



HWA HONG CORPORATION LIMITED Annual Report 1998

A n n u a l R e p o r t 1 9 9 8

華豐

puredesign production



HWA HONG CORPORATION LIMITED



The golden wheat element incorporated onto the cover design symbolises bountiful harvest ahead. As one of the Chinese character in “Hwa Hong” means harvest, this meaningful representation is further enhanced. The golden colour of harvest and sunrise typifies optimism and vision and the buildings and cranes signify participation in businesses relating to warehousing, property, insurance and construction.

C O N T E N T S

Corporate Information	2
Financial Calendar	2
Ten-Year Group Financial Profile	3
Chairman’s Statement	4
Subsidiaries and Associated Companies	10
Corporate Governance	11
F i n a n c i a l S t a t e m e n t s	
Report of the Directors	12
Statement by Directors	18
Auditors’ Report	19
Profit & Loss Accounts	20
Balance Sheets	21
Consolidated Statement of Cash Flows	22
Notes to the Accounts	24
Shareholding Statistics	49
Notice of Annual General Meeting	50

Corporate Information

Directors

Ong Choo Eng

M. Sc. (Eng.), M.I.C.E., M.I.E.S.

(Chairman & Group Managing Director)

Ong Hian Eng

B. Sc., D.I.C., Ph. D., M.S.I.M., C. Eng., F.I. Chem.E.

Ong Mui Eng

Guan Meng Kuan

B. Sc. (Eng.), M.I.C.E., M.I.E.S., M.I.E.M.

Chew Loy Kiat

F.S.I.I. (Hon.), A.C.I.I., Chartered Insurer, M.S.I.D.

Goh Kian Hwee

LL.B. (Hons)

Yong Kok Kean

Dip. M.S., F.B.I.M.

Boon Suan Lee (Appointed on 1 July 1998)

F.C.I.S., C.P.A.

Audit Committee

Yong Kok Kean (Chairman)

Goh Kian Hwee

Ong Hian Eng

Secretaries

Tan Mee Choo

M.B.A., A.C.I.S.

Ong Bee Leem

LL.B. (Hons), Barrister-at-Law (Middle Temple)

Registered Office

60 Martin Road #07-38

Singapore 239065

Tel: 2355088 Fax: 7377625

Registrar / Share Registration Office

Lim Associates (Pte) Ltd

10 Collyer Quay #19-08

Ocean Building, Singapore 049315

Tel: 5365355 Fax: 5361360

Auditors

Main Group Auditors

Ernst & Young

10 Collyer Quay #21-01

Ocean Building

Singapore 049315

Partner in-charge: Tan Chian Khong

Auditors of subsidiary company,

The People's Insurance Company Limited

KPMG

16 Raffles Quay #22-00

Hong Leong Building, Singapore 048581

Partner in-charge: Carol Eapen

Financial Calendar

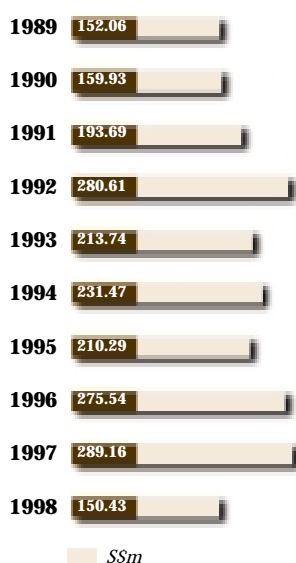
Financial year-end	31 December 1998
Announcement of 1998 results	26 March 1999
Despatch of Annual Report to shareholders	2 June 1999
Last day for lodgement of transfers for dividend entitlement	Up to 5 p.m., 30 June 1999
1998 proposed first and final dividend of 4% less 26% tax	
Books closure dates	1 & 2 July 1999
Payment date	19 July 1999
Annual General Meeting	18 June 1999
Announcement of 1999 interim results	September 1999

Ten-Year Group Financial Profile

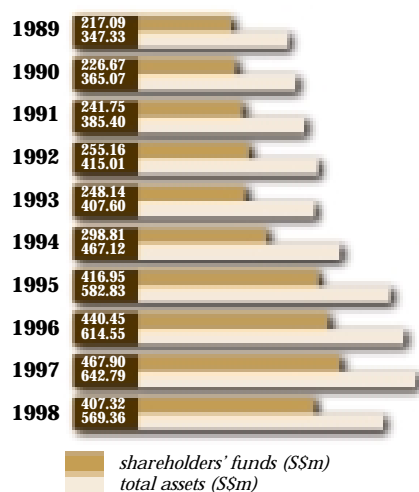
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Total Turnover (\$'000)	150,432	289,157	275,542	210,294	231,474	213,741	280,605	193,691	159,931	152,055
Profit before tax (after share of profit/ (loss) of associated companies) (\$'000)	7,891	12,179	15,575	13,783	14,510	14,187	12,270	12,188	12,653	11,190
Profit after tax, before minority interests & extraordinary items (\$'000)	5,902	8,614	10,977	9,827	9,682	9,448	8,234	8,225	9,437	8,804
No. of ordinary shares issued ('000)	161,105	161,105	146,139	146,139	146,139	146,139	146,139	146,139	146,139	116,911
Shareholders' funds (\$'000)	407,317	467,901	440,454	416,945	298,809	248,139	255,156	241,751	226,674	217,090
Total assets (\$'000)	569,359	642,793	614,550	582,831	467,123	407,598	415,010	385,403	365,066	347,334
Net dividend paid/payable (\$'000)	4,769	4,779	4,326	4,326	4,267	4,267	4,267	4,092	4,033	6,454
Gross dividend (%)	4%	4%	4%	4%	4%	4%	4%	4%	4%	*8%
Net tangible assets per share (\$)	2.53	2.90	3.01	2.85	2.04	1.70	1.74	1.65	1.55	1.86
Dividend cover (No. of times)	1.23	1.80	2.53	2.27	2.26	2.21	1.93	2.02	2.36	1.34

* including 4% special dividend

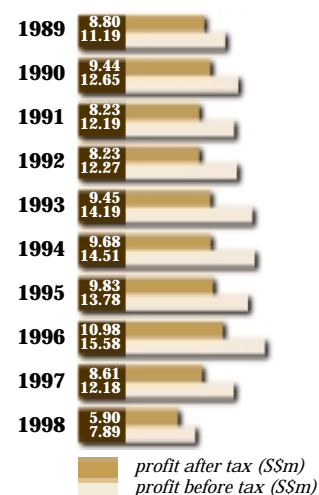
Group Turnover



Shareholders' Funds & Total Assets



Group Profit



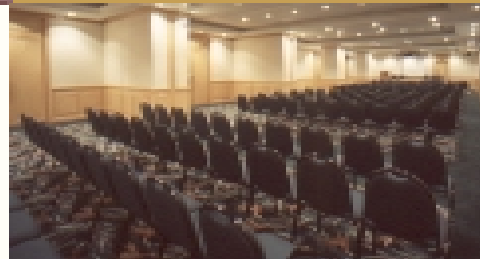


TradeMart Singapore offers video conferencing facilities



The front facade of TradeMart Singapore at Martin Road

... the Group was able to remain profitable in spite of a drop in turnover of 47.98% ...



Function room facilities at TradeMart Singapore

In spite of the slowdown of the property market in London, the Group managed to dispose of a property ... with a profit of approximately £0.25 million and has reinvested in three other commercial properties ...

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31st December 1998.

1998 was a difficult year for many sectors of the Singapore economy. The financial turbulence in the Asian countries had a serious impact on the performance of many companies, with a number reporting substantial losses. In such context, I am glad to report that the Group was able to remain profitable in spite of a drop in turnover of 47.98%. The decrease in turnover was due mainly to fewer recognition of contracts completed by our construction subsidiary and lower insurance premium income. Overall, the profit after tax, before deducting minority interests was \$5.902 million compared to \$8.614 million in 1997, a decrease of 31.48%. Operating profit after tax and extraordinary items was \$8.54 million, a small increase of 1.57% compared to 1997.

The scheme of capital distribution of \$0.10 in cash for each share of the Company was successfully implemented during the year and a total of \$16.11 million was repaid to shareholders. Lastly, I am pleased to report that your Directors have recommended to maintain the dividend rate of 4% less 26% income tax for the financial year ended 31st December 1998.



Cosy board room available for rental at TradeMart Singapore

Warehousing & Property - Singapore Warehouse Company (Private) Ltd. Group

The regional crisis has affected both the market demand and rental rates of warehouse and commercial space in Singapore. At the Paya Lebar Road Complex, average occupancy dropped to 84.5% for the whole year and average rental rate was \$1.90 per sq ft. The overall average occupancy at the TradeMart Complex was 88.8% whilst the average rental rate was \$2.69 per sq ft. This resulted in a 11.8% decline in total revenue for TradeMart Singapore Pte Ltd and a lower pre-tax profit of \$9.53 million of which 50% was attributable to the Group.

In spite of the slowdown of the property market in London, the Group managed to dispose of a property at 34-38 Mortimer Street with a profit of approximately £0.25 million and has reinvested in three other commercial properties at 1-3 Newton Street, 207 High Holborn WC2 and 373/375 Euston Road. Currently, contracts have been exchanged for the sale of 1-3 Newton Street and profits from this sale will be recognised in 1999. The planning process for the project at Westbourne Grove Estate in London is at an advanced stage. Should planning approval be granted, it is expected that the residential components of this project may be pre-sold, with the Group retaining the commercial/retail portion for investment purposes.



Fashion mart in TradeMart Singapore



Food court in TradeMart Singapore



Construction of a commercial and residential complex at Balestier Road

The year
witnessed the
initiation of
several strategic
initiatives aimed
at strengthening
PIC's core
competencies.



Conversion of Empress Place Building to Second Wing of the Asian Civilisations Museum

... operating loss was reduced
from \$3.7 million in 1997 to \$1.9
million in 1998 ...



Construction works at Balestier Road



Earthworks and bored piling works to development of new ITE at Bukit Batok

Insurance -

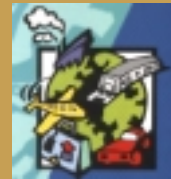
The People's Insurance Company Limited (PIC)

1998 was a very difficult year for the general insurance industry as it grappled with the consequences of the economic downturn. The deterioration in growth across all sectors of the economy and moderation in nominal wages were the main factors that pulled down the demand for both commercial and personal insurance. With a resulting smaller market, companies tried to defend or capture market share. This has exacerbated the trend, which has been going on for the past few years, towards unbridled competition in the domestic insurance market. Competition based primarily on pricing has led to severe erosion in premium rates.

Against this backdrop, PIC saw a fall in gross premium by 17.3% from \$52.84 million to \$43.68 million. This decline was attributable not so much to the drop in the volume of business but to the erosion in premium rates. The classes of business most affected were those that were likely to suffer adverse underwriting results such as Motor and Workmen's Compensation insurance. PIC has opted to maintain its commitment to its philosophy of competing for profitable market share and prudent underwriting.

The overall claims ratio increased from 65.3% to 68.8% mainly because of lower earned premium income. Net investment income was much lower compared to last year due to the poor investment climate. In addition, there were provisions of \$2.84 million for diminution in value of quoted short term investments and \$1.46 million in long term securities. As a result, PIC incurred an operating loss of \$1.255 million after tax and extraordinary items compared to a small surplus of \$272,127 in 1997.

Meanwhile, the strategic alliance with The Hartford International Financial Services Group Inc. has gradually taken shape. The year witnessed the initiation of several strategic initiatives aimed at strengthening PIC's core competencies. One of the main thrusts initiated during the year was to leverage on IT with the aim of increasing overall productivity. It also underpinned the plan to enhance the electronic link-up with PIC's intermediaries. All these initiatives will consequently help build the foundation for profitable growth in the coming years.



Leveraging on IT to deliver better products and services



Construction & Civil Engineering -

Singapore Piling & Civil Engineering Private Limited (Singapore Piling)

Turnover for 1998 was \$83.7 million as compared to \$207.3 million in 1997, representing a drop of 59.62%. However, operating loss was reduced from \$3.7 million in 1997 to \$1.9 million in 1998 following a commercial settlement with a client which resulted in a reduction of liquidated damages already provided for in previous years.

