Group’s net profit after tax and minority interest but before extraordinary items with the 12-month weighted average issued share capital. In the event that there is any bonus issue, rights issue, sub-division or consolidation effect, the EPS shall be adjusted accordingly for comparison purposes in a fair and reasonable manner which is acceptable to the Committee;
- (ii) “EPS (current financial year)” shall be determined based on the latest available full-year audited consolidated accounts of the Group at the Offering Date; and
- (iii) “EPS (last financial year)” shall be based on the audited consolidated accounts of the Group for the financial year immediately preceding the financial year in (ii) above.

In the above formula, the Subscription Price may only be set at a discount if the profit after tax and minority interest but before extraordinary items of the Group based on the latest available full-year audited consolidated accounts of the Group at the Offering Date is not less than S\$9,000,000 and if there is EPS growth. In addition, it should be noted that any discount to Market Price which may be granted in respect of options is capped at twenty (20) per cent. The average profit after tax and minority interest but before extraordinary items of the Group for the last three financial years ended 31 December 2000 is S\$9,733,186. By setting such performance criteria, the Company hopes that senior Employees of the Group who hold pivotal positions of responsibility in the Group would be further motivated to qualify for and to justify any discount to Options which may be granted to them. This would also create an environment whereby senior Employees would be encouraged and motivated to be enterprising, resourceful and efficient in their strive for improved results for the Group.

The Company is proposing the offer of options at a discount to the Market Price (“Discounted Options”) to Employees of the rank of Senior Manager (or an equivalent or analogous rank) and above for the following reasons:-

- (i) it will provide an added incentive for the senior Employees to focus on improving the profitability and return of the Group. This will benefit all the Shareholders when this is eventually reflected through the appreciation of share prices;

- (ii) Employees who are ranked Senior Manager (or an equivalent or analogous rank) and above hold key executive positions and are the driving force behind the growth of the Group. Discounted Options would be viewed more positively by this group of Employees and will inspire them to work hard and produce results in order to be offered Discounted Options. It will also provide them with an opportunity to strive for a better discount and to exceed certain performance targets. This would be in line with the Group's objective of motivating them to optimise their performance standards and efficiency which is important to the Group's success; and
- (iii) the flexibility to grant Discounted Options would help the Company and the Group to persuade Employees to accept controls on salary growth, and provide them with a stronger incentive to pursue continuous improvement in their work performance in order that they may be granted Discounted Options.

The discretion to grant Discounted Options will be exercised by the Committee judiciously. The exact quantum of discount to a specific senior Employee shall be determined by the Committee at its sole discretion after taking into consideration criteria such as, but not limited to, (i) the level of responsibility, years of service, performance evaluation and potential for future development of the senior Employee, (ii) the contribution to the success of the Company and/or the Group by that senior Employee, and (iii) the prevailing market and economic conditions, where applicable. The discount quantum may differ from one senior Employee to another, based on individual performance and contribution. Where the Committee deems appropriate, Options may also be granted without any discount at all.

By including a discount quantum to the fullest extent currently permitted by the Singapore Exchange as a feature of the 2001 Scheme, the Company would have the maximum flexibility available under the Listing Manual to adjust and tailor the value of the incentive in each Discounted Option granted under the Scheme. Such flexibility is intended to, *inter alia*, enable the Group to offer competitive compensation and incentive packages to attract and retain talent, having regard to prevailing market conditions.

(f) Adjustments

The Existing Scheme provides for adjustments to the Subscription Price and/or the number of Shares comprised in an option in the event of a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, reduction, sub-division or consolidation). If a share purchase mandate is obtained by the Company and exercised, the issued share capital of the Company will be reduced by the number of Shares purchased or acquired by the Company. Under the rules of the Existing Scheme, adjustments may have to be made to the Subscription Price and/or the number of Shares comprised in the outstanding options as and when, and on each occasion on which, the issued share capital of the Company is reduced by reason of any purchase or acquisition by the Company of its Shares and such adjustments must be confirmed by the auditors for the time being of the Company to be, in their opinion, fair and reasonable.

It is not practicable and is time consuming, particularly if the Company purchases or acquires its issued shares by way of market purchases on the Singapore Exchange which may occur at any time and from time to time over a period of time during which a share purchase mandate is in force, for the Company to make adjustments to the outstanding options. It is therefore proposed that it be made clear in the 2001 Scheme that any variation in the issued share capital of the Company as a result of market purchases of its shares shall not be regarded as an event requiring adjustments to the options.

The Company does not currently have in force a share purchase mandate. As and when it is considered to be in the Company's interest, approval of the Shareholders in general meeting will be sought for a general mandate to be given to the Directors of the Company, on such terms and conditions as may be specified, for the Company to purchase its own shares.

(g) Administration

The Existing Scheme is administered by a Committee of Directors which consists of Directors of the Company who are not participating in the Existing Scheme. Under the 2001 Scheme, Executive Directors who are not Controlling Shareholders and their associates are eligible to participate in the 2001 Scheme. The 2001 Scheme allows Directors of the Company who participate in the 2001 Scheme to be members of the Committee. The inclusion of one or more Directors (who may be participants) from senior management and who are familiar with the operations of the Group would enable the Committee to better evaluate and review the performance of the Employees and the appropriate number of options to be granted to each Employee. As a safeguard, a member who is a participant shall not be involved in the deliberation of the Committee in respect of the individual options to be granted to him.

POTENTIAL COST OF OPTIONS GRANTED

Shareholders may wish to note that any options granted for Shares in the Company (whether or not the Subscription Price is set at a discount to Market Price) will have a fair value. Insofar as options are granted at a consideration which is less than their fair value, there will be a cost to the Company, the size of which will depend on the duration of the options, whether the options are granted at Market Price or at a discount, and the size of such discount.

The cost to the Company of granting Discounted Options includes the following:

- (a) the exercise of an option at a discount to the Market Price would translate into a reduction of the proceeds from the exercise of such option, as compared to the proceeds that the Company would have received had the exercise been made at the prevailing Market Price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to the Company of granting Discounted Options;
- (b) as the monetary cost of granting Discounted Options is borne by the Company, the earnings of the Company would effectively be reduced by an amount corresponding to the reduced interest earnings that the Company would have received from the difference in proceeds from a Subscription Price with no discount versus the discounted Subscription Price. Such reduction would, accordingly, result in the dilution of the Company's earnings per Share; and
- (c) the effect of the issue of new Shares upon the exercise of options on the Company's net tangible asset per Share is accretive if the Subscription Price is above the net tangible asset per Share, but dilutive otherwise. The dilutive effect is greater if the Subscription Price is at a discount to the Market Price.

The above costs will materialise only upon the exercise of the relevant options.

Currently, the Singapore financial accounting and reporting standards do not require companies to account for share-based awards granted to their employees. Accordingly, listed companies, including the Company, have not recognised any compensation expenses relating to share options granted to their employees in their financial statements. However, there is a value attached to share options because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option.

If the Company adopts accounting standards that require it to account for share-based awards granted to their employees, the cost of granting options will be charged to the Company's profit and loss account at the time of the grant of the options. The cost to the Company will be higher the greater the discount and the longer the exercise period.

3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Directors have taken this opportunity to review the Articles of Association of the Company. The amendments proposed to be made to the Articles of Association are principally to bring them in line with the changes to the Companies Act and the listing rules as well as to correct certain typographical errors. It is proposed that the following amendments be made to the Articles of Association of the Company :-

- (a) Article 16 of the Articles of Association currently provides that no Director shall participate in an issue of Shares to employees unless Shareholders in general meeting have approved the specific allotment to be made to such Director and unless he holds office in the Company or any of its subsidiaries in an executive capacity.

Following the amendment to Appendix 5 of the Listing Manual, and in conjunction with the proposal to adopt the 2001 Scheme, it is proposed that the existing Article 16 be deleted in its entirety.

With the deletion of the existing Article 16 from the Articles of Association, the eligibility of Directors to participate in a share option or share incentive schemes would be governed by the rules of the Listing Manual, the terms of the relevant scheme(s) and any applicable laws, rather than the Articles of Association.

