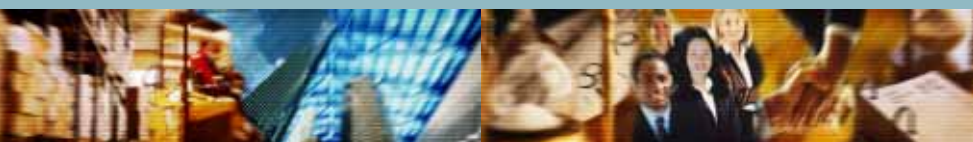




Geared for Challenges



HWA HONG CORPORATION LIMITED Annual Report 2002



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Corporate Information

Board of Directors

Ong Choo Eng
Chairman & Group Managing Director

Ong Mui Eng

Ong Hian Eng

Guan Meng Kuan

Chew Loy Kiat

Goh Kian Hwee

Yong Kun Da Richard
(formerly known as Yong Kok Kean)

Boon Suan Lee

Ong Eng Loke
Alternate Director to Ong Mui Eng

Management

Ong Choo Eng

Ong Mui Eng

Ong Hian Eng

Chen Chee Kiew
General Manager (Property & Investments)

Stella Tan Yian Hua
Principal Officer/Chief Executive Officer (General Insurance)

Simon Ong Eng Hock
Group Finance Manager

Company Secretaries

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

Tan Mee Choo
M.B.A., A