In view of the current difficult environment in the economies of the Asean countries, the construction industry has slowed down and fewer public and private sector projects are available for tender. This together with stiff competition from foreign contractors has eroded the margins for new projects. As Singapore Piling has an existing order book of about \$359 million in hand, the company has adopted a cautious approach in tendering for new contracts. Major contracts awarded to Singapore Piling during the year included the Conversion of the Empress Place Building to the Second Wing of The Asian Civilisations Museum and the Construction of the Ministry of Foreign Affairs HQ Complex at Sherwood Road.



Bored piling works for International Business Park Building 2

... the next objective is to
forge strategic alliances
with first rate customers
by providing quality and
reliability in production
and delivery.



*Norwest's 30,000 tons
annual capacity
phosphate plant in
Sichuan*



... your Directors are confident that the current year will see some
improvement in the overall business environment.

M a n u f a c t u r i n g & T r a d i n g - **H w a H o n g E d i b l e O i l I n d u s t r i e s P t e L t d . G r o u p**

The manufacturing joint ventures in China were badly affected by the slowdown in the Chinese economy. In view of the uncertain prospects of the edible oil and canning operations, your Directors have decided to cease further investment in these joint ventures. A provision of approximately \$2.92 million has been made under extraordinary items to write off these investments.

In March 1999, Sichuan Mianzhu Norwest Phosphate Chemical Company Limited completed construction of its world-class 30,000 metric tons capacity sodium and potassium phosphate chemical plant. We were honoured by the presence of Mr Mah Bow Tan, Minister for Communications, Mr Li Da Chang, Vice Governor of Sichuan Province and other dignitaries who officiated at the opening ceremony in September. With the plant in operation, the next objective is to forge strategic alliances with first rate customers by providing quality and reliability in production and delivery. Currently, in addition to supplying sodium tripolyphosphate to Proctor and Gamble, the company also manufactures phosphorous for export to Japan, and sodium hexametaphosphate for the North American and European market.



*Another view of
TradeMart Singapore*

C u r r e n t Y e a r P r o s p e c t s

Whilst 1998 had been a difficult year, your Directors are confident that the current year will see some improvement in the overall business environment. The Singapore economy is expected to improve marginally and with the government's cost cutting measures in place, there is optimism that the economy can return to positive growth. With a healthy balance sheet, the Group will be able to explore investment opportunities that may arise. Barring unforeseen events, the Group is expected to remain profitable.

I wish to thank my fellow directors, managers, staff, shareholders and business associates for their support during the year. Lastly, I would also like to wish Mr. Chew Loy Kiat, Chief Executive Officer of PIC a happy retirement and to welcome Mr. Russ Soh Leong Shu as his successor.

Ong Choo Eng
Chairman
28 April 1999

S u b s i d i a r i e s a n d A s s o c i a t e d C o m p a n i e s

As At 3 May 1999

Activities	Subsidiaries and associated companies	Country of incorporation	% owned by the Group
Warehousing & Property	Singapore Warehouse Company (Private) Ltd.	Singapore	100
	Phratra Sdn. Bhd.	Malaysia	100
	Thackeray Properties Limited	Hong Kong	100
	Pumbledon Limited	Hong Kong	100
	Bream's One Limited	United Kingdom	100
	Lornuse Limited	United Kingdom	60
	TradeMart Singapore Pte Ltd	Singapore	50
	Blendkirk Limited	United Kingdom	50
	Likelink Limited	United Kingdom	45
	Trevantes Limited	British Virgin Islands	40
	Maceward Limited	United Kingdom	33.3
Insurance	The People's Insurance Company Limited	Singapore	51
Construction & Civil Engineering	Singapore Piling & Civil Engineering Private Limited	Singapore	100
	Singa Development Pte. Ltd.	Singapore	33.3
Manufacturing & Trading	Hwa Hong Edible Oil Industries Pte. Ltd.	Singapore	100
	Paco Industries Pte. Ltd.	Singapore	100
Investment Holding	SP International Pte. Ltd.	Singapore	100
	SP Land Pte Ltd	Singapore	100
	SP Vietnam (Pte.) Ltd.	Singapore	100
	SPACE Resources Pte Ltd	Singapore	100
Business Management & Consultancy	Global Trade Investment Management Pte Ltd	Singapore	100

Corporate Governance

The Board of Hwa Hong Corporation Limited comprises of eight directors, four of whom are non-executives. The executive and non-executive directors are as follows:-

Executive directors:

Ong Choo Eng (*Chairman and Group Managing Director*)
Ong Mui Eng
Ong Hian Eng
Guan Meng Kuan

Non-executive directors:

Chew Loy Kiat (*since 1 January 1999*)
Goh Kian Hwee
Yong Kok Kean
Boon Suan Lee

The non-executive directors include professionals with experience in the fields of insurance, law, banking and finance.

Audit Committee

The Audit Committee comprises of three members, the majority of whom, including its chairman, are independent of management.

The Company has adopted the Best Practices Guide issued by the Stock Exchange of Singapore Limited on 4 May 1998 in relation to the roles and responsibilities of the Audit Committee.

Executives' Share Option Scheme Committee

The Executives' Share Option Scheme (ESOS) Committee comprises of four members, two of whom are independent of management. This Committee is responsible for the administration of ESOS in the Company. Since the inception of ESOS, members of the Committee do not participate in ESOS.

Dealings In Securities

The Company and its subsidiaries have followed the recommendations of the Best Practices Guide with regard to dealings in the Company's securities. However, to provide further formal guidance to officers of the Group, the Group has adopted an internal code of conduct on transactions in the Company's securities.

Additional information on our subsidiaries include the following:-

Subsidiary - The People's Insurance Company Limited (PIC)

Since January 1998, a Compliance Officer has been appointed to perform, inter alia, independent appraisals of PIC's activities and to provide the results of these reviews and recommendations to the Executive Committee and/or Board of PIC.

There are two committees, namely, the Executive Committee and the Investment Committee constituted to assist in the overall operations control of PIC. Each committee comprises of four members of the Board with an equal number appointed by the Company and The Hartford International Financial Services Group, Inc. Both committees operate on an unanimous basis. The functions of the Executive Committee include the setting of policies and strategies and overseeing the management of PIC. The Investment Committee establishes and reviews investment policies and strategies, approves investments in securities and appraises investment performance.

Wholly-owned subsidiary - Singapore Piling & Civil Engineering Private Limited (Singapore Piling)

Singapore Piling has obtained the ISO 9002 certification in building, civil engineering and piling services from the Construction Industry Development Board (CIDB) since January 1996. CIDB conducts surveillance audit on Singapore Piling twice yearly.



Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 1998.

Directors

The names of the Directors of the Company in office at the date of this report are :-

Ong Choo Eng	(Chairman/Managing Director)
Ong Hian Eng	
Ong Mui Eng	
Guan Meng Kuan	
Chew Loy Kiat	
Goh Kian Hwee	
Yong Kok Kean	
Boon Suan Lee	(Appointed on 1 July 1998)

Principal activities

The principal activity of the Company, which is incorporated in the Republic of Singapore, is that of an investment holding company. The subsidiary companies are primarily engaged in general insurance and related activities, warehouse rental, packing of edible oil products, general trading in consumer products, piling, building construction, civil and structural engineering, property management and development. There have been no significant changes in the nature of these activities during the year.

Results for the financial year

	Group \$	Company \$
Profit after taxation and minority interests	5,878,373	4,193,320
Extraordinary items, note 6	2,662,743	695,202
Profit after taxation and extraordinary items	8,541,116	4,888,522
Revenue reserves at beginning of year	85,091,951	5,773,760
Dividends proposed and paid, less tax, note 7	(4,768,708)	(4,768,708)
Transfer from capital reserves	4,000,006	-
Revenue reserves at end of year	92,864,365	5,893,574
	=====	=====

Transfers to/from reserves or provisions

	Group \$	Company \$
The following amounts have been debited/(credited) direct to reserves :-		
Capital reserve :-		
Deficit on revaluation of investment properties	12,448,946	-
Deficit on revaluation of investment in subsidiaries	-	44,595,112
Share of deficit on revaluation of investment in an associated company	30,092,233	-
Transfer to revenue reserve in a subsidiary	4,000,006	-
Due to restructuring	4,783,480	-
Movement in revaluation reserve on disposal of a subsidiary	-	6,634
Share premium :-		
Capitalisation of bonus shares	16,110,500	16,110,500
Share issue expenses	7,725	7,725
Currency translation adjustment reserve :-		
Exchange differences arising on consolidation	(929,681)	-

Movements in provisions are as set out in the notes to the accompanying financial statements.

Acquisition and disposal of subsidiaries

During the financial year, Singapore Warehouse Company (Private) Ltd, a wholly-owned subsidiary of the Company, acquired the following interests in subsidiaries :-

Name of subsidiary	Interest acquired %	Interest after acquisition %	Consideration	Net attributable tangible assets
Bream's One Limited	25	100	£1	-
Lornuse Limited	60	60	S\$166	S\$166

During the financial year, the Company and Singapore Warehouse Company (Private) Ltd disposed their interests in a subsidiary as follows :-

Name of subsidiary	Interest disposed %	Interest after disposal %	Consideration S\$	Net attributable tangible assets S\$
The People's Insurance Company Limited				
- Disposed by the Company	15.4	51	9,227,690	6,511,236
- Disposed by Singapore Warehouse Company (Private) Ltd	33.2	-	19,892,770	14,036,465

There were no other acquisition or disposal of subsidiaries during the financial year.

Issues of shares and debentures

The Capital Reduction Exercise and Capital Distribution referred to in the Circular dated 5 May 1998 to members of the Company which involved the reduction of capital, sub-division of shares, allotment of new shares and consolidation of shares of the Company, as set out in note 9 to the financial statements, became effective on 5 September 1998 (the "Exercise").

The number of shares and the par value of each share in the Company held by members immediately after the Exercise, however, remained the same. Hence, the issued and paid-up capital of the Company of \$161,105,000 divided into 161,105,000 shares of \$1.00 each as at 5.00 p.m. on the books closure date for the Capital Distribution on 4 September 1998 remain unchanged after the Exercise.

Save as disclosed above, during the financial year, the Company did not issue any other shares or debentures.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the Hwa Hong Corporation Limited Executives' Share Option Scheme.

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50, particulars of beneficial interests of Directors who held office at the end of the financial year and their immediate families in shares and share options of the Company and related corporations, which are not wholly-owned subsidiaries of the Company or of any related corporations of the Company are as follows :-

Report of the Directors

Directors' interests in shares or debentures (cont'd)

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At	At	At	At
	1.1.1998	31.12.1998	1.1.1998	31.12.1998
The Company				
Ordinary shares of \$1 each				
Ong Choo Eng	-	-	68,434,692	65,755,880
Ong Hian Eng	683,901	683,901	66,121,192	63,264,380
Ong Mui Eng	1,136,812	1,136,812	65,905,379	63,048,567
Guan Meng Kuan	1,243,715	1,243,715	-	-
**Adjusted Subscription Price wef 5/9/1998				
	Options to subscribe for ordinary shares of \$1 each		Exercise Period	\$
	At	At		
	1.1.1998	31.12.1998		
Chew Loy Kiat*	70,000	70,000	25/09/1996 to 24/09/2000	2.05 **
	70,000	70,000	05/11/1997 to 04/11/2001	1.83 **
	70,000	70,000	13/11/1998 to 12/11/2002	1.34 **
	-	70,000	06/11/1999 to 05/11/2003	1.00
Guan Meng Kuan	70,000	70,000	25/09/1996 to 24/09/2000	2.05 **
	70,000	70,000	05/11/1997 to 04/11/2001	1.83 **
	70,000	70,000	13/11/1998 to 12/11/2002	1.34 **
	-	70,000	06/11/1999 to 05/11/2003	1.00

* Following his retirement as Managing Director of The People's Insurance Company Limited on 31 December 1998, the Share Option Scheme Committee of the Company, has pursuant to Rule 14.3 of the Hwa Hong Corporation Limited Executives' Share Option Scheme, at its absolute discretion, permitted the Options to be exercised on or before the earlier of the expiry of the relevant Exercise Period and the first anniversary of the date of cessation of employment, failing which the Options shall forthwith lapse.