Consequently, Non-Executive Directors would not be restricted from participating in share option or share incentive schemes, and there would not be a need for the Company to revert to the Shareholders, by reason only of the Articles of Association, to seek specific approval on each occasion for participation by any one or more of its Directors in such schemes. This would facilitate smoother administration of the schemes by the Company as eligible Directors would be eligible to participate in the schemes on the same footing as other eligible participants. The deletion would also remove any wastage in time and expenses involved in convening general meetings for the purpose of seeking the specific approval of Shareholders on each occasion that the Company intends to grant share options to its Directors.

It should be noted that, under the rules of the 2001 Scheme, Non-Executive Directors are not eligible to participate in the 2001 Scheme. It is however proposed that Article 16 be deleted in its entirety to provide the Company the flexibility to allow Directors (including Non-Executive Directors) to participate in share option or share incentive schemes in the future. As and when it is considered to be in the Company's interests, the approvals of the Singapore Exchange and the Shareholders of the Company will be obtained under the rules of the 2001 Scheme to allow Non-Executive Directors to participate in the 2001 Scheme.

- (b) The amendments to the Companies Act on 18 November 1998 and 22 January 2001 introduced provisions that allow a company incorporated in Singapore to purchase or otherwise acquire issued ordinary shares and preference shares in the capital of the company. It is a requirement of the Companies Act that the Articles of Association of the company expressly permit the company to purchase or otherwise acquire shares issued by it. It is proposed that a new Article 16 be inserted to empower the Company to purchase its own shares (whether ordinary or preference or otherwise).

Although the Company does not propose to obtain a share purchase mandate at this point in time, the Directors consider it desirable to amend the Articles of Association of the Company to empower the Company to purchase its shares when a share purchase mandate is obtained at a future date. As and when it is considered to be in the Company's interest, approval of the Shareholders at general meeting will be sought for a general mandate to be given to the Directors of the Company, on such terms and conditions as may be specified, for the Company to purchase its own shares.

The existing Article 7 of the Articles of Association states that no financial assistance shall be given for the purchase of or subscription for the Company's shares, or the shares of its holding company Provided That the Article shall not prohibit the transactions mentioned in Section 76(8) of the Companies Act. In conjunction with the insertion of the new Article 16 to allow the Company to buy-back its shares and for the avoidance of doubt, it is proposed that the proviso to Article 7 be extended so that Article 7 does not apply to all transactions permitted by law.

- (c) Articles 5A, 63(1) and 63(2) of the Articles of Association of the Company govern the issue of new shares of the Company. Article 5A currently provides that the Company in a general meeting may authorise the Directors to issue shares subject to the approval of the Stock Exchange of Singapore Limited. Article 63(1) provides that all new shares have to be offered to existing Shareholders in proportion to their shareholdings at the date of offer. Article 63(2) provides that an application may be made to the Stock Exchange of Singapore Limited to waive the convening of an extraordinary general meeting to obtain approval for issues of shares (other than bonus or rights issues) where the aggregate issues do not exceed ten (10) per cent. of the Company's issued share capital in any one financial year.

In view of the changes to the rules of the Listing Manual which raised the limit placed on the mandate given to Directors of a listed company to issue shares from ten (10) per cent. to fifty (50) per cent. of the issued share capital of the listed company, subject to a sub-limit of twenty (20) per cent. where shareholders of the Company with registered addresses in Singapore are not given an opportunity to participate in the same on a pro-rata basis, it is proposed that Articles 5A, 63(1) and 63(2) be amended. The proposed amendments to the Articles of Association will facilitate the Company in raising capital for its needs in an expeditious and a cost-effective manner.

- (d) Article 120 currently provides that Directors may meet together for the despatch of business. It is proposed that Article 120 be amended to provide that Directors may also meet by telephone, conference television or any form of audio or audio-visual communication. The proposed amendment updates the Articles of Association of the Company to take into account technological advances, thereby facilitating administration and business efficacy.
- (e) Article 2 currently provides for two different definitions of "member". To correct the typographical error, it is proposed that one of the definitions of "member", which defines "member" as "a member of this Company", be deleted.
- (f) Currently, the second part of Article 27 is a repetition of Article 28. It is proposed that Article 27 be amended to remove the repetition.
- (g) Articles 33, 75, 102 and 118 contain minor typographical errors and it is proposed that the same be amended.

4. APPROVALS AND RESOLUTIONS

Your approval for the proposed amendments to the Articles of Association of the Company, the termination of the Existing Scheme and the adoption of the 2001 Scheme, and the granting of options at a discount is sought at the EGM.

The Resolution relating to the amendments to the Articles of Association of the Company is contained in the Notice of EGM as Special Resolution 1 found on page 38 of this Circular. The Resolutions relating to the termination of the Existing Scheme and the adoption of the 2001 Scheme are contained in the Notice of EGM as Ordinary Resolutions 2 and 3. The Resolution relating to the granting of options at a discount is contained in the Notice of EGM as Ordinary Resolution 4.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return 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 not less than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he finds that he is able to do so.

If a Shareholder is entitled to participate in the 2001 Scheme, he should abstain from voting at the EGM in respect of any of the Resolutions relating to the 2001 Scheme, and should not accept nominations (as proxies or otherwise) for voting at the EGM in respect of the aforesaid resolutions.

6. INSPECTION OF DOCUMENTS

The following documents may be inspected at the registered office of the Company during normal business hours from the date hereof up to and including the date of the EGM :

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Rules of the Hwa Hong Corporation Limited Executives' Share Option Scheme.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the amendments to the Articles of Association, the termination of the Existing Scheme and the adoption of the 2001 Scheme and the granting of options at a discount, and there are no other material facts the omission of which would make any information in this Circular misleading.

8. DIRECTORS' RECOMMENDATION

Your Directors unanimously consider the amendments to the Articles of Association and the adoption of the 2001 Scheme to be in the interests of the Company and recommend that you vote in favour of the resolutions relating to the amendments to the Articles of Association, the termination of the Existing Scheme and the adoption of the 2001 Scheme and the grant of options at a discount as set out in the Notice of EGM.

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

Ong Choo Eng
Chairman
4 May 2001

RULES OF THE HWA HONG CORPORATION LIMITED (2001) SHARE OPTION SCHEME

1. DEFINITIONS

- 1.1 In this 2001 Scheme, unless the context otherwise requires, the following expressions shall have the following meanings :-

<u>Expression</u>	<u>Meaning</u>
“2001 Scheme”	the Hwa Hong Corporation Limited (2001) Share Option Scheme contained herein as amended from time to time;
“Adoption Date”	the date on which the 2001 Scheme is adopted by resolution of the Shareholders of the Company;
“Auditors”	the auditors for the time being of the Company;
“CDP”	The Central Depository (Pte) Limited;
“Committee”	a duly authorised committee of Director(s) of the Company established for the purpose of administering the 2001 Scheme;
“Companies Act”	the Companies Act (Chapter 50) of Singapore, as amended or modified from time to time;
“Company”	Hwa Hong Corporation Limited, a company incorporated in the Republic of Singapore;
“CPF”	Central Provident Fund;
“CPF Regulations”	the Central Provident Fund (Investment Schemes) Regulations and such other relevant legislation (whether set out in the CPF Act (Chapter 36), the regulations promulgated thereunder or elsewhere) pertaining to the withdrawal or use of CPF monies for the subscription or purchase of securities;
“Director”	a director for the time being of the Company;
“Employee”	any person who is (i) a confirmed full-time employee of the Company or any of its Subsidiaries or (ii) a full-time Executive Director or (iii) a confirmed employee of the Company or any of its Subsidiaries and seconded to an associated company or any other company in which the Company or any of its Subsidiaries holds shares. For the avoidance of doubt, being engaged by the Company or any of its Subsidiaries to render consultancy services and being compensated for such services <i>per se</i> will not render a person an “Employee”;
“Executive Director”	a director for the time being of the Company or any of its Subsidiaries holding office in an executive capacity in the Company or any of its Subsidiaries as the case may be. For the avoidance of doubt, being engaged by the Company or any of its Subsidiaries to render consultancy services and being compensated for such services <i>per se</i> will not render a director an “Executive Director”;