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At	At	At	At
	1.1.1998	31.12.1998	1.1.1998	31.12.1998
Related Corporations				
The People's Insurance Company Limited				
Ordinary shares of \$1 each				
Ong Choo Eng	-	-	37,500,000	-
Ong Hian Eng	-	-	37,500,000	-
Ong Mui Eng	-	-	37,500,000	-
Chew Loy Kiat	150,000	-	-	-
Bream's One Limited				
Ordinary shares of £1 each				
Ong Choo Eng	-	-	75	-
Ong Hian Eng	-	-	75	-
Ong Mui Eng	-	-	75	-

Directors' interests in shares or debentures (cont'd)

As at 1 January 1998, by virtue of Section 7 of the Companies Act, Cap. 50, Ong Choo Eng, Ong Mui Eng and Ong Hian Eng may be deemed to have interests in the shares in the above-mentioned related corporations and in shares owned by the Company and its related corporations in their respective wholly-owned subsidiaries, if any. However, as at 31 December 1998, each of them is no longer deemed to have an interest in such shares following the amendment to Section 7 of the Companies Act, Cap. 50 which came into operation on 18 November 1998.

Except as disclosed above, the interests of the Directors in the shares and share options of the Company and its related corporations as at 21 January 1999 remain unchanged.

Dividends

During the year, a first and final dividend of 4%, less tax of 26%, amounting to \$4,768,708 in respect of the previous year as proposed in the Directors' report of that year was paid by the Company.

The Directors propose that a first and final dividend of 4%, less tax of 26%, amounting to about \$4,768,708 be paid in respect of the year under review.

Other statutory information

(a) Bad and doubtful debts

Before the profit and loss account and the balance sheet of the Company were made out, the Directors took reasonable steps to ascertain what action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company. The Directors have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the Group inadequate to any substantial extent.

(b) Current assets

Before the profit and loss account and the balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values and that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or consolidated financial statements which would render the values attributable to current assets in the consolidated financial statements misleading.

(c) Charges and contingent liabilities

Since the end of the financial year:-

1. no charge on the assets of the Company and of the Group has arisen which secures the liabilities of any other person; and
2. no contingent liability of the Company and of the Group has arisen other than those which may have occurred in the ordinary course of business.

(d) Ability to meet obligations

No contingent liability or other liability of the Company and of the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Report of the Directors

Other statutory information (cont'd)

(e) *Other circumstances affecting the financial statements*

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and of the Group misleading.

(f) *Unusual items*

In the opinion of the Directors, except as disclosed in the accompanying financial statements, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Company or of the Group during the financial year.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

Directors' interests in contracts

Since the end of the previous financial year, other than in the normal course of business and except as disclosed in the notes to the financial statements, no Director has received or has become entitled to receive benefits under contracts required to be disclosed under Section 201(8) of the Companies Act, Cap. 50.

Share options

The Hwa Hong Corporation Limited Executives' Share Option Scheme (the "Scheme") was approved by the members of the Company at the Extraordinary General Meeting held on 28 June 1995.

Details of the Scheme was set out in the Directors' report for the year ended 31 December 1995.

During the financial year, additional Options to subscribe for ordinary shares of \$1 each in the Company were granted and accepted pursuant to the Scheme as follows :-

to Directors of the Company holding office in an executive capacity in subsidiary companies	140,000
to full time executives	880,000

The subscription prices for the Options granted on 25 September 1995, 27 September 1995, 10 October 1995, 5 November 1996 and 13 November 1997 were adjusted consequent upon the Capital Reduction Exercise and Capital Distribution referred to in the Circular dated 5 May 1998 to members of the Company becoming effective on 5 September 1998.

As at 31 December 1998, Options to take up shares of \$1 each in the Company were outstanding as follows :-

Date of grant	Granted and accepted	Number of Share Options			*Adjusted subscription price	Date of expiration
		Exercised	Lapsed and cancelled	Outstanding		
25.9.1995	346,000	170,000	-	176,000	\$2.05*	24.9.2000
27.9.1995	333,000	50,000	135,000	148,000	\$2.08*	26.9.2000
10.10.1995	403,000	135,000	62,000	206,000	\$2.03*	9.10.2000
5.11.1996	1,116,000	-	180,000	936,000	\$1.83*	4.11.2001
13.11.1997	1,020,000	-	51,000	969,000	\$1.34*	12.11.2002
6.11.1998	1,020,000	-	9,000	1,011,000	\$1.00	5.11.2003

Share options (cont'd)

No shares were issued during the financial year by virtue of the exercise of Options to take up unissued shares in the Company.

The Options granted by the Company do not entitle the holders of the Options, by virtue of such holdings, to any right to participate in any share issue of any other company.

The Audit Committee

The Audit Committee was established on 22 March 1991 by the Board of Directors in accordance with Section 201B of the Companies Act, Cap. 50. The Committee performed the functions specified in the Companies Act. In performing its functions, the Committee reviewed the overall scope of the audit and the assistance given by the Company's officers to the external auditors. It met with the Company's external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 1998 as well as the report of the auditors thereon.

The Committee recommends to the Board of Directors the nomination of Ernst & Young as external auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

ONG CHOO ENG
Director

ONG MUI ENG
Director

28 April 1999
Singapore



Statement by Directors

Statement by Directors Pursuant to Section 201(15)

We, Ong Choo Eng and Ong Mui Eng, being two of the Directors of Hwa Hong Corporation Limited, do hereby state that, in the opinion of the Directors :-

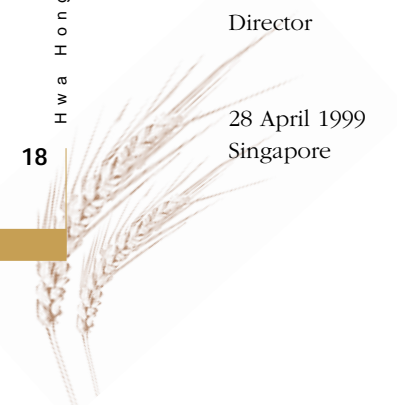
- (i) the balance sheets, profit and loss accounts and consolidated statement of cash flows together with the notes thereto, set out on pages 20 to 48 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1998; and the results of the business of the Company and the Group, and the cash flows of the Group, for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

ONG CHOO ENG
Director

ONG MUI ENG
Director

28 April 1999
Singapore



Auditor's Report to the Members of Hwa Hong Corporation Limited

We have audited the financial statements of Hwa Hong Corporation Limited set out on page 20 to 48. These financial statements comprise the balance sheets of the Company and the Group as at 31 December 1998, and the profit and loss accounts of the Company and the Group and the cash flow statement of the Group for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of :-
 - (i) the state of affairs of the Company and of the Group as at 31 December 1998, the results of the Company and of the Group and the cash flows of the Group for the year then ended; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiaries audited by our associated firms and those audited by other firms are stated in Note 2.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

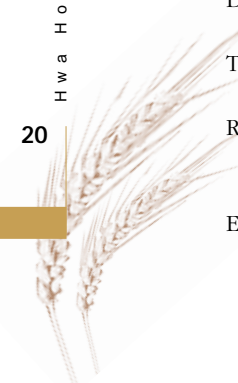
28 April 1999
Singapore

Profit and Loss Accounts

For the year ended 31 December 1998

	Note	Group		Company	
		1998 \$	1997 \$	1998 \$	1997 \$
Turnover	3	150,432,482 =====	289,156,727 =====	5,342,015 =====	8,221,000 =====
Profit before taxation	4	2,807,558	3,763,597	5,582,244	7,711,429
Share of profits less losses of associated companies		5,083,348	8,415,385	-	-
		7,890,906	12,178,982	5,582,244	7,711,429
Taxation	5	(1,988,750)	(3,564,677)	(1,388,924)	(2,137,460)
Profit after taxation		5,902,156	8,614,305	4,193,320	5,573,969
Minority interests		(23,783)	(1,742)	-	-
Profit before extraordinary items		5,878,373	8,612,563	4,193,320	5,573,969
Extraordinary items	6	2,662,743	(203,308)	695,202	-
Profit after taxation and extraordinary items attributable to shareholders		8,541,116	8,409,255	4,888,522	5,573,969
Revenue reserves as at 1 January		85,091,951	81,461,912	5,773,760	4,979,007
Dividends proposed and paid, less tax	7	(4,768,708)	(4,779,216)	(4,768,708)	(4,779,216)
Transfer from capital reserve		4,000,006	-	-	-
Revenue reserves as at 31 December	10	92,864,365 =====	85,091,951 =====	5,893,574 =====	5,773,760 =====
Earnings per share	8	3.65¢ =====	5.45¢ =====		

The accompanying notes to the accounts form an integral part of the accounts.



Balance Sheets

As at 31 December 1998

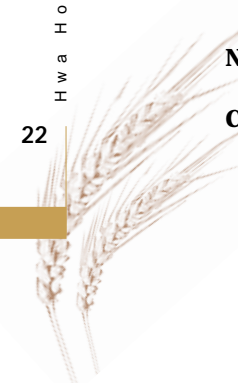
	Note	Group		Company	
		1998 \$	1997 \$	1998 \$	1997 \$
Share capital	9	161,105,000	161,105,000	161,105,000	161,105,000
Reserves	10	246,211,742	306,796,449	246,211,742	306,796,449
Share capital and reserves		407,316,742	467,901,449	407,316,742	467,901,449
Minority interests		24,798,471	207,705	-	-
Reserve for unexpired risks	11	11,692,289	13,706,306	-	-
Claims reserve		48,513,670	52,768,933	-	-
Deferred taxation	12	2,286,920	2,286,920	-	-
Term loans, secured	13	5,961,950	-	-	-
Unsecured borrowings	14	792,967	-	-	-
		501,363,009	536,871,313	407,316,742	467,901,449
		=====	=====	=====	=====
Fixed assets	15	14,324,611	15,692,081	31,052	95,487
Investment properties	16	95,685,211	102,408,667	-	-
Investment in subsidiary companies	17	-	-	449,062,569	501,718,816
Investment in associated companies	18	199,655,044	232,218,561	-	-
Long term investments	19	44,533,960	47,667,141	3,825,481	6,484,340
Current assets :-					
Stocks and work-in-progress	20	1,839,237	2,570,290	-	-
Contracts in progress	21	67,117	855,759	-	-
Trade debtors	22	42,388,858	48,065,073	-	-
Other debtors	23	5,850,861	16,573,303	1,747,862	5,278,840
Amounts due from associated companies	18	4,464,219	2,824,084	-	-
Short term investments	24	37,748,264	50,098,195	-	-
Loan debtors	25	583,984	704,578	-	-
Cash and bank balances	26	122,217,714	123,115,205	18,809,237	16,086,014
		215,160,254	244,806,487	20,557,099	21,364,854
Deduct: Current liabilities :-					
Trade creditors	27	44,593,997	62,738,891	-	-
Contracts in progress	21	8,782,937	5,164,358	-	-
Other creditors	28	8,960,984	14,917,912	190,115	180,076
Amounts due to associated company	18	-	50,668	-	-
Amounts due to subsidiary companies	17	-	-	61,200,636	56,813,264
Short term loans, secured	29	-	8,252,743	-	-
Bank borrowings	30	889,445	10,028,344	-	-
Proposed dividend, net		4,768,708	4,768,708	4,768,708	4,768,708
		67,996,071	105,921,624	66,159,459	61,762,048
Net current assets/(liabilities)		147,164,183	138,884,863	(45,602,360)	(40,397,194)
		501,363,009	536,871,313	407,316,742	467,901,449
		=====	=====	=====	=====

The accompanying notes to the accounts form an integral part of the accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 1998

	1998 \$	1997 \$
Cash flow from operating activities :		
Operating profit before taxation	2,807,558	3,763,597
Adjustments for :-		
Interest expense	450,937	687,618
Interest income	(9,554,528)	(5,774,712)
Depreciation of fixed assets	1,919,900	2,277,475
Currency realignment, net	610,693	(316,567)
Loss/(Gain) on disposal of fixed assets	522,797	(54,943)
Reserve for unexpired risks	(2,014,017)	(2,578,684)
Claims reserve	(4,255,263)	(1,654,885)
Fixed assets written off	-	135
Operating income before reinvestment in working capital	(9,511,923)	(3,650,966)
Decrease in debtors, short term investments and loans	24,650,238	9,274,295
Decrease/(Increase) in stock	731,053	(966,528)
(Decrease)/Increase in creditors	(17,805,999)	2,148,464
Cash (used in)/generated from operations	(1,936,631)	6,805,265
Contracts in progress	4,407,221	1,630,157
Interest received	9,554,528	5,774,712
Income from interests in associated undertakings	2,261,284	957,942
Interest paid	(450,937)	(687,618)
Income taxes refunded/(paid), net	3,266,380	(2,882,461)
Net cash provided by operating activities	17,101,845	11,597,997
Cash flow from investing activities :		
Purchase of investment properties	(6,301,595)	(4,933)
Purchase of fixed assets	(1,452,470)	(2,119,876)
Increase in other investments, net	(5,477,334)	(8,860,666)
Investment in associated companies	(619,760)	(108)
Amounts due from associated companies	(1,690,803)	2,285,671
Proceeds from disposal of fixed assets	377,243	95,105
Proceeds from partial disposal of interest in a subsidiary company	29,120,460	-
Expenses paid in connection with the partial disposal of interest in a subsidiary	(1,101,136)	-
Return of capital on liquidation of subsidiary	272,090	-
Interim distribution received from liquidation of subsidiary	200,000	-
Proceeds from disposal of investment in associated companies	454,746	-
Payments of 40th anniversary celebration expenses	-	(87,843)
Net cash provided by/(used in) investing activities	13,781,441	(8,692,650)



C o n s o l i d a t e d S t a t e m e n t o f C a s h F l o w s

F o r t h e y e a r e n d e d 3 1 D e c e m b e r 1 9 9 8

	1998	1997
	\$	\$
Cash flow from financing activities :		
Repayment of hire purchase creditors	-	(20,083)
Decrease in term loans	(2,290,793)	(4,041,257)
Increase in unsecured borrowings	792,967	-
Dividends paid		
- by parent company	(4,768,708)	(4,336,223)
- by subsidiary to minority shareholders	(136,519)	(7,770)
Proceeds from issue of new shares at premium	-	39,115,370
Payment to shareholders on capital reduction	(16,110,500)	-
Payment of capital reduction expenses	(128,325)	-
Net cash (used in)/provided by financing activities	(22,641,878)	30,710,037
Net increase in cash and cash equivalents	8,241,408	33,615,384
Cash and cash equivalents at beginning of year (Note 34)	113,086,861	79,471,477
Cash and cash equivalents at end of year (Note 34)	121,328,269	113,086,861

The accompanying notes to the accounts form an integral part of the accounts.



Notes to the Accounts

31 December 1998

1. Significant accounting policies

(a) Basis of accounting

The accounts of the Company and of the Group, which are expressed in Singapore dollars, are prepared under the historical cost convention modified by revaluation of certain fixed assets and investments.

The accounts are prepared in accordance with applicable accounting standards.

(b) Basis of consolidation

The Group accounts include those of the Company and its subsidiaries (being companies in which an interest in excess of 50% is held by the Company or by its subsidiaries) made up to the year ended 31 December 1998. A list of the Group's subsidiary companies is shown in Note 2.

Goodwill or capital reserve arising on consolidation, representing the excess or deficit of the cost of investments against the net assets of the subsidiaries acquired is written off against group reserves.

(c) Revenue recognition

Interest income is taken into account on the accrual basis. Dividend income is recognised when received.

Premium income from general insurance business is recognised at the time of commencement of the risks or in the case of reinsurance, when the closing advices are received. Where the policy covers a period of a year or less, a reserve for unexpired risks is made in accordance with the accounting policy. Premium for any period in excess of one year is carried forward as "unearned premium".

Revenue from building and construction contracts are recognised on the completion method. Anticipated losses, if any, in respect of contracts on hand are provided as and when ascertained.

Revenue from warehouse rental is recognised upon the commencement of lease period.

Revenue from the sale of goods is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

(d) Subsidiary companies

The investments in subsidiary companies are stated in the accounts of the Company at Directors' annual valuation which is based on the attributable share of the combined net asset value of the subsidiaries. Any surplus or deficit arising from this revaluation is taken direct to capital reserves, except where the total of the revaluation reserve is insufficient to cover any deficit, then such deficit will be charged to the profit and loss account.

(e) Associated companies

An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term equity interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence. A list of the Group's associated companies is shown in Note 2.

The Group's share of the results of associated companies is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is included in the investments in the consolidated balance sheet. The results of the associated companies are derived from audited accounts, or from unaudited management accounts where audited accounts are not available, for the latest financial year ended 31 December.

Any excess of the consideration paid over the fair value of the net assets acquired is included in goodwill and is written off to the Group revenue reserve in the year it arises.

(f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is calculated on the straight line method to write off the cost or valuation of the assets over their estimated useful lives. No depreciation is provided on freehold land. The annual rates in use are as follows :-



1. Significant accounting policies (cont'd)

(f) Fixed assets and depreciation (cont'd)

Buildings	-	2%
Leasehold land and buildings	-	50 years or over the remaining life of lease if less than 50 years
Plant and machinery	-	7%
Furniture, motor vehicles computers and other equipment	-	7 to 33-1/3%

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Assets which are no longer in use and are retired from active use are stated at the lower of their net book values or net realisable values.

(g) Investment properties

Investment properties are stated in the balance sheet at Directors' valuation based on annual independent professional valuations at open market values. Changes in the value of investment properties are taken to capital reserve, except where any deficit exceeds previous revaluation surplus in which case the net deficit is charged to the profit and loss account as an extraordinary item. Any surpluses held in capital reserves in respect of previous revaluations of investment properties sold during the year are regarded as having become realised and are transferred to profit and loss account.

(h) Other investments

Quoted and unquoted investments held on a long-term basis are stated at cost unless there has been a permanent diminution in value in which case, provision for diminution in value is made. Market value represents the last transaction price at the year-end.

Dividend income is recognised upon receipt.

(i) Short-term investments

Quoted short-term investments, excluding government securities, are stated at the lower of cost and net realisable value on an aggregate basis.

Government securities and unquoted short-term investments are stated at the lower of cost and nominal value on an individual basis.

(j) Stocks and work-in-progress

Stocks are stated at the lower of cost and net realisable value. Cost includes other directly attributable costs and is determined by the weighted average method except for contract supplies and piles which are principally determined on the first-in, first-out basis. Cost of finished goods and work-in-progress comprise direct labour, materials and an appropriate proportion of production overhead expenditure. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(k) Contracts in progress

Contracts in progress comprise uncompleted civil engineering contracts which are stated at cost less progress payments received and receivable. Revenues are recognised only upon completion of the contracts and full provision is made for estimated losses to completion where applicable.

Costs comprise acquisition costs, materials, direct labour, finance cost, subcontractors' costs and other related direct costs.

Notes to the Accounts

31 December 1998

1. Significant accounting policies (cont'd)

(l) *Reserve for unexpired risks*

At the end of each year, a reserve for unexpired risks is retained by carrying forward a portion of the period's premium into the succeeding year. This amount represents unearned premiums and arises because premiums are not written on a calendar year basis.

The reserve for unexpired risks at the end of the period is calculated based on the 1/24th method on the amount of premium written during the period after deducting local reinsurance premiums and overseas reinsurance premiums, to the extent of reinsurance deposits withheld from those overseas reinsurers, and after taking into account a reduction for commission costs at an assumed rate of 20% of premiums.

(m) *Claims reserve*

Provision for outstanding claims is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, less reinsurance recoveries, using the best information available at that time. The Group makes an additional provision for claims incurred during the year but which were not reported as at the balance sheet date.

An additional contingency reserve is held in respect of the Group's credit and political risks insurance portfolio to meet extraordinary fluctuations in claims experience.

(n) *Deferred taxation*

The Group has adopted deferred tax accounting using the liability method whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on account of all timing differences, except those timing differences that are not expected to reverse in the foreseeable future are reflected in the deferred taxation account.

(o) *Extraordinary items*

Extraordinary items are those of a material nature which are not expected to recur and are outside the normal activities of the Group. They are stated net of attributable taxation and minority interest.

(p) *Foreign currency*

Foreign currency transactions are converted into Singapore dollars at rate of exchange approximating those ruling at transaction dates. Monetary foreign currency assets and liabilities are converted into Singapore dollars at rates of exchange approximating those ruling at balance sheet date. All profits and losses on exchange are dealt with through the profit and loss account.

For inclusion in the consolidated accounts, all assets and liabilities of foreign subsidiaries and associated companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiaries and associated companies are translated into Singapore dollars at the weighted average exchange rates. Exchange differences due to such currency translation are taken direct to currency translation adjustment reserve.

(q) *Cash and cash equivalents*

Cash and cash equivalents consist of cash at bank and in hand less bank overdrafts but exclude bank overdrafts which are used for financing activities.

2. General

The principal activity of the Company, which is incorporated in the Republic of Singapore, is that of an investment holding company. The subsidiary companies are primarily engaged in general insurance and related activities, warehouse rental, packing of edible oil products, general trading in consumer products, piling, building construction, civil and structural engineering, property management and development. There have been no significant changes in the nature of these activities during the year.



2. General (cont'd)

The subsidiary and associated companies at 31 December 1998 are :-

Name of company	Percentage of interest held by the Group		Place of incorporation	Cost		Principal activities
	1998 %	1997 %		1998 \$'000	1997 \$'000	
Subsidiary companies						
Singapore Piling & Civil Engineering Private Limited	100.0	100.0	Singapore	15,566	15,566	Piling and building contractors, civil and structural engineering, renovation and retrofitting and investment holding
Singapore Warehouse Company (Private) Ltd	100.0	100.0	Singapore	139,425	139,425	Owner of warehouse for rental and storage and investment holding
** (1) The People's Insurance Company Limited	51.0	99.6	Singapore	33,552	56,184	General insurance
* Phratra Sdn. Bhd.	100.0	100.0	Malaysia	6,985	6,985	Property investment and development

Name of company	Percentage of interest held by the Group		Place of incorporation	Cost		Principal activities
	1998 %	1997 %		1998 \$'000	1997 \$'000	
Subsidiary companies of Singapore Warehouse Company (Private) Ltd.						
* Thackeray Properties Limited	100.0	100.0	Hong Kong			Owner of investment properties for rental and development
* Pumbledon Limited	100.0	100.0	Hong Kong			Owner of investment properties for rental and development
** (2) Bream's One Limited	100.0	75.0	United Kingdom			Property management and development
Paco Industries Pte. Ltd.	100.0	100.0	Singapore			Trading of consumer goods
Hwa Hong Edible Oil Industries Pte. Ltd.	100.0	100.0	Singapore			Packing of edible oil products and trading

Notes to the Accounts

31 December 1998

2. General (cont'd)

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	1998 %	1997 %		
Subsidiary companies of Singapore Warehouse Company (Private) Ltd. (cont'd)				
Global Trade Investment Management Pte Ltd (formerly known as Global Trade Insurance Management Pte Ltd)	100.0	100.0	Singapore	Insurance underwriting, management and consultancy
** (3) Lornuse Limited	60.0	-	United Kingdom	Property investment
SP Vietnam (Pte.) Ltd.	100.0	100.0	Singapore	Investment holding
SP International Pte. Ltd.	100.0	100.0	Singapore	Dormant
SP Land Pte. Ltd.	100.0	100.0	Singapore	Dormant
SPACE Resources Pte Ltd	100.0	100.0	Singapore	Dormant
Associated companies of Singapore Warehouse Company (Private) Ltd.				
** (1) TradeMart Singapore Pte Ltd	50.0	50.0	Singapore	Owner of warehouse for rental and storage
** Blendkirk Limited	50.0	50.0	United Kingdom	Property investment
# Trevantes Limited	40.0	40.0	British Virgin Islands	Property investment
** Singa Development Pte. Ltd.	33.3	33.3	Singapore	Piling, building contractor, civil and structural engineering
** Likelink Limited	45.0	45.0	United Kingdom	Property investment
** Maceward Limited	33.3	-	United Kingdom	Property investment



2. General (cont'd)

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	1998 %	1997 %		
Associated companies of Hwa Hong Edible Oil Industries Pte. Ltd.				
^ Shandong Lu Xing Oils & Fats Co. Ltd.	-	50.0	The People's Republic of China	Packing of edible oils and related products
@ Shandong Qi Feng Packaging Products Co. Ltd.	-	25.0	The People's Republic of China	Carton manufacturing
@ Shandong Hua Xing Plate Printing & Can Manufacturing Co. Ltd.	-	30.0	The People's Republic of China	Lithographic printing and can manufacturing
@ Jining Ningfeng Chemical Industry Co. Limited	-	49.0	The People's Republic of China	Chemical manufacturing

All the subsidiary companies are audited by Ernst & Young, Singapore except for those companies with an “**” which are audited by associated firms of Ernst & Young, Singapore.