“Exercise Period”	such period as may be determined by the Committee during which an Option is exercisable, being the period commencing not earlier than the first anniversary of the Offering Date and ending on (and including) the day immediately preceding the tenth anniversary of the Offering Date Provided That where the Subscription Price for the Shares comprised in an Option is set at a discount to the Market Price, such Option may not be exercised before the second anniversary of the Offering Date;
“Group”	the Company and its Subsidiaries;
“Market Day”	a day on which the Singapore Exchange is open for trading of securities;
“Market Price”	the weighted average price of the Shares for the Market Day immediately preceding the relevant Offering Date;
“Offering Date”	a date on which an offer is made by the Company to an Employee to purchase an Option;
“Option”	a right to subscribe for Shares granted pursuant to the 2001 Scheme;
“Participant”	the holder of an Option;
“Record Date”	the date as at the close of business (or such other time as may have been prescribed by the Company) on which Shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be);
“Share”	an ordinary share of S\$0.25 (or such other nominal value for the time being) in the capital of the Company;
“Singapore Exchange”	Singapore Exchange Securities Trading Limited;
“Subscription Price”	the price per Share at which an Employee is granted the right to subscribe for Shares upon exercise of an Option, determined in accordance with Rule 5, or such other price as may result from an adjustment pursuant to Rule 12;
“Subsidiary”	a company (whether incorporated within or outside Singapore and wheresoever resident) being a subsidiary for the time being of the Company within the meaning of Section 5 of the Companies Act; and
“\$” or “S\$”	Singapore dollars.

- 1.2 The terms “associate” and “Controlling Shareholder” shall have the meanings ascribed to them in the Singapore Exchange Listing Manual.
- 1.3 Any reference herein to any enactment shall be construed as including a reference to that enactment as the same may from time to time be amended or re-enacted.
- 1.4 Wherever the context so admits or requires, words in the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine.
- 1.5 Unless the context otherwise requires, references to Rules are to Rules of the 2001 Scheme.

1.6 The headings to the Rules are for convenience only and have no legal effect.

1.7 Any reference to a time of a day in the 2001 Scheme is a reference to Singapore time.

2. OFFER OF OPTIONS

2.1 Subject to the limitations hereinafter set out, the Committee shall be entitled to offer Options under the terms of the 2001 Scheme to such Employees as it may select in its absolute discretion at any time and from time to time Provided That in the event that an announcement on any matter of an exceptional nature involving unpublished price-sensitive information is made, offers may only be made after the fifth Market Day from the date on which the aforesaid announcement is released.

3. DETERMINATION OF ELIGIBILITY

3.1 Any person will be eligible to participate in the 2001 Scheme at the absolute discretion of the Committee, but no Option shall be offered to any such person if at the Offering Date :-

- (a) he shall not be an Employee;
- (b) he shall be a Controlling Shareholder or an associate of a Controlling Shareholder;
- (c) he shall not have attained the age of twenty-one (21) years; or
- (d) he shall be an undischarged bankrupt.

3.2 In determining the eligibility of Employees to participate in this 2001 Scheme and the number of Shares to be offered to an Employee under an Option, the Committee will take into account, *inter alia*, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the Employee.

4. LIMITATION ON THE 2001 SCHEME

4.1 The total number of Shares in respect of which the Company may grant Options, when added to the number of Shares issued and which would be issued upon the exercise of all outstanding Options under the 2001 Scheme, shall at no time exceed five (5) per cent. of the total issued share capital of the Company from time to time.

4.2 The Company shall at all times keep available sufficient unissued Shares to satisfy all outstanding Options.

5. DETERMINATION OF SUBSCRIPTION PRICE

5.1 Subject always to the provisions of Rule 12, the Subscription Price per Share to be paid upon exercise of an Option shall be determined by the Committee in its absolute discretion, and fixed by the Committee as follows :-

- (a) in relation to Employees ranked below the rank of Senior Manager (or an equivalent or analogous rank), a price equal to the Market Price, or the nominal value of the Shares, whichever is greater; or
- (b) in relation to Employees of the rank of Senior Manager (or an equivalent or analogous rank) and above, a price which may be set at a discount to the Market Price, or the nominal value of the Shares, whichever is greater Provided That :-
 - (i) the maximum percentage of the discount to the Market Price shall be determined as set out below:-

$$\text{Maximum Discount (\%)} = \frac{\text{EPS (current financial year)} - \text{EPS (last financial year)}}{\text{EPS (last financial year)}} \times 100$$

provided that :-

- (A) the profit after tax and minority interest but before extraordinary items of the Group based on the latest available full-year audited consolidated accounts of the Group at the Offering Date is not less than S\$9,000,000; and
- (B) EPS (current financial year) – EPS (last financial year) is more than zero.

where

- (aa) “EPS” refers to the earnings per Share computed by dividing the Group’s net profit after tax and minority interest but before extraordinary items with the 12-month weighted average issued share capital. In the event that there is any bonus issue, rights issue, sub-division or consolidation effect, the EPS shall be adjusted accordingly for comparison purposes in a fair and reasonable manner which is acceptable to the Committee;
 - (bb) “EPS (current financial year)” shall be determined based on the latest available full-year audited consolidated accounts of the Group at the Offering Date; and
 - (cc) “EPS (last financial year)” shall be based on the audited consolidated accounts of the Group for the financial year immediately preceding the financial year in (bb) above;
- (ii) notwithstanding Rule 5.1(b)(i) above, the maximum discount shall not exceed twenty (20) per cent. of the Market Price; and
 - (iii) the Shareholders of the Company in general meeting shall have authorised the making of offers and grants of Options under the 2001 Scheme at a discount not exceeding the maximum discount as stated in Rule 5.1(b)(ii) above (for the avoidance of doubt, such prior authorisation only has to be obtained once and, once obtained, shall unless revoked at general meeting, authorise the making of offers and grants of Options at such discount for the entire duration of the 2001 Scheme).

6. METHOD OF OFFER

6.1 Subject to Rule 17.1, the Committee shall determine the following :-

- (a) the Employees eligible to participate in the 2001 Scheme pursuant to Rule 3;
- (b) the number of Shares for which Options may be granted to any Employee;
- (c) the Subscription Price determined in accordance with Rule 5;
- (d) the Exercise Period determined in accordance with Rule 1; and
- (e) such other terms and conditions (if any) consistent with the 2001 Scheme as the Committee may deem fit;

and the Committee or a Director of the Company authorised by the Committee shall make the respective offers to the Employees in accordance with this 2001 Scheme.

6.2 An offer of an Option to an Employee shall be by way of letter in the form set out in Appendix A, subject to such modification as the Committee may from time to time determine (the “Letter of Offer”). The last day for acceptance of an offer shall be one (1) month after the relevant Offering Date, or such other date as the Committee may determine.

7. ACCEPTANCE OF THE OFFER

- 7.1 Any Employee who wishes to accept an offer made pursuant to Rule 6 may only do so :-
- (a) by completing, signing and returning the Acceptance Form (in the form set out in Appendix B, subject to such modification as the Committee may from time to time determine) to the Committee on or before the stated time and date set out in the Letter of Offer together with payment therefor of the sum of S\$1.00 as consideration or such other amount and such other documentation as the Committee may require; and
 - (b) if, as at the date on which he accepts the Option as aforesaid, he remains eligible to participate in the 2001 Scheme pursuant to Rule 3.
- 7.2 Unless the Committee otherwise determines, any Employee who fails to return an Acceptance Form in accordance with Rule 7.1 on or before the stated time on the closing date set out in the Letter of Offer shall be deemed to have rejected the offer which shall forthwith lapse.
- 7.3 If an Option is accepted in accordance with the terms of this 2001 Scheme, the Option shall be deemed to have been granted and to have taken effect on the Offering Date.

8. OPTIONS TO BE PERSONAL TO EMPLOYEES

- 8.1 An Option shall be personal to the Employee to whom it is offered and any Option granted to any person under the 2001 Scheme shall not be capable of being transferred by him but may be exercised by the Employee's legal personal representative(s) as provided in Rule 13 in the event of the death of the Employee.
- 8.2 Employees shall not in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over any Option or any rights thereunder.