** Audited by other firms

(1) KPMG, Singapore

(2) David Mok, London

(3) BDO Stoy Hayward, London

Not required to be audited.

All the active companies operate in their respective places of incorporation.

^ The Group's equity interest was sold during the year.

@ The Group ceased to exercise significant influence over these companies' financial and operating policy decisions during the year. Accordingly, these investments have been reclassified to long term investments (included in unquoted shares in corporations - Note 19).

3. Turnover

Turnover of the Group represents premium less reinsurance, invoiced warehouse rentals, storage charges, invoiced trading sales, total billing on contracts completed, net proceeds on sales of investments and the Group's attributable share of turnover of the associated companies. Transactions within the Group have been excluded. Turnover of the Company represents gross dividend income. Turnover is analysed as follows :-

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Holding company	-	-	5,342,015	8,221,000
Subsidiary companies	134,284,651	261,266,995	-	-
Associated companies	16,147,831	27,889,732	-	-
	<u>150,432,482</u>	<u>289,156,727</u>	<u>5,342,015</u>	<u>8,221,000</u>
	=====	=====	=====	=====

Notes to the Accounts

31 December 1998

3. Turnover (cont'd)

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Turnover is analysed as follows :-				
Dividend income	1,073,680	292,713	5,342,015	8,221,000
Net written premiums	28,301,643	34,945,267	-	-
Rental and storage income	18,281,888	19,373,906	-	-
Trading sales	14,499,479	12,886,252	-	-
Total billings on completed contracts	82,404,829	206,060,638	-	-
Investment income	3,692,341	5,622,530	-	-
Sale of properties held for resale	1,830,180	9,039,258	-	-
Commission income	303,665	528,395	-	-
Others	44,777	407,768	-	-
	<u>150,432,482</u>	<u>289,156,727</u>	<u>5,342,015</u>	<u>8,221,000</u>
	=====	=====	=====	=====

4. Profit before taxation

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
This is stated after charging :-				
Audit Committee fees paid to Directors of the Company	60,000	120,000	60,000	120,000
Directors' remuneration :-				
Directors of the Company	1,580,558	1,928,003	34,000	36,000
Other directors of subsidiary companies	314,639	295,173	-	-
Auditors' remuneration :-				
Auditors of the Company				
- current year	123,700	146,980	68,000	74,000
- underprovision				
in respect of prior year	-	1,000	-	2,000
- non-audit services	-	50,800	-	-
Other auditors of subsidiaries				
- current year	83,699	80,808	-	-
- overprovision				
in respect of prior year	(5,087)	(26,464)	-	-
Depreciation of fixed assets	1,919,900	2,277,475	102,640	59,747
Fees paid to firms in which certain directors are members	398,650	92,526	198,310	-
Interest :-				
Term loans	36,530	294,275	-	62,146
Bank overdrafts	375,924	386,588	465	2,713
Related companies loans	-	-	-	179,291
Hire purchase	-	1,305	-	-
Others	38,483	51,394	-	-
Provision for doubtful debts				
- trade debtors	333,272	842,960	-	-
- loan debtors	86,159	572,504	-	-
Bad debts written off	688	9,582	-	-
Decrease in reserve for unexpired risks	2,014,017	2,578,684	-	-
Fixed assets written off	-	135	-	-



4. Profit before taxation (cont'd)

	Group		Company	
	1998	1997	1998	1997
	\$	\$	\$	\$
Loss on disposal of fixed assets	522,797	-	-	-
Exchange losses	90,714	-	1,292	-
Provision for diminution in value of short term investments	2,842,170	1,233,016	-	-
Provision for foreseeable loss	2,700,000	-	-	-
And after crediting :-				
Gross dividends from quoted investments	1,677,914	1,194,566	-	-
Gross dividends from unquoted investments	50,206	177,030	-	-
Gross dividends from subsidiary companies	-	-	5,342,015	8,221,000
Interest income from				
- quoted bonds and government securities	2,991,087	1,482,373	-	-
- financial institutions	6,142,780	4,166,286	1,085,474	511,163
- associated companies	85,131	157,492	-	-
Other interest income	335,530	145,153	255,629	28,564
Gain on redemption of bond, loan stocks and government securities	398,101	2,136,436	-	-
Gain on disposal of short term investments	295,816	1,226,254	-	-
Gain on disposal of fixed assets	-	54,943	-	-
Write-back of provision for doubtful debts, trade	6,000	48,428	-	-
Write-back of provision for diminution in value of short term investments	29,062	51,934	-	-
Exchange gain	56,008	1,154,184	-	6,672
	=====	=====	=====	=====

5. Taxation

	Group		Company	
	1998	1997	1998	1997
	\$	\$	\$	\$
Current taxation in respect of profit for the year	986,564	1,835,317	1,388,924	2,137,460
Overprovision in respect of previous years	(34,000)	(623,384)	-	-
Associated companies	1,036,186	2,302,744	-	-
Deferred taxation	-	50,000	-	-
	=====	=====	=====	=====
	1,988,750	3,564,677	1,388,924	2,137,460

The Group had estimated unabsorbed tax losses and capital and investment allowances amounting to approximately \$11,330,000 (1997 : \$6,998,000) and \$336,000 (1997 : \$2,320,000) respectively available for set-off against future taxable profits, subject to Section 23 and 37 of the Income Tax Act, Cap 134 and agreement by the Comptroller of Income Tax.

Notes to the Accounts

31 December 1998

6. Extraordinary items

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Write-back on overprovision of expenses on disposal of properties held for long term purpose	-	42,485	-	-
Gain on part disposal of investment in a subsidiary company	7,464,766	-	871,222	-
Write-back of provision for diminution in value of long term investment	(1,494,971)	-	-	-
Provision for diminution in value of investment in associated companies	-	(133,892)	-	-
Return of capital on liquidation of subsidiary	272,090	-	272,090	-
Write off of advances to an associated company	-	(120)	-	-
40th anniversary celebration expenses	-	(87,843)	-	-
Loss on liquidation of subsidiary	-	(24,288)	-	-
Provision for diminution in value of long term investment	(3,510,723)	-	(83,440)	-
Write off of cost of long term investment	(228,620)	-	(228,620)	-
Expenses incurred on the capital reduction exercise	(136,050)	-	(136,050)	-
Write-back of provision for contingency relating to the sale of an investment property in 1989	7,500,000	-	-	-
Additional tax paid in relation to the sale of investment property	(1,164,311)	-	-	-
Loss on disposal of interest in an associated company	(165,014)	-	-	-
Expenses incurred on the Bukaka project	(39,866)	-	-	-
Interim distribution received from liquidation of subsidiary	200,000	-	-	-
Provision for diminution in value of long term quoted equity investment	(1,247,630)	-	-	-
Provision for diminution in value of long term unquoted equity investment	(4,921,464)	-	-	-
Revaluation deficit on an investment property	(500,000)	-	-	-
	2,028,207	(203,658)	695,202	-
Minority interests	634,536	350	-	-
	2,662,743	(203,308)	695,202	-
	=====	=====	=====	=====



7. Dividends proposed and paid, less tax

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Proposed first and final dividend, 4% less 26% tax (1997 : 4% less 26% tax)	4,768,708	4,768,708	4,768,708	4,768,708
Underprovision of prior year's dividend	-	10,508	-	10,508
	<u>4,768,708</u>	<u>4,779,216</u>	<u>4,768,708</u>	<u>4,779,216</u>
	=====	=====	=====	=====

8. Earnings per share

The calculation of earnings per share is based on the earnings before extraordinary items of \$5,878,373 (1997 : \$8,612,563) divided by 161,105,000 (1997 : weighted average number of 157,925,894) ordinary shares in issue during the year.

The fully diluted earnings per share is not shown for both years as the effect of the dilution arising from the exercise of the 1995 Hwa Hong Corporation Limited Executives' Share Option Scheme is not material.

9. Share capital

	Company	
	1998 \$	1997 \$
Authorised :-		
300,000,000 ordinary shares of \$1 each	300,000,000	300,000,000
	=====	=====
Issued :-		
Balance at beginning of year - 161,105,000 (1997 : 146,139,010) ordinary shares of \$1 each, fully paid	161,105,000	146,139,010
Changes during the year :-		
Issue of 355,000 shares for cash at premiums of \$1.20 to \$1.26 per share by virtue of the exercise of options granted	-	355,000
Issue of 14,610,990 shares for cash at a premium of \$1.67 per share to increase working capital	-	14,610,990
Capital reduction of 161,105,000 shares from par value of \$1.00 to \$0.90 per share; followed by the sub-division of 161,105,000 shares of \$0.90 each into 1,449,945,000 shares of \$0.10 each	(16,110,500)	-
Allotment of new shares represented by bonus issue of 1 share of \$0.10 each for every 9 shares held. Capitalised from share premium account (total of 161,105,000 bonus shares issued); followed by the consolidation of 1,611,050,000 shares of \$0.10 each into 161,105,000 shares of \$1.00 each	16,110,500	-
	<u>161,105,000</u>	<u>161,105,000</u>
	=====	=====
Balance at end of year - 161,105,000 (1997 : 161,105,000) ordinary shares of \$1.00 each	161,105,000	161,105,000
	=====	=====

Notes to the Accounts

31 December 1998

9. Share capital (cont'd)

At an Extraordinary General Meeting held on 28 May 1998, it was resolved that a capital distribution of \$0.10 in cash for each ordinary share of \$1.00 each in the capital of the Company ("Capital Distribution") be carried out pursuant to the capital reduction exercise ("Capital Reduction Exercise") under Section 73 of the Companies Act, Cap. 50, by returning to members of the Company part of the paid-up share capital of the Company which is in excess of the needs of the Company. Details of the Capital Reduction Exercise and Capital Distribution to members of the Company which involved the reduction of capital, sub-division of shares, allotment of new shares and consolidation of shares of the Company are shown above.

The Company obtained in-principle approval from the Stock Exchange of Singapore Limited on 2 April 1998 for the Capital Reduction Exercise, the Capital Distribution and the listing and quotation of the resultant new shares. On 7 August 1998, the High Court of Singapore sanctioned the Capital Reduction Exercise which became effective on 5 September 1998 upon lodgement of a copy of the Order of Court with the Registrar of Companies and Businesses.