9. EXERCISE OF OPTIONS

- 9.1 (a) Except as otherwise provided in Rule 13, any subsisting Option may be exercised in accordance with the terms and conditions of this 2001 Scheme in whole or in part during the Exercise Period.
- (b) An Option may be exercised in multiples of 1,000 Shares only. However, notwithstanding the foregoing, a Participant may exercise his Option otherwise than in multiples of 1,000 Shares if (and only if) such exercise is for the subscription of all (and not part only) of the Shares which are the subject of such Option.
- (c) The exercise of an Option (including the time and manner of such exercise) shall be subject to and carried out in accordance with any guidelines that may from time to time be prescribed by the Committee. The Company further reserves the right to treat any exercise as invalid where it has reason to believe that such exercise would or may infringe any applicable laws, including any applicable requirements of the Singapore Exchange.
- 9.2 A Participant may exercise an Option by notice in writing to the Company in the form set out in Appendix C, subject to such modification as the Committee may from time to time determine ("Exercise Notice"). The Exercise Notice shall be accompanied by a remittance for the full amount of the aggregate Subscription Price and any other documentation which the Committee may require in connection with the exercise of the Option including evidence to verify due execution of the Exercise Notice. An Option shall not be deemed to be exercised unless the Company shall have received the Exercise Notice, duly completed and signed by the Participant, and the aggregate Subscription Price and all other conditions for exercise of the Option imposed by the 2001 Scheme (including those set out in Rule 9.4) shall have been satisfied.

9.3 All payments made pursuant to Rule 9.2 shall be made by cheque, cashier's order, banker's draft or postal order in favour of the Company.

9.4 Subject to :-

- (a) such consents (including any approvals required from the Singapore Exchange) as may be necessary;
- (b) the Participant having a securities account with CDP and compliance with the applicable requirements of CDP;
- (c) compliance with the terms of the Option, the 2001 Scheme and the Memorandum and Articles of Association of the Company;
- (d) (in the case of a Participant using CPF monies to effect payment for the Shares) compliance with the CPF Regulations and the applicable requirements of the CPF Board; and
- (e) the Company being satisfied that the Shares which are the subject of a valid Exercise Notice will be listed for quotation on the Singapore Exchange;

the Company shall direct the Share Registrar for the time being of the Company to allot the Shares in respect of which such Option has been exercised to the Participant and register the Shares in the name of CDP, within ten (10) Market Days after the receipt of the Exercise Notice, the relevant remittance and upon the satisfaction of all other conditions for exercise of the Option imposed by this 2001 Scheme, and to despatch to CDP, within five (5) Market Days from the date of such allotment, for the account of the Participant or the account of such nominee as the Participant may appoint, share certificate(s) in respect thereof by ordinary post or such other mode as the Committee may deem fit.

9.5 Any of the conditions in Rule 9.4 may be waived in whole or in part by the Committee and subject to any of the conditions as it may deem fit.

9.6 Any Option remaining unexercised at the end of the Exercise Period shall forthwith lapse.

10. INVALID ACCEPTANCE OR EXERCISE OF OPTION

10.1 The Company shall be entitled to reject any purported acceptance of an offer made pursuant to Rule 6 or any Exercise Notice which does not strictly comply with the terms of this 2001 Scheme.

11. RIGHTS AND OBLIGATIONS OF PARTICIPANT UPON EXERCISE OF OPTION

11.1 The Shares issued and allotted upon the exercise of an Option will rank for any dividend, right, allotment or other distribution the Record Date of which is on or after the date of the exercise of the Option and (subject as aforesaid) will rank pari passu in all respects with the Shares of the Company then existing. The new Shares will be subject to the provisions of the Memorandum and Articles of Association of the Company.

11.2 Notwithstanding the provisions of any other Rule :-

- (a) this 2001 Scheme or any Option shall not form part of any contract of employment between the Company and/or any Subsidiary and any Employee and the rights and obligations of any individual under the terms of the office or employment with any such company shall not be affected by his participation in this 2001 Scheme or any right which he may have to participate in it or any Option which he may hold and this 2001 Scheme or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever (whether lawful or not); and

- (b) this 2001 Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against any such company, its directors or employees.

11.3 All Participants shall at all times comply with Part II of the Best Practices Guide of the Singapore Exchange Listing Manual, as the same may from time to time be modified.

11.4 All Participants shall notify the Company Secretary of the Company or any other person authorised in writing by the Directors of the Company, within 24 hours of their disposal of the Shares arising from the exercise of the Option, stating the date of transaction, the transaction price and the amount of Shares disposed of and such other information as the Company may require.

12. ADJUSTMENTS

12.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, reduction, sub-division or consolidation of the then existing Shares) shall take place or if there is an offer or invitation made to Shareholders of the Company whereunder they may acquire or subscribe for securities convertible into Shares in the Company or rights to acquire or subscribe for Shares in the Company, then :-

- (a) the Subscription Price; and/or
- (b) the nominal value, number and class of Shares comprised in an Option to the extent unexercised and the rights attached thereto; and/or
- (c) the nominal value, class and number of Shares in respect of which Options may be granted under this 2001 Scheme; and/or

may, at the discretion of the Committee, be adjusted in such manner as the Committee may, in consultation with the Auditors (if required), determine to be appropriate (not excluding retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise) provided that the Auditors (acting only as experts and not as arbitrators) shall have confirmed in writing that, in their opinion, such adjustment is fair and reasonable.

12.2 Notwithstanding the provisions of Rule 12.1, no such adjustment shall be made if, as a result, the Subscription Price shall fall below the nominal value of a Share.

12.3 The following circumstances will not be regarded as circumstances requiring adjustment :-

- (a) the issue of securities as consideration for or in connection with any acquisition or by way of private placement; and
- (b) the cancellation of issued shares purchased or acquired by the Company by way of a market purchase of such shares undertaken by the Company on the Singapore Exchange during the period when a share purchase mandate granted by Shareholders of the Company in general meeting (including any renewal of such mandate) is in force.

12.4 Any adjustments made shall, subject to the other provisions of this Rule 12, take effect upon the date of written notification of the adjustment by the Company to the Participants. Upon any adjustment required to be made pursuant to this Rule, the Company shall notify each Participant (or his duly appointed personal representatives) in writing of the adjustment(s) including (if applicable) the adjusted Subscription Price, the nominal value, class and number of Shares in respect of which his Option(s) may be exercised and the date on which such adjustment(s) shall take effect.

12.5 Notwithstanding the provisions of Rule 12.1 or that no adjustment is required under the provisions of this 2001 Scheme, the Committee may, in any circumstances where it considers that no adjustment should be made or that it should take effect on a different date or that an adjustment should be made to any of the matters referred to in Rule 12.1 notwithstanding that no adjustment is required under the said provisions (as the case may be), request the Auditors to consider whether for any reason whatsoever the adjustment or the absence of an adjustment is appropriate or inappropriate as the case may be, and, after such consideration, no adjustment shall take place or the adjustment shall be modified or nullified or an adjustment made (instead of no adjustment made) in such manner and on such date as shall be considered by such Auditors (acting only as experts and not as arbitrators) to be in their opinion appropriate.

13. TERMINATION AND EARLY EXERCISE OF THE OPTION

13.1 Subject to the other provisions in this Rule 13, in the event of :-

- (a) a general offer (whether conditional or unconditional) being made for all or any part of the Shares, all Participants holding Options shall be entitled to exercise any Options then held in the period commencing on the date on which such offer is made (or in the case of a conditional offer, commencing on the date on which such offer becomes unconditional or such earlier date as the Committee may determine), and ending on either the expiry of six (6) calendar months thereafter or the date of the expiry of the Exercise Period, whichever is earlier, whereupon all Options shall lapse Provided That if during such period the offeror becomes entitled or bound to exercise rights of compulsory acquisition of Shares under Section 215 of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, all Options shall remain exercisable until that specified date or the expiry of the Exercise Period, whichever is earlier. Any Option not so exercised by the said specified date shall lapse provided that the rights of acquisition or obligations to acquire as stated in the notice shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, all Options shall remain exercisable until the expiry of the Exercise Period; or
- (b) a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the Court under the Companies Act, all Participants shall be entitled to exercise any Options then held in the period commencing on the date upon which the scheme is sanctioned by the Court and ending either on the expiry of sixty (60) days thereafter or the date upon which the scheme becomes effective or the date of expiry of the Exercise Period, whichever is the earlier, whereupon all Options shall lapse.