10. Reserves

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Revenue reserve	92,864,365	85,091,951	5,893,574	5,773,760
Capital reserve				
Balance at beginning of year	197,709,605	212,859,950	276,873,309	289,335,618
Net (deficit)/surplus on revaluation of :-				
Investment properties	(12,448,946)	2,625,568	-	-
Subsidiary companies	-	-	(44,595,112)	2,814,858
Share of an associated company's asset revaluation deficit	(30,092,233)	(17,531,613)	-	-
Transfer to revenue reserve in a subsidiary	(4,000,006)	-	-	-
Due to restructuring	(4,783,480)	-	-	-
Movement in revaluation reserve on disposal of a subsidiary	-	-	(6,634)	(15,277,167)
Net movement in premium on consolidation	-	(244,300)	-	-
Balance at end of year	146,384,940	197,709,605	232,271,563	276,873,309



10. Reserves (cont'd)

	Group		Company	
	1998	1997	1998	1997
	\$	\$	\$	\$
Share premium account				
Balance at beginning of year	24,149,380	-	24,149,380	-
Premium on issue of ordinary shares	-	24,149,380	-	24,149,380
Share issue expense	7,725	-	7,725	-
Capitalisation of bonus shares (Note 9)	(16,110,500)	-	(16,110,500)	-
Balance at end of year	8,046,605	24,149,380	8,046,605	24,149,380
Currency translation adjustment reserve				
Balance at beginning of year	(154,487)	(7,237)	-	-
Exchange differences arising on consolidation	(929,681)	(147,250)	-	-
Balance at end of year	(1,084,168)	(154,487)	-	-
Total reserves	246,211,742	306,796,449	246,211,742	306,796,449

Capital, share premium and currency translation adjustment reserves are not distributable as dividends.

11. Reserve for unexpired risks

	Group	
	1998	1997
	\$	\$
Balance at beginning of year	13,706,306	16,284,990
Transfer to revenue account	(2,014,017)	(2,578,684)
Balance at end of year	11,692,289	13,706,306

12. Deferred taxation

	Group	
	1998	1997
	\$	\$
Balance at beginning of year	2,286,920	2,236,920
Provided during the year	-	50,000
Balance at end of year	2,286,920	2,286,920
Full deferred tax potential liability	4,272,920	4,904,722
Liability provided for	(2,286,920)	(2,286,920)
Liability not provided for	1,986,000	2,617,802

Notes to the Accounts

31 December 1998

12. Deferred taxation (cont'd)

The deferred taxation arises as a result of excess of net book value over tax written down value of fixed assets.

Deferred tax liability is not provided for the timing differences between the written down value for tax purposes and the corresponding net book value of investment properties of certain subsidiaries and an associated company. In the opinion of the Directors, these timing differences will not reverse in the foreseeable future because the investment properties are not being depreciated and it is the Group's intention to retain these properties on a long-term basis.

Had the above deferred tax been provided, the deferred tax liability as at 31 December 1998 would have been approximately \$4,272,920 (1997 : \$4,904,722).

13. Term loans, secured

The term loans comprise 2 term loans of \$4,325,880 and \$1,636,070 granted to a subsidiary. The 1st term loan of \$4,325,880 is secured by the mortgage of a subsidiary company's investment property (see Note 16) and proportionate corporate guarantees of its corporate shareholders, Singapore Warehouse Company (Private) Limited and Campden Investments Limited. The 2nd term loan of \$1,636,070 is secured by a pledge of the subsidiary company's fixed deposits for not less than \$1,636,070.

The 1st term loan is repayable by 11 quarterly principal repayments of \$34,663 each commencing on 8 April 1999 and the remaining outstanding principal amount will be repayable in full on the third anniversary of the drawdown date; the drawdown date being 10 December 1998. The 2nd term loan is repayable in full on the third anniversary of the drawdown date. The 1st and 2nd term loans bear interest at 1.5% and 1% respectively over the prevailing 1, 3 or 6 months LIBOR rate.

14. Unsecured borrowings

The unsecured borrowings are payable to a minority interest shareholder of a subsidiary company, interest-free, unsecured and are not repayable within the next 12 months.



15. Fixed assets

	Freehold building \$	Leasehold building \$	Plant and machinery \$	Furniture, motor vehicles and other equipment \$	Total \$
Group					
Cost					
As at 1 January 1998	778,928	6,912,426	15,971,202	7,957,908	31,620,464
Additions	-	-	1,260,451	192,019	1,452,470
Disposals	-	-	(1,536,800)	(456,147)	(1,992,947)
As at 31 December 1998	778,928	6,912,426	15,694,853	7,693,780	31,079,987
Analysis of cost and valuation					
Cost	778,928	6,912,426	14,684,459	7,693,780	30,069,593
Valuation 1982	-	-	1,010,394	-	1,010,394
	778,928	6,912,426	15,694,853	7,693,780	31,079,987
Accumulated depreciation					
As at 1 January 1998	60,368	2,858,480	6,477,116	6,532,419	15,928,383
Charge for the year	15,579	200,291	1,110,556	593,474	1,919,900
Disposals	-	-	(709,292)	(383,615)	(1,092,907)
As at 31 December 1998	75,947	3,058,771	6,878,380	6,742,278	16,755,376
Charge for 1997	15,579	200,290	1,140,617	920,989	2,277,475
Net book value at cost and valuation					
As at 31 December 1998	702,981	3,853,655	8,816,473	951,502	14,324,611
As at 31 December 1997	718,560	4,053,946	9,494,086	1,425,489	15,692,081

Assets at valuation at 31 December are :-
Plant and machinery - 1982

1998 \$	1997 \$
1,010,394	1,010,394

The valuations of the Group's assets were made by the Directors based on advice received from independent professional valuers on the date stated above.

The Group's properties are listed in Note 37 to the accounts.

Notes to the Accounts

31 December 1998

15. Fixed assets (cont'd)

	Furniture equipment, computers and motor vehicles
	\$
Company	
Cost	
At 1 January 1998	479,264
Additions during the year	38,205
	<hr/>
At 31 December 1998	517,469
	=====
Accumulated depreciation	
At 1 January 1998	383,777
Charge for the year	102,640
	<hr/>
At 31 December 1998	486,417
	<hr/>
Charge for 1997	59,747
	=====
Net book value	
At 31 December 1998	31,052
	=====
At 31 December 1997	95,487
	=====

16. Investment properties

	Group
	1998
	\$
	1997
	\$
Investment properties, at valuation	95,685,211
	<hr/>
	102,408,667
	=====

These are freehold properties stated at directors' valuation based on professional valuation carried out by Allied Appraisal Consultants Pte Ltd and Meredith & Co Chartered Surveyors in December 1998 and Param & Associates in 1994. The valuations have been done on the basis of open market valuation.

The revaluation deficit of \$12,448,946 charged against capital reserve is disclosed in Note 10.

The Group's investment properties are listed in Note 37 to the accounts.

Investment properties amounting to \$52,189,000 (1997 : \$64,500,000) are held as securities by a bank for facilities granted to a subsidiary company which were fully repaid as at end of year (see Note 30). Investment property of a subsidiary company amounting to \$6,301,595 (1997 : \$Nil) is held as security by a bank for facilities granted to the subsidiary company (see Note 13).

17. Subsidiary companies

	Company	
	1998	1997
	\$	\$
Unquoted shares, at directors' valuation	449,062,569	501,718,816
Amounts due to subsidiary companies, non-trade	(65,878,348)	(62,106,512)
Amounts due from subsidiary companies, non-trade	265,037	1,293,248
Loans payable to subsidiary companies	-	-
Loans receivable from subsidiary companies	4,412,675	4,000,000
Amounts due to subsidiary companies	(61,200,636)	(56,813,264)
	387,861,933	444,905,552
	=====	=====

Balances with subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

18. Associated companies

	Group	
	1998	1997
	\$	\$
Unquoted shares, at cost	56,250,067	59,662,720
Share of reserves	143,404,977	172,555,841
	199,655,044	232,218,561
Amounts due from associated companies, non-trade	4,464,219	2,824,084
Amount due to associated companies, non-trade	-	(50,668)
	204,119,263	234,991,977
	=====	=====
The share of reserves is made up as follows :-		
Capital reserves	122,868,184	153,804,926
Revenue reserves	20,536,793	18,750,915
	143,404,977	172,555,841
	=====	=====

Amounts due from associated companies are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Accounts

31 December 1998

19. Long term investments

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Investments, at cost :-				
Quoted shares in corporations	3,760	3,760	-	-
Quoted bonds	9,046,040	5,744,794	-	-
Unquoted shares in corporations	9,186,984	15,012,533	716,560	1,028,620
Unquoted non-equity investments	4,254,469	8,180,522	60,750	60,750
7% unsecured convertible loan	3,056,000	3,056,000	-	-
Unquoted bonds	17,333,507	11,669,532	1,394,970	1,394,970
Quoted floating rate notes	1,653,200	4,000,000	1,653,200	4,000,000
	<u>44,533,960</u>	<u>47,667,141</u>	<u>3,825,480</u>	<u>6,484,340</u>
	=====	=====	=====	=====
Investments are stated after providing for diminution in value of :-				
Quoted bonds	(1,247,630)	-	-	-
Unquoted shares in corporations	(11,724,222)	(1,279,510)	(83,440)	-
Unquoted bonds	(1,464,971)	-	-	-
	<u>(14,436,823)</u>	<u>(1,279,510)</u>	<u>(83,440)</u>	<u>-</u>
	=====	=====	=====	=====
Quoted investments at market value :-				
Shares	2,369	3,744	-	-
Bonds	10,559,088	5,585,890	-	-
Floating rate notes	1,653,200	4,000,000	1,653,200	4,000,000
	<u>12,214,657</u>	<u>9,589,634</u>	<u>1,653,000</u>	<u>4,000,000</u>
	=====	=====	=====	=====

20. Stocks and work-in-progress

	Group	
	1998 \$	1997 \$
Trading stock	5,944	20,822
Packing activities :-		
Raw materials	115,790	82,930
Finished goods	42,225	27,589
Packing materials	413	7,491
	<u>164,372</u>	<u>138,832</u>
Piling and building activities :-		
Contract supplies and steel piles	1,674,865	2,431,458
	<u>1,839,237</u>	<u>2,570,290</u>
	=====	=====



21. Contracts in progress

	Group	
	1998	1997
	\$	\$
Current Assets :-		
Being costs and attributable profits in excess of progress billings	67,117	855,759
Current Liabilities :-		
Being progress billings in excess of costs and attributable profits	(8,782,937)	(5,164,358)
	<u>(8,715,820)</u>	<u>(4,308,599)</u>
	=====	=====
This can be analysed as follows :-		
Cost incurred and attributable profits	84,913,384	89,159,945
Less: Provision for foreseeable losses	(2,700,000)	-
	<u>82,213,384</u>	<u>89,159,945</u>
Less: Progress billings	(90,929,204)	(93,468,544)
	<u>(8,715,820)</u>	<u>(4,308,599)</u>
	=====	=====

Included in the cost of contracts in progress is directors' remuneration in respect of a subsidiary company amounting to \$342,484 (1997 : \$305,679).

22. Trade debtors

	Group	
	1998	1997
	\$	\$
Trade debtors are stated after provision for doubtful debts of :-	2,710,642	2,975,789
	=====	=====
Analysis of provision for doubtful debts :-		
Balance at 1 January	2,975,789	2,181,257
Charge to profit and loss account	333,272	842,960
Bad debts written off	(592,419)	-
Write-back of provision	(6,000)	(48,428)
	<u>2,710,642</u>	<u>2,975,789</u>
	=====	=====
Bad debts written off directly to profit and loss account	688	9,582
	=====	=====

Notes to the Accounts

31 December 1998

23. Other debtors

	Group		Company	
	1998 \$	1997 \$	1998 \$	1997 \$
Tax recoverable	226,442	4,445,386	1,406,642	5,258,992
Prepayments and deposits	758,713	635,243	35,890	19,358
Sundry debtors	2,503,486	2,334,107	170,853	490
Amount receivable from sales of investments	-	6,598,503	-	-
Amount receivable from disposal of long-term investments	1,012,406	1,022,475	-	-
Interest receivable	808,203	1,144,035	134,477	-
Staff loans	541,611	393,554	-	-
	<u>5,850,861</u>	<u>16,573,303</u>	<u>1,747,862</u>	<u>5,278,840</u>

24. Short term investments

	Group	
	1998 \$	1997 \$
Quoted shares, at cost, less provision of \$3,803,256 (1997 : \$1,734,116)	31,313,387	37,182,995
Quoted debenture, loan stocks and bonds, at cost, less provision of \$248,121 (1997 : \$109,428)	1,463,477	7,530,289
Unquoted debenture and loan stocks, at cost, less provision of \$27,219 (1997 : \$Nil)	2,021,400	2,434,911
Quoted Singapore Government Securities, at cost, less provision of \$2,193 (1997 : \$87,346)	2,950,000	2,950,000
	<u>37,748,264</u>	<u>50,098,195</u>
Quoted investments at market value :-		
Shares	33,024,379	37,682,995
Debenture, loan stocks, bonds and Singapore Government Securities	4,592,021	10,996,284
	<u>37,616,400</u>	<u>48,679,279</u>

As at 31 March 1999, the latest practicable date before signing the accounts, the market value of the Group's quoted investments was \$41,268,358.