13.2 Subject to the provisions in this Rule 13 as set out below, an Option, to the extent unexercised, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees) :-

- (a) the Participant, for any reason whatsoever (whether by reason of wrongful dismissal or otherwise) ceases to be in the full-time employment of the Company and/or any Subsidiary or in the event the company by which the Employee is employed ceases to be a company in the Group;
- (b) a Participant does or suffers any act or thing whereby he would or might be deprived of the legal or beneficial ownership of his Option;
- (c) death of a Participant;
- (d) a Participant commits an act of bankruptcy or is subject to a petition for bankruptcy;
- (e) a Participant commits any breach of any of the terms of his Option; or
- (f) misconduct on the part of a Participant as determined by the Company in its discretion.

13.3 The Committee may in its absolute discretion and on such terms and conditions as it deems fit, permit any Option to be exercised notwithstanding the provisions of any other Rules including Rules 13.1 and 13.2. Further to such exercise of discretion, the Options shall be deemed not to have become void nor cease to have effect in accordance with the relevant provisions in Rules 13.1 and 13.2 above. Without prejudice to the generality of the foregoing, the Committee may, in writing and not otherwise, at its absolute discretion permit any Option to be exercised in the following circumstances :-

- (a) if a Participant dies before the expiry of any Option, such Option may be exercised by his personal representative(s) on or before the earlier of the expiry of the Exercise Period and the first anniversary of his death, failing which his Option(s) shall forthwith lapse;
- (b) if a Participant ceases to be employed by reason of :-
 - (i) his retirement at or after attaining normal retirement age (being the age stipulated under the Company's retirement scheme from time to time in force or as prescribed under the Retirement Age Act (Chapter 274A), as the case may be);
 - (ii) ill-health, injury, disability or accident (in each case evidenced to the satisfaction of the Committee);
 - (iii) redundancy; or
 - (iv) any other ground (including early retirement before the normal retirement age referred to above) where the exercise of the Option under this Rule 13.3 has been approved by the Committee in writing,

such Participant may exercise his Option on or before the earlier of the expiry of the relevant Exercise Period and the first anniversary of the date of cessation of his employment, failing which his Option shall forthwith lapse; and

- (c) if a general offer referred to in Rule 13.1(a), being conditional, is withdrawn or lapses without becoming or being declared unconditional, Participants who have not exercised their Options may exercise their Options during the relevant Exercise Period subject to and in accordance with the Rules of the 2001 Scheme as if such offer had not been made Provided That the Options of such Participants shall not be exercisable pursuant to Rule 13.1 in connection with such offer.

13.4 In the event that an order is made for the compulsory winding-up of the Company, all Options to the extent that they are then unexercised shall forthwith lapse.

13.5 In the event of a voluntary winding-up (other than for amalgamation or reconstruction) of the Company, Participants shall be entitled, subject to the other provisions of the 2001 Scheme, to exercise any Options then held within thirty (30) days commencing from the date of the commencement of the voluntary winding-up but before the expiry of the relevant Exercise Period. Thereafter all unexercised Options shall forthwith lapse.

13.6 If in connection with the making of a general offer referred to in Rule 13.1(a) or a scheme referred to in Rule 13.1(b) or a winding-up referred to in Rule 13.5, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the benefit of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option may not, unless otherwise determined at the discretion of the Committee, exercise that Option in accordance with the foregoing provisions of this Rule 13.

13.7 For the avoidance of doubt, any Option which is permitted to be exercised by reason of Rule 13.1, 13.3 or 13.5 shall be so capable of being exercised notwithstanding that the exercise thereof may take place prior to the commencement of the Exercise Period, and any exercise thereof shall be made in accordance with the relevant provisions in Rule 9.

14. LISTING ON THE SINGAPORE EXCHANGE

14.1 As soon as practicable after the receipt of the duly completed Exercise Notice, the relevant remittance and the satisfaction of all other conditions for exercise of the Option imposed by this 2001 Scheme, the Company will apply to the Singapore Exchange for the listing and quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 12.

15. DURATION OF THE 2001 SCHEME

15.1 The 2001 Scheme will continue in operation at the discretion of the Committee for a maximum period of ten (10) years from the Adoption Date, provided always it may, subject to applicable laws and regulations, be extended for any further period or periods thereafter with the approval of Shareholders at a general meeting of the Company and any relevant approvals which may then be required.

16. ALTERATION AND TERMINATION OF THE 2001 SCHEME

16.1 This 2001 Scheme may be altered in any respect by a resolution of the Committee except that :-

- (a) no alteration shall be made which would adversely affect the rights of any Participant in relation to Options held by him prior to such alteration except with the prior consent in writing of such number of Participants who, if they exercised their Options in full, would be entitled to not less than seventy-five (75) per cent. of the aggregate nominal amount of the Shares which would arise upon the exercise in full of all outstanding Options;
- (b) no alteration to the definitions of "Committee", "Employee", "Executive Director", "Exercise Period", and "Subscription Price" and Rules 3, 4, 5, 7.1(a), 9.1, 11.1, 13, 16.1 and 17.1 shall be made to the advantage of the Participants except with the prior approval of the Shareholders of the Company in general meeting; and
- (c) no alteration shall be made without the prior approval of the Singapore Exchange.

16.2 Written notice of any alteration to this 2001 Scheme shall be given to all Participants holding Options but accidental omission to give notice to any Participant(s) shall not invalidate any such alterations.

16.3 Notwithstanding anything to the contrary contained in Rule 16.1, the Committee may at any time by resolution (and without other formality save for the approval of the Singapore Exchange) amend or alter the 2001 Scheme in any way to the extent necessary to cause the 2001 Scheme to comply with any statutory provision or the requirements of any regulatory or other relevant authority or body (including the Singapore Exchange).

16.4 The 2001 Scheme may be terminated at any time by the Committee and by resolution of the Company in general meeting, subject to all other relevant approvals which may then be required. If the 2001 Scheme is so terminated no further Option shall be offered by the Company hereunder but the then existing rights of Participants under the 2001 Scheme shall not thereby be affected.

17. ADMINISTRATION

17.1 This 2001 Scheme shall be administered by a Committee of Directors (as appointed under the Memorandum and Articles of Association of the Company), appointed by the Board of Directors of the Company in its absolute discretion, with such powers and duties as may be conferred upon it by the Board of Directors Provided That no member of the Committee shall be involved in any deliberation or decision-making in respect of Options to be granted to him.

17.2 The Company shall bear the costs of establishing and administering the 2001 Scheme.

18. ANNUAL REPORT DISCLOSURE

18.1 The Company shall make the following disclosure or such other disclosures as may from time to time be required under the listing rules of the Singapore Exchange in its annual reports :-

- (a) The names of the members of the Committee;
- (b) The number and proportion of Options granted at a discount to the Market Price during the financial year under review including :-
 - (i) the number and proportion of Options granted at a discount of ten (10) per cent. or less;
 - (ii) the number and proportion of Options granted at a discount of more than ten (10) per cent.; and
- (c) The information required in the table below for the following Participants :-
 - (i) Directors of the Company; and
 - (ii) Participants, other than those in Rule 18.1(c)(i) above, who received five (5) per cent. or more of the total number of Options for the time being available under the 2001 Scheme.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of 2001 Scheme to end of financial year under review	Aggregate Options exercised since commencement of 2001 Scheme to end of financial year under review	Aggregate Options outstanding as at end of financial year under review

19. DISPUTES; DISCLAIMER

19.1 Any dispute arising hereunder (other than matters to be confirmed by the Auditors in accordance with this 2001 Scheme) shall be referred for decision to the Committee whose decision shall be final and binding (including any decisions pertaining to disputes as to interpretation of the 2001 Scheme or any Rule, regulation, procedure thereunder or as to any rights under the 2001 Scheme).

19.2 Notwithstanding any other provision in this 2001 Scheme, the Company, its Directors or employees or the Committee shall not under any circumstances be held liable for any costs, losses, expenses, liabilities or damages whatsoever and howsoever arising in respect of any matter under or in connection with the 2001 Scheme including without limitation any delay or failure to issue Shares or to apply for or procure the listing of the Shares on the Singapore Exchange in accordance with Rule 14.1.

20. NOTICES

20.1 A Participant shall not by virtue of any unexercised Option be entitled to receive copies of any notices or other documents sent by the Company to the holders of Shares.

20.2 Any notice or other communication between the Company and a Participant may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office and, in the case of the Participant, his address as notified by him to the Company from time to time.

20.3 Any notice or other communication sent by post :-

- (a) by the Company shall be deemed to have been received 24 hours after the same was put in the post properly addressed and stamped; and
- (b) by the Participant shall be deemed to have been received when the same is received by the Company Secretary for the time being of the Company at the registered office of the Company.

21. CONSENTS; TAXES AND FEES

21.1 The Participants shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of the relevant Option. All taxes (including income tax) arising from the grant or exercise of any Option granted to any Participant under the 2001 Scheme shall be borne by that Participant. The Company shall not be responsible for any failure by the Participant to obtain any such consent or for any tax or other liability to which the Participant may become subject as a result of his participation in the 2001 Scheme. The Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares in CDP's name, the deposit of share certificate(s) with CDP or the Participant's securities account with CDP or securities sub-account with an approved bank (as defined in the CPF Regulations).

22. GOVERNING LAW AND JURISDICTION

22.1 This 2001 Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Company and the Participants, by participating in the 2001 Scheme, irrevocably submit to the exclusive jurisdiction of the Singapore courts.

HWA HONG CORPORATION LIMITED (2001) SHARE OPTION SCHEME

LETTER OF OFFER

Serial No: _____

Date:

To: Name
Designation
Address

Private and Confidential

Dear Sir/Madam

We have pleasure in informing you that you have been nominated by the Committee of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") to participate in the 2001 Scheme.

Accordingly, an offer is hereby made to grant you an option, in consideration of the payment of a sum of S\$1.00, to subscribe for and be allotted _____ ordinary shares of _____ each in the capital of the Company at a price of S\$ _____ per share (the "Option"). The Option shall be subject to the terms of this letter and of the 2001 Scheme (as the same may from time to time be amended pursuant to the terms of the 2001 Scheme), a copy of which is enclosed herewith.

Please note that the Option is personal to you and you shall not transfer or assign to any other person or create any charge, lien or other encumbrances whatsoever in respect of the Option or any part thereof or any rights thereunder.

If you wish to accept this offer, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 by 5.00 p.m. Singapore time on the _____ day of _____ (being the closing date for acceptance of the Option), failing which this offer will forthwith lapse.

Yours faithfully
For and on behalf of
HWA HONG CORPORATION LIMITED

Director

NOTE: The exercise period for the Option will commence not earlier than the *first/second anniversary and will end on (and include) the day immediately preceding the tenth anniversary of the date hereof.

*Delete if inapplicable

HWA HONG CORPORATION LIMITED (2001) SHARE OPTION SCHEME

ACCEPTANCE FORM

Serial No: _____

To : Hwa Hong Corporation Limited
38 South Bridge Road
Singapore 058672

Attention: The Company Secretary

Closing date for acceptance of Option : _____ (5.00 p.m. Singapore time)

Number of shares over which Option is offered : _____

Subscription price per share : S\$ _____

I have read your letter of offer dated _____ (the "Letter of Offer") and agree to be bound by the terms of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") and the Letter of Offer. I hereby accept the option to subscribe for _____ ordinary shares of S\$_____ each in the capital of Hwa Hong Corporation Limited at S\$_____ per share and enclose a cheque/cash for S\$1.00 in payment for the option.

I understand that :-

- (a) I am not obliged to exercise my option to subscribe for shares in the Company; and
- (b) If I exercise my option to subscribe for shares in the Company, I shall notify the Company Secretary or any other person authorised in writing by the Directors of the Company within 24 hours of my disposal of the shares arising from the exercise of my option, stating the date of transaction, the transaction price and the amount of shares disposed of and such other information as the Company may require.

I confirm that as at the date hereof I am not less than 21 years old or an undischarged bankrupt.

I acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to participate in the 2001 Scheme or accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please Print in Block Letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

NRIC/Passport No. : _____

Signature : _____

Date : _____

HWA HONG CORPORATION LIMITED (2001) SHARE OPTION SCHEME

NOTICE OF EXERCISE OF OPTION

Serial No: _____

To : Hwa Hong Corporation Limited
38 South Bridge Road
Singapore 058672

Attention: The Company Secretary

Total number of ordinary shares of S\$_____ each ("Shares") over which Option was offered under the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") on _____ ("Offering Date") : _____

Number of Shares previously allotted thereunder : _____

Outstanding balance of Shares which may be allotted thereunder : _____

Number of Shares now to be subscribed : _____

Subscription price per Share : _____

1. *(a) *(In the case of a Participant who is not using CPF monies in payment for the Subscription Shares)*

Pursuant to the Company's letter of offer under the 2001 Scheme to me on the above Offering Date, I hereby exercise the Option to subscribe for _____ Shares ("Subscription Shares") in Hwa Hong Corporation Limited at S\$_____ per Share.

I request the Company to issue and allot the said Subscription Shares in the name of The Central Depository (Pte) Limited ("CDP"), and despatch the share certificate(s) relating thereto by ordinary post and at my own risk, to CDP. Please request CDP to credit the Subscription Shares :-

- (i) *in my name and to my CDP direct securities account number _____; or
- (ii) *in the name of _____ (which is the nominee of the financial institution from whom I have sought financing for the Subscription Shares) and to their CDP securities account number _____ .

The particulars of the said nominee are as follows:

(aa) Address : _____

(bb) Registration number : _____

(cc) Country of incorporation : _____

I enclose a *cheque/cashier's order/banker's draft/postal order no. _____ for S\$_____ by way of subscription for the said Subscription Shares.

OR

**(b) (In the case of a Participant who is using CPF monies in payment for the Subscription Shares)*

Pursuant to the Company's letter of offer under the 2001 Scheme to me on the above Offering Date, I hereby exercise the Option to subscribe for _____ Shares ("Subscription Shares") in Hwa Hong Corporation Limited at S\$_____ per Share.

I wish to pay for the subscription price in respect of the Subscription Shares by way of the CPF monies standing to the credit of my CPF Investment Account specified below. In this connection, I enclose herewith an Application for Withdrawal under the Central Provident Fund (Approved Investment Schemes) Regulations or such other regulations as may be in force from time to time. I understand and acknowledge that the use of CPF monies for the payment of the Subscription Shares requires, *inter alia*, checks to be made in respect of my relevant accounts with the Central Provident Fund Board and the Agent Bank referred to below and that, accordingly, the time within which the Subscription Shares (if any) are issued by the Company and listed on the Singapore Exchange Securities Trading Limited is dependent upon the foregoing.

Name of bank : _____ (the "Agent Bank")

CPF Investment Account Number : _____

CPF Account Number : _____

I also irrevocably and unconditionally authorise the Company to obtain or disclose all necessary information from or to the Agent Bank, to submit the forms referred to above to the Agent Bank and to request such Agent Bank to forward the cashier's order or cheque for an amount equal to the total Subscription Price in payment of the Subscription Shares to the Company. I agree that the Company shall not be in any way liable if for any reason whatsoever such cashier's order or cheque is not issued or is not received by the Company.

I request the Company to instruct The Central Depository (Pte) Limited to credit the Subscription Shares to the account of such nominee of the Agent Bank as shall have been notified by the Agent Bank to the Company.