25. Loan debtors

Loan debtors is stated net of provision for doubtful debts of \$661,213 (1997 : \$575,054).



26. Cash and bank balances

	Group		Company	
	1998	1997	1998	1997
	\$	\$	\$	\$
Fixed deposits	111,708,299	117,443,870	18,721,504	16,012,556
Cash and bank balances	10,509,415	5,671,335	87,733	73,458
	<u>122,217,714</u>	<u>123,115,205</u>	<u>18,809,237</u>	<u>16,086,014</u>
	=====	=====	=====	=====

Included in fixed deposits of subsidiary companies are balances of \$2,413,395 (1997 : \$1,457,584) held as cash collateral against performance bonds issued by a subsidiary on behalf of its customers.

A subsidiary company's fixed deposit of \$500,000 (1997 : \$500,000) is pledged to the bank by that subsidiary in respect of a banker's guarantee issued in favour of the Monetary Authority of Singapore in lieu of the statutory deposit required under the Insurance Act.

Deposits of subsidiary companies amounting to \$4,158,632 (1997 : \$6,798,015) are used to secure bank facilities granted.

Included in cash and bank balances are balances of \$4,000 (1997 : \$Nil) held as cash collateral by a subsidiary against performance bonds issued on behalf of customers.

27. Trade creditors

	Group	
	1998	1997
	\$	\$
Amounts due to :-		
Trade suppliers	13,473,168	28,950,538
Agents, brokers and reinsurers	1,527,528	4,044,796
Sub-contractors	29,593,301	29,743,557
	<u>44,593,997</u>	<u>62,738,891</u>
	=====	=====

28. Other creditors

	Group		Company	
	1998	1997	1998	1997
	\$	\$	\$	\$
Deposits	373,200	443,617	-	-
Employees' income tax	542,334	459,953	-	-
Hire purchase creditors	-	-	-	-
Unclaimed dividends	37,430	37,430	37,430	37,430
Unearned premiums	2,879,610	3,437,323	-	-
Provision for premium payable	25,068	42,737	-	-
Provision for contingency (Note 6)	-	7,500,000	-	-
Provision for costs in relation to the Bukaka project	-	143,018	-	-
Cash collateral (including interest payable)	2,440,346	1,490,401	-	-
Sundry creditors and accruals	2,662,996	1,363,433	152,685	142,646
	<u>8,960,984</u>	<u>14,917,912</u>	<u>190,115</u>	<u>180,076</u>
	=====	=====	=====	=====

Notes to the Accounts

31 December 1998

29. Short term loans, secured

Short term bank loans amounting to \$Nil (1997 : \$8,252,743) were secured by the mortgage of a subsidiary company's investment properties and an assignment of rental income of the investment properties. The bank loans are repayable within 12 months and bear interest of between 6.5% to 6.81% (1997 : 6.5% to 6.81%) per annum. These amounts were fully repaid as at end of the year.

30. Bank borrowings

	Group	
	1998	1997
	\$	\$
Overdraft, secured	889,445	7,726,510
Overdraft, unsecured	-	2,301,834
	889,445	10,028,344
	889,445	10,028,344

A portion of the secured bank borrowings amounting to \$Nil (1997 : \$3,148,264) was supported by an all monies mortgage over a subsidiary company's investment property and assignment of rental income from that property. The remaining secured portion amounting to \$889,445 (1997 : \$4,578,246) is covered by a corporate guarantee given by a subsidiary company supported by a first charge over the subsidiary's time deposit and bears interest of 0.75% (1997 : 0.75%) per annum over the sterling pound base rate.

31. Commitments

Rental commitments of the Group in respect of non-cancellable operating leases as at the balance sheet date are as follows :

	Group	
	1998	1997
	\$	\$
Payable :		
Within 1 year	1,229,163	1,054,024
Within 2 to 3 years	97,780	1,047,648
	1,326,943	2,101,672
	1,326,943	2,101,672

32. Related party transactions

The following are the significant related party transactions entered into by the Company and the Group on terms agreed with related companies :-

	Group		Company	
	1998	1997	1998	1997
	\$	\$	\$	\$
Management fees received by the holding company	-	-	(679,140)	(862,140)
Insurance premiums paid by the holding company	-	-	3,632	12,275
Purchases of goods from related companies, net	-	40,721	-	-
Insurance premiums received from related companies	(240,410)	(353,671)	-	-
Rental paid to a related company	259,237	261,052	1,023	726

Other transactions with related parties are disclosed in Notes 3 and 4.

33. Contingent liabilities

The Company has given Letter of Awareness and Letter of Comfort to bankers in respect of the borrowings of the subsidiaries amounting to \$29,540,000 (1997 : \$29,540,000) and \$8,300,000 (1997 : \$8,300,000) respectively.

In addition, the Company has guaranteed borrowing of one of the subsidiary amounting to \$15 million (1997 : \$15 million).

A subsidiary has guaranteed borrowings amounting to \$10.5 million (1997 : \$10.5 million) and related interest payable of certain associated companies and borrowings amounting to \$6.8 million (1997 : \$6.8 million) granted to other subsidiary companies.

In addition to the above, there are also the following contingent liabilities which have not been provided for in the accounts :-

- (a) A subsidiary has a contingent liability amounting to approximately \$1.6 million (RM2.8 million) [1997 : \$1.6 million (RM2.8 million)] arising from a claim made by the purchaser of the subsidiary's Malaysian operations in 1976. The Directors are of the opinion, based on legal advice obtained, that the purchaser's claim will not prevail.

The subsidiary has made a separate claim against the purchaser for the balance of fees in respect of management services rendered from 1977 to 1979 amounting to \$0.64 million (RM1.125 million) [1997 : \$0.64 million (RM1.125 million)] plus interest. The purchaser has filed a counter claim against the subsidiary for a refund of the management fees paid in 1977 amounting to \$214,000 (RM375,000) [1997 : \$214,000 (RM375,000)]. This case was heard and on 3 August 1995, the High Court of Malaya, Kuala Lumpur, ordered the purchaser to pay to the subsidiary a sum of \$0.64 million (RM1.125 million) plus interest. The purchaser has filed an appeal against the Court Order. No provision has been made in respect of the above claims and counter-claims in the accounts as the Directors are of the opinion that no loss to the subsidiary should result.

- (b) A subsidiary company has a contingent liability amounting to approximately \$139,676 (1997 : \$96,500) arising from a claim made by a purchaser of stocks in 1995. The Management is of the opinion that the purchaser's claim will not prevail. Accordingly, no provision for this claim is considered necessary by the Directors.
- (c) An associated company has a contingent liability of approximately US\$744,000 (1997 : US\$920,000) arising from a guarantee issued to a bank to secure bank facilities granted to a third party.
- (d) A claim was made against an associated company for a sum of \$239,309 (1997 : \$239,309) with costs and interest for breach of contract. Based on facts and circumstances known to the Management, the Management has recommended that no provision is required to be made for the amount of the claim. Accordingly, no provision for this claim is considered necessary by the Directors.
- (e) Discussions have been held with the Inland Revenue Authority of Singapore ("IRAS") in respect of disallowed industrial building allowance ("IBA") on the investment property of an associated company. With regard to this, an additional assessment of \$940,205 (1997 : \$1,185,749) relating to prior years has been raised by IRAS to date. Objections to and application to stand-over of this assessment have been lodged with IRAS on the ground that the assessment is excessive. The stand-over application has been approved by IRAS. The Management is confident that the IBA claim can be substantiated. Accordingly, no provision for this assessment is considered necessary by the Directors.

Notes to the Accounts

31 December 1998

33. Contingent liabilities (cont'd)

- (f) Pursuant to the Stock Purchase Agreement ("Agreement") dated 26 October 1997 signed between the Company, Singapore Warehouse Company (Private) Ltd and The Hartford International Financial Services Group, Inc. ("Hartford"), all the parties to the Agreement have agreed that the Company will acquire from The People's Insurance Company Limited ("PIC") the real properties situated at 38 and 40 South Bridge Road (the "South Bridge Road Properties") upon certain terms and conditions including, without limitation, the following :-
- (i) the completion of such acquisition shall be on a date falling no later than the second anniversary of 7 January 1998 (the "Properties Completion Date"); and
- (ii) the Company shall pay to PIC as consideration for the South Bridge Road Properties \$4,900,000 less the normal market depreciation from the Final Accounting Date (being 31 December 1997) to the Properties Completion Date.

34. Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, fixed deposits and bank borrowings.

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet items :-

	Group	
	1998	1997
	\$	\$
Cash and bank balances	10,509,415	5,671,335
Fixed deposits	111,708,299	117,443,870
Bank borrowings	(889,445)	(10,028,344)
	<u>121,328,269</u>	<u>113,086,861</u>
	=====	=====

35. Directors' remuneration

The following number of directors in remuneration bands is disclosed in compliance with paragraph 4 of Appendix 11 of the Stock Exchange of Singapore Limited Listing Manual :-

	Group	
	1998	1997
	\$	\$
\$500,000 and above	1	1
\$250,000 to \$499,999	4	3
Below \$250,000	3	4
	<u>8</u>	<u>8</u>
	=====	=====

36. Information about the Group's operations in different industries

	Turnover		Profit before Interest and Taxation		Identifiable assets	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
By Activities						
Warehousing and property Insurance and investment related	23,636	33,517	10,618	16,528	358,357	415,888
Construction, civil engineering and building related	28,606	35,473	125	781	142,822	147,775
Manufacturing and trading	83,692	207,280	(1,817)	(3,648)	62,099	68,896
Group administrative expenses	14,499	12,887	(825)	(206)	6,081	10,234
	-	-	240	(542)	-	-
	150,433	289,157	8,341	12,913	569,359	642,793
By Geographical Locations						
Singapore	144,356	273,063	7,622	8,728	523,555	602,904
Other Asian Countries	979	4,660	(94)	44	1,393	2,305
United Kingdom	5,098	11,434	813	4,141	44,411	37,584
	6,077	16,094	719	4,185	45,804	39,889
	150,433	289,157	8,341	12,913	569,359	642,793

37. Major Properties owned by the Group

Location Held by Subsidiary Companies	Type/Usage	Area
Singapore Warehouse 110 Paya Lebar Road Singapore 409009	Freehold Factory, warehouse, ancillary office and showroom	Land area of about 5,480 sq. metres Gross floor area of 11,250 sq. metres
19 Senoko Drive Singapore 758206	30 years lease from 1981 Warehouse and ancillary office	Land area of about 8,036 sq. metres Gross floor area of about 4,702 sq. metres
38/40 South Bridge Road Singapore 058672/4	Leasehold Lot 160 - 99 years from 1941 Lot 164 - 99 years from 1947 Office	Lot 160 - land area of about 121 sq. metres Lot 164 - land area of about 123 sq. metres Gross floor areas of about 1,022 sq. metres
523 Jalan Kluang 83000 Batu Pahat Johore, Malaysia	Freehold Factory and ancillary office	Land area of about 8 acres Gross floor area of about 5,205 sq. metres

Notes to the Accounts

31 December 1998

37. Major Properties owned by the Group (cont'd)

Location Held by Subsidiary Companies (cont'd)	Type/Usage	Area
Thackeray House and Tennyson House 1-9 Culford Gardens London SW3, UK	Freehold 14 units of residential flats	-
58 Queens Gate London SW7, UK	Freehold 6 units of residential apartments	-
115B Queens Gate London SW7, UK	Freehold 4 units of residential apartments	-
15/17 Hornton Street London W8, UK	Freehold 11 units of residential apartments	-
11, 25 & 26 Charles II Place King's Road, Chelsea London SW3 4NG, UK	Freehold 3 units of residential townhouses	-
Held by Associated Companies		
TradeMart Singapore 60, 60B, 60C Martin Road Singapore 239065/7/8	Freehold Warehouse, ancillary office and showroom	Combined land area of about 29,683 sq. metres Gross floor area of about 110,000 sq. metres
Charles II Place 77 King's Road, Chelsea London SW3 4NG, UK	Freehold 3 units of residential townhouses	Units range from 1,287 to 1,838 sq. ft. net lettable area
15 Upper Grosvenor Street, Mayfair London W1X 9PB, UK	Leasehold of 128 years from December 1990 1 unit mixed office and corporate residential building	<u>Commercial (Gross)</u> No. 15 - 6,841 sq. ft. <u>Residential (Gross)</u> No. 15 - 3,000 sq. ft.
Westbourne Grove Estate 100-112 Westbourne Grove, 43 Hereford Road, 2-6 Botts Mews, London W2, UK	Freehold Commercial and residential estate	<u>Commercial (Net)</u> 37,319 sq. ft. <u>Residential (Net)</u> 10,184 sq. ft.
373/375 Euston Road London NW1, UK	Freehold Commercial building	Floor area of about 12,990 sq. ft.
1/3 Newton St 207 High Holborn London WC2, UK	Freehold Commercial building	Floor area of about 8,064 sq. ft.