OR

**(c) (In the case of legal personal representative(s) of the Deceased)*

Pursuant to the Company's letter of offer under the 2001 Scheme to _____ (the "Deceased") on the above Offering Date, I/we, being the legal personal representative(s) of the Deceased, hereby exercise the Option to subscribe for _____ Shares ("Subscription Shares") in Hwa Hong Corporation Limited at S\$_____ per Share.

I/We request the Company to issue and allot the said Subscription Shares in the name of The Central Depository (Pte) Limited ("CDP"), and despatch the share certificate(s) relating thereto by ordinary post and at my/our own risk to CDP. Please request CDP to credit the Subscription Shares in my/our name(s) as stated below and my/our CDP direct securities account number _____ .

As evidence of my/our due and valid appointment as the legal personal representative(s) of the Deceased, I/we enclose herewith a certified copy of the *grant of probate/letter of administration. I/We acknowledge that the Company is at liberty to request for such other documents as deemed necessary by the Company to evidence such appointment. I/We acknowledge that the Company shall only act on the information and instructions set out herein upon satisfaction by the Company of my/our due appointment as the legal personal representative(s) of the Deceased and other matter in this paragraph 1(c).

2. I/We agree that the subscription for the said Subscription Shares is subject to the terms of the grant of the Option, the Rules of the 2001 Scheme (as amended from time to time) and the Memorandum and Articles of Association of the Company.

3. *(a) I declare that I am subscribing for the said Subscription Shares for myself and not as a nominee for any other person.

OR

*(b) I declare that the nominee named in paragraph 1(a) or (b) above (as the case may be) is subscribing for the said Subscription Shares as my nominee.

OR

*(c) I/We declare that I/we are subscribing for the said Subscription Shares in my/our capacity as the legal personal representative(s) of the Deceased.

Please Print in Block Letters**

Name in Full*** : _____

Designation : _____

Address : _____

Nationality : _____

NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

** In the case of an exercise of Options by legal personal representative(s), please provide information relating to such representative(s).

*** As appearing in identification documentation.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

1. Definition of “member” in Article 2

Existing definition of “member” in Article 2

“Member” or “member” means (a) where CDP is named in the Register as the holder of shares, a Depositor in respect of the number of shares which stand in credit against his name in the Depository Register; and (b) in any other case, a person whose name appears on the Register as a shareholder.

“member” means a member of this Company.

Proposed amendment to the definition of “member” in Article 2

By deleting the following definition of “member” in Article 2 :-

““member” means a member of this Company.”

2. Article 5A

Existing Article 5A

5A. The Company in General Meeting may authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held (whichever is the earlier) but may be previously revoked or varied by the Company in General Meeting provided that the exercise by the Directors of such authority to issue shares shall be subject to the approval of the Exchange.

Proposed amendment to Article 5A

By deleting the following at the end of the existing Article 5A :-

“provided that the exercise by the Directors of such authority to issue shares shall be subject to the approval of the Exchange”.

3. Article 7

Existing Article 7

7. Neither the Company nor any subsidiary company thereof shall give, whether directly or indirectly and whether by means of a loan guarantee or the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or any company which is its holding company or in any way purchase deal in or lend money on the Company’s shares but nothing in this Article shall prohibit the transactions mentioned in Section 76(8) of the Act. The Board may, however, in its discretion accept a surrender of shares by way of compromise of any question as to whether or not such shares have been validly issued or in any other case where the surrender is within the powers of the Company. Any shares so surrendered may be sold or re-issued in the same manner as forfeited shares.

Proposed amendment to Article 7

By deleting the words “but nothing in this Article shall prohibit the transactions mentioned in section 76(8) of the Act” at the end of the first sentence of the existing Article 7 and substituting therefor the following :-

“unless the same is permitted by law”.

4. **Article 16**

Existing Article 16

16. *No director shall participate in an issue of shares to employees unless the members in General Meeting have approved of the specific allotment to be made to such director and unless he holds office in the Company or any of its subsidiaries in an executive capacity.*

Proposed amendment to Article 16

By deleting the existing Article 16 in its entirety and substituting therefor the following :-

“16. Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange, and other written law, the Company may purchase or otherwise acquire shares (whether ordinary or preference or otherwise), options, stocks, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.”

5. **Article 27**

Existing Articles 27 and 28

27. *Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date whether on account of the nominal value of the share or by way of premium and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest, costs, charges and expenses, forfeiture and the like, and all the other relevant provisions of the Act or of these Articles shall apply as if such sum were a call duly made and notified as hereby provided.*

28. *In case of such non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all other relevant provisions of these Articles, shall apply as if such sum were a call duly made and notified as hereby provided.*

Proposed amendment to Article 27

By deleting the following immediately after the words “payable on the date fixed for payment” in the existing Article 27 :-

“, and in case of non-payment the provisions of these Articles as to payment of interest, costs, charges and expenses, forfeiture and the like, and all the other relevant provisions of the Act or of these Articles shall apply as if such sum were a call duly made and notified as hereby provided”

6. **Article 33**

Existing Article 33

33. *On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register or the Depository Register as the holder or Depositor, as the case may be, or one of the holders of the shares or one of the Depositors in respect of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued in pursuance of these Article; and it*

shall not be necessary to prove the appointment of the Directors who made such call, nor that the meeting at which any call was made was duly convened and constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Proposed amendment to Article 33

By deleting the word “Article” immediately after the words “and that notice of such call was duly given to the Member sued in pursuance of these” in the existing Article 33 and substituting therefor the word “Articles”.

7. **Article 63(1)**

Existing Article 63(1)

63(1) Unless otherwise determined and subject to such other terms and conditions as may be determined by the Company in General Meeting, all new shares shall, before issue, be offered to such Members as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer may be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. Provided Always that the Directors shall have the absolute discretion to determine whether or not such offer shall be made to any Member in any country or jurisdiction outside the Republic of Singapore. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new share bear to the shares of the persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided or which are not offered to Members outside the Republic of Singapore who have not provided addresses in Singapore to the Company or CDP, as the case may be, in accordance with these Articles.

Proposed amendment to Article 63(1)

By inserting the following immediately after the words “as may be determined by the Company in General Meeting,” in the existing Article 63(1) :-

“or unless permitted under the listing rules of the Exchange as may be in force from time to time,”

8. **Article 63(2)**

Existing Article 63(2)

63(2) Notwithstanding Articles 61, 62 and 63(1) the Company may apply to the Committee of the Stock Exchange of Singapore Limited to waive the convening of an Extraordinary General Meeting to obtain shareholders’ approval for further issues of shares (other than bonus or right issues) where the aggregate issues of which in any one financial year do not exceed 10% of the issued capital.

Proposed amendment to Article 63(2)

By deleting the existing Article 63(2) in its entirety.

9. **Article 75**

Existing Article 75

75. If within half an hour from the time appointed for the General Meeting a quorum be not present the General Meeting, if convened upon the requisition of members as aforesaid, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, and if at the adjourned General Meeting, a quorum is not present within half an hour from the time appointed for the General Meeting, the member present personally or by proxy, attorney or representative present shall form a quorum.

Proposed amendment to Article 75

By deleting the word “present” immediately after the words “the member present personally or by proxy, attorney or representative” in the existing Article 75.

10. **Article 102**

Existing Article 102

102. *Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated :*

- (a) If he becomes bankrupt or makes any arrangement or composition with his creditors;*
- (b) If he is found lunatic or becomes of unsound mind;*
- (c) If he absents himself from the Meetings of Directors for a period of six months without special leave of absence from the other Directors, and they pass a resolution that he has by reason of such absence vacated his office;*
- (d) If he is removed by a resolution of the Company in General Meeting of which special notice has been given;*
- (e) If he shall be requested in writing to vacate office by all the other Directors, and they pass a resolution that he has been so requested by reason thereof has vacated his office;*
- (f) If he is prohibited from being a Director by any order made under any provision of the Act;*
- (g) Subject to the provisions of the Act, resigns his office by notice in writing to the Company; or*
- (h) Subject to the provisions of the Act at the conclusion of the Annual General Meeting commencing next after he attains the age of 70 years.*

Proposed amendments to Article 102

By (i) inserting the words “if he” immediately before the word “resigns” in sub-paragraph (g), and (ii) inserting a comma immediately after the word “Act” in sub-paragraph (h) of the existing Article 102.

11. **Article 118**

Existing Article 118

118. *The Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of any company which is a subsidiary of the Company or of the predecessors in business of the Company or of any such subsidiary Company, or the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its members and payments for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantee of money for charitable or benevolent objects or for any exhibition or for any public, general or useful objects.*

Proposed amendments to Article 118

By (i) inserting a comma immediately after the word "allowances", and (ii) deleting the word "Company" immediately after the words "of any such subsidiary" and substituting therefor the word "company" in the first sentence of the existing Article 118.

12. **Article 120**

Existing Article 120

120. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Unless otherwise determined, two shall be a quorum. Questions arising at any meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue. Notice of every Directors' meeting shall be sent to each Director and Alternate Director.

Proposed amendment to Article 120

By deleting the existing Article 120 in its entirety and substituting therefor the following :-

"120. Save as herein provided and subject to the provisions of the Act, the Directors may meet together either in person or by telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and that the quorum for such teleconference meetings shall be the same as the quorum required by a Directors' meeting provided in these Articles. Unless otherwise determined, two shall be a quorum. A resolution passed by such a conference shall, notwithstanding that the Directors are not present together at one place at the time of the conference, be deemed to have been passed at a meeting of the Directors held on the day and at the time at which the conference was held and shall be deemed to have been held at the registered office of the Company, unless otherwise agreed, and all Directors participating at that meeting shall be deemed for all purposes of these Articles to be present at that meeting. Questions arising at any meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue. Notice of every Directors' meeting shall be sent to each Director and Alternate Director."

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 the Company will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Tuesday, 29 May 2001 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same venue) for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions:-

AS A SPECIAL RESOLUTION

SPECIAL RESOLUTION 1

That the Articles of Association of the Company be and is hereby amended as follows:-

- (a) by deleting the following definition of "member" in Article 2:-
"member" means a member of the Company";
- (b) by deleting the following at the end of the existing Article 5A:-
"provided that the exercise by the Directors of such authority to issue shares shall be subject to the approval of the Exchange";
- (c) by deleting the words "but nothing in this Article shall prohibit the transactions mentioned in section 76(8) of the Act" at the end of the first sentence of the existing Article 7 and substituting therefor the following:-
"unless the same is permitted by law";
- (d) by deleting the existing Article 16 in its entirety and substituting therefor the following:-
"16. Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange, and other written law, the Company may purchase or otherwise acquire shares (whether ordinary or preference or otherwise), options, stocks, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.";
- (e) by deleting the following immediately after the words "payable on the date fixed for payment" in the existing Article 27:-
", and in case of non-payment the provisions of these Articles as to payment of interest, costs, charges and expenses, forfeiture and the like, and all the other relevant provisions of the Act or of these Articles shall apply as if such sum were a call duly made and notified as hereby provided";
- (f) by deleting the word "Article" immediately after the words "and that notice of such call was duly given to the Member sued in pursuance of these" in the existing Article 33 and substituting therefor the word "Articles";
- (g) by inserting the following immediately after the words "as may be determined by the Company in General Meeting," in the existing Article 63(1):-
"or unless permitted under the listing rules of the Exchange as may be in force from time to time,";

- (h) by deleting the existing Article 63(2) in its entirety;
- (i) by deleting the word “present” immediately after the words “the member present personally or by proxy, attorney or representative” in the existing Article 75;
- (j) by (i) inserting the words “if he” immediately before the word “resigns” in sub-paragraph (g), and (ii) inserting a comma immediately after the word “Act” in sub-paragraph (h) of the existing Article 102;
- (k) by (i) inserting a comma immediately after the word “allowances”, and (ii) deleting the word “Company” immediately after the words “of any such subsidiary” and substituting therefor the word “company” in the first sentence of the existing Article 118; and
- (l) by deleting the existing Article 120 in its entirety and substituting therefor the following :-

“120. Save as herein provided and subject to the provisions of the Act, the Directors may meet together either in person or by telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and that the quorum for such teleconference meetings shall be the same as the quorum required by a Directors’ meeting provided in these Articles. Unless otherwise determined, two shall be a quorum. A resolution passed by such a conference shall, notwithstanding that the Directors are not present together at one place at the time of the conference, be deemed to have been passed at a meeting of the Directors held on the day and at the time at which the conference was held and shall be deemed to have been held at the registered office of the Company, unless otherwise agreed, and all Directors participating at that meeting shall be deemed for all purposes of these Articles to be present at that meeting. Questions arising at any meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue. Notice of every Directors’ meeting shall be sent to each Director and Alternate Director.”

AS ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 2

That, subject to Special Resolution 1 and Ordinary Resolution 3 taking effect, the Hwa Hong Corporation Limited Executives’ Share Option Scheme be and is hereby terminated (without prejudice to the rights of holders of options thereunder in respect of whom offers of the options have been granted).

ORDINARY RESOLUTION 3

That, subject to Special Resolution 1 and Ordinary Resolution 2 taking effect, the Hwa Hong Corporation Limited (2001) Share Option Scheme (the “2001 Scheme”), details of which are set out in Appendix 1 on pages 15 to 32 of the Circular to Shareholders dated 4 May 2001 (the “Circular”), be and is hereby approved and the Directors of the Company or any committee appointed by them be and are hereby authorised to grant options over ordinary shares of the Company in accordance with the Rules of the 2001 Scheme and to issue and allot ordinary shares upon the exercise of any such options (notwithstanding that the exercise thereof or such issue and allotment may occur after the conclusion of the next or any ensuing annual general meeting of the Company) and to do all acts and things which they may consider necessary or expedient to carry the same into effect.

ORDINARY RESOLUTION 4

That, subject to and contingent upon the passing of Ordinary Resolution 3 above, the Directors be and are hereby authorised pursuant to and in accordance with the 2001 Scheme to offer and grant options from time to time pursuant to the 2001 Scheme to persons who are eligible and are selected to participate in the 2001 Scheme to subscribe for ordinary shares of \$0.25 each (or such other nominal value for the time being) in the capital of the Company ("Shares") at a price per Share ("Subscription Price") determined and fixed in accordance with the Rules of the 2001 Scheme, including a Subscription Price which is set at a discount to the Market Price (as defined under the 2001 Scheme), Provided That :-

- (a) the maximum discount shall not exceed twenty (20) per cent. of the Market Price; and
- (b) the Subscription Price shall be not less than the nominal value of the Share.

By Order of the Board

Ong Bee Leem
Tan Mee Choo
Company Secretaries

4 May 2001

Notes:

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. A Member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a Member of the Company.
4. The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time of the Meeting.

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

PROXY FORM EXTRAORDINARY GENERAL MEETING

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.

*I/We _____

of _____
being *a Member/Members 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 attend and 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 29 May 2001 at 10.30 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same venue) 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 Special and Ordinary Resolutions as set out in the Notice of Extraordinary General Meeting. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the *proxy/proxies may vote or abstain as *he/they may think fit.)

No.	SPECIAL RESOLUTION	FOR	AGAINST
1	To approve the amendments to the Articles of Association		
ORDINARY RESOLUTIONS		FOR	AGAINST
2	To approve the termination of the Existing Scheme		
3	To approve the adoption of the 2001 Scheme		
4	To approve the grant of options at a discount		

Signed this _____ day of _____ 2001.

Total Number of Shares Held

Signature(s) of member(s) or Common Seal

IMPORTANT : Please read Notes printed on the reverse.

* Delete as appropriate



Notes:

1. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a Member of the Company.
2. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. This instrument appointing a proxy or proxies must be signed by the appointor or his/her duly authorised attorney. Where this 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 its attorney or a duly authorised officer.
4. A Member which is a body corporate may also appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50, to attend and vote for and on behalf of such body corporate.
5. 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, Cap. 50), 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 registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
6. This instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least 48 hours before the time fixed for holding the meeting.
7. Where an instrument appointing a proxy 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 of proxy, failing which the instrument may be treated as invalid.

General

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on this instrument appointing a proxy or proxies. In addition, in the case of Members 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 Members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the meeting as certified by CDP to the Company.