38. Comparative figures

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

Shareholding Statistics

As At 3 May 1999

Authorised share capital	:	S\$300,000,000
Issued and fully paid	:	S\$161,105,000
Number of shareholders	:	4838
Class of equity security	:	Ordinary shares of S\$1 each
Voting rights of ordinary shareholders	:	Every member of the Company who is present in person or by proxy or attorney or in the case of a corporation by a representative shall have one vote on a show of hands and on a poll every such member shall have one vote for every share of which he is the holder.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 1,000	1,411	29.17	1,070,995	0.66
1,001 - 10,000	2,874	59.40	12,181,346	7.56
10,001 - 1,000,000	533	11.02	22,406,028	13.91
1,000,001 and above	20	0.41	125,446,631	77.87
	<hr/>		<hr/>	
	4,838	100.00	161,105,000	100.00
	=====	=====	=====	=====

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. HSBC Singapore Nominees Pte Ltd	37,834,072	23.48
2. Oversea-Chinese Bank Nominees Pte Ltd	27,335,000	16.97
3. United Overseas Bank Nominees Pte Ltd	12,415,250	7.71
4. DBS Nominees Pte Ltd	9,936,957	6.17
5. SPI Pte Ltd	4,989,000	3.10
6. BNP Nominees Singapore Pte Ltd	4,119,000	2.56
7. Overseas Union Bank Nominees Pte Ltd	3,463,275	2.15
8. Starich Investments Pte Ltd	3,367,000	2.09
9. Tudor Court Gallery Pte Ltd	3,313,000	2.06
10. Ely Investments Pte Ltd	2,807,750	1.74
11. Tsang & Ong Stockbrokers Pte Ltd	2,648,062	1.64
12. Citibank Nominees Singapore Pte Ltd	2,069,250	1.28
13. Hong Leong Enterprises Pte Ltd	1,806,000	1.12
14. J M Sassoon & Co (Pte) Ltd	1,602,000	0.99
15. OCBC Securities Private Ltd	1,554,000	0.96
16. First Capital Insurance Limited - Insurance Fund A/C	1,312,000	0.81
17. Raffles Nominees Pte Ltd	1,264,900	0.79
18. Keppel Bank Nominees Pte Ltd	1,262,400	0.78
19. Guan Meng Kuan	1,247,715	0.77
20. NTUC Income Insurance Co-operative Limited	1,100,000	0.68
	<hr/>	
	125,446,631	77.85
	=====	=====

EXTRACT FROM REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate
Ong Choo Eng	-	65,775,880	65,775,880
Dr. Ong Hian Eng	683,901	63,264,380	63,948,281
Ong Mui Eng	1,136,812	63,048,567	64,185,379
Ong Kwee Eng	50,000	63,468,255	63,518,255
Ong Eng Loke	46,125	62,968,130	63,014,255
Ong Eng Yaw	-	62,968,130	62,968,130
Ong Holdings (Private) Limited and its subsidiaries	62,968,130	-	62,968,130
Hong Leong Investment Holdings Pte Ltd ("HLIH")	-	*11,328,062	*11,328,062

* HLIH has stated that the figures shown do not include the portion held by First Capital Insurance Limited amounting to 3,843,000 shares or 2.385% of the Company's issued share capital (as earlier notified by HLIH to the Company), which HLIH cannot obtain verification.

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of the Company will be held at the Function Room, Ground Level, TradeMart Singapore, 60 Martin Road, Singapore 239065 on Friday, 18 June 1999 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the audited accounts and the reports of the Directors and Auditors for the year ended 31 December 1998.
2. To declare a first and final dividend of 4% less 26% income tax in respect of the year ended 31 December 1998.
3. To approve Directors' Fees of \$34,000 for the year ended 31 December 1998.
4. To re-elect Mr. Yong Kok Kean retiring in accordance with Article 105 of the Articles of Association of the Company.
5. To re-elect Mr. Goh Kian Hwee retiring in accordance with Article 105 of the Articles of Association of the Company.

(Messrs. Yong Kok Kean and Goh Kian Hwee, if re-elected, will remain as members of the Audit Committee. They are considered independent Directors pursuant to Clause 902(4)(a) of the Listing Manual of the Stock Exchange of Singapore.)

6. To re-elect Mr. Boon Suan Lee retiring in accordance with Article 96 of the Articles of Association of the Company.
7. To pass the following resolution:
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr. Guan Meng Kuan be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company."
8. To appoint Auditors and to authorise the Directors to fix their remuneration.

Special Business

9. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to issue and allot (including but not limited to the issue and allotment of shares in the capital of the Company at any time, whether during the continuance of such authority or thereafter, pursuant to offers, agreements or options made or granted by the Company while this authority remains in force) or otherwise dispose of shares in the Company (including making and granting offers, agreements and options which would or which might require shares to be issued, allotted or otherwise disposed of, whether during the continuance of such authority or thereafter) at any time to such persons (whether or not such persons are members of the Company), upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 50% of the issued share capital of the Company for the time being, and PROVIDED FURTHER THAT where members of the Company are not given the opportunity to participate in the same, then the shares to be issued shall not exceed 20% of the issued share capital of the Company for the time being."
10. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
"That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue shares in the Company (including to allot and issue shares to any Director of the Company) pursuant to the exercise of Options granted in connection with or under the terms and conditions of the Hwa Hong Corporation Limited Executives' Share Option Scheme approved by members in general meeting on 28 June 1995 and as may be amended from time to time (the "Scheme") (notwithstanding that such allotment and issue may occur after the conclusion of the next or any

ensuing annual general meeting of the Company) and, in connection with the Scheme, to make and grant offers, agreements and options which would or may require shares to be allotted, issued or otherwise disposed of, whether during the continuance of this authority or thereafter, upon such terms and conditions as the Directors may in their absolute discretion deem fit.”

11. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“That approval be and is hereby given to the Directors:

- (i) to grant options in accordance with the Scheme to the Director referred to below in respect of such number of ordinary shares in the Company as determined in accordance with the terms and conditions of the Scheme PROVIDED THAT such number of ordinary shares shall not exceed the maximum number of shares set out below against his name (but without restricting the Directors’ power to grant, with the approval of the Company in general meeting, options in respect of further shares pursuant to the Scheme to Directors including the Director referred to below):

Name of Director	Maximum number of ordinary shares in respect of which Options may be granted
Mr. Guan Meng Kuan Director of the Company and Managing Director of Singapore Piling & Civil Engineering Private Limited, a subsidiary of the Company	70,000

- (ii) to allot and issue ordinary shares in the Company on the exercise of such options (notwithstanding that the exercise thereof may occur after the next or any ensuing annual general meeting of the Company).”

12. To transact any other business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Tan Mee Choo
Secretary

Singapore, 2 June 1999

Note

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company and where there are more than one proxy, the proportion of shareholdings to be represented by each proxy must be stated. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 60 Martin Road #07-38, Singapore 239065, at least 48 hours before the time fixed for holding the meeting.

Explanatory Notes to Special Business

The Ordinary Resolution set out in item 9 above, if passed, will empower the Directors of the Company, from the date of the above meeting until the conclusion of the next Annual General Meeting, to issue additional shares in the Company, without seeking any further approval from members in general meeting but within the limitations imposed by the resolution, for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

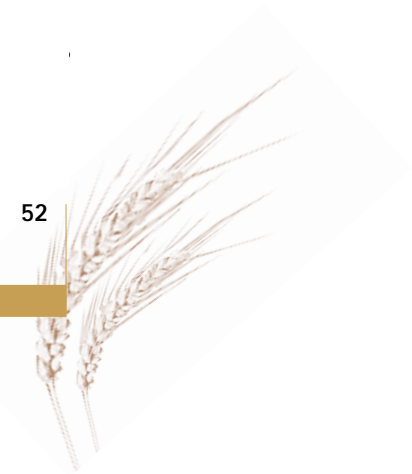
The Ordinary Resolution set out in item 10 above, if passed, gives authority to the Directors to issue shares in connection with the Scheme and to grant offers, agreements and options which could require shares to be issued (notwithstanding that such issue may take place after the expiration of this approval). This authority is in addition to the general authority to issue shares sought under the Ordinary Resolution set out in item 9 above.

The Ordinary Resolution set out in item 11 above, if passed, gives authority to the Directors to grant options to the Director referred to in the Resolution, in addition to those approved and granted previously as disclosed in the Directors’ Report for the year ended 31 December 1998, and to allot and issue shares on the exercise of such options (notwithstanding that the exercise thereof may occur after the next or any ensuing annual general meeting of the Company).



NOTES

52



HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT:

1. For investors who have used their CPF monies to buy Hwa Hong Corporation Limited shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent 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 hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

--	--	--	--

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the **Forty-Sixth Annual General Meeting** of the Company ("AGM") to be held at the Function Room, Ground Level, TradeMart Singapore, 60 Martin Road, Singapore 239065 on 18 June 1999 at 10.00 a.m. and at any adjournment thereof.

I/We have indicated with a tick "✓" in the appropriate boxes below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

Resolutions relating to:		To be used on a Show of Hands		To be used in the Event of a Poll	
		For	Against	Number of Votes For	Number of Votes Against
1	Adoption of reports and accounts				
2	Declaration of first and final dividend				
3	Approval of Directors' fees				
4	Re-election of Director – Mr. Yong Kok Kean				
5	Re-election of Director – Mr. Goh Kian Hwee				
6	Re-election of Director – Mr. Boon Suan Lee				
7	Re-appointment of Director pursuant to Section 153(6) of the Companies Act, Cap. 50 – Mr. Guan Meng Kuan				
8	Appointment of Auditors and authorising Directors to fix their remuneration				
9	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50				
10	Authority to issue and allot shares pursuant to the exercise of the Options under the Hwa Hong Corporation Limited Executives' Share Option Scheme				
11	Authority to grant options to Mr. Guan Meng Kuan and to issue and allot shares pursuant to the exercise of such options				

Dated this _____ day of _____ 1999

Total Number of Shares Held	
Scrip	
Scripless	

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

Notes:

1. Please insert in the box at the bottom right hand corner on the reverse of this form, the number of shares registered in your name in the Register of Members in respect of share certificates held by you ("Scrip Shares") and the number of shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") in respect of shares in your Securities Account with CDP ("Scripless Shares"). If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company, and where there are two proxies, the proportion of shareholdings to be represented by each proxy must be stated.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. This instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney. 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.
5. A body corporate which is a member may also appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50, to attend and vote for and on behalf of such body corporate.
6. This instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 60 Martin Road #07-38, Singapore 239065 at least 48 hours before the time fixed for holding the meeting.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument 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 in this instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Company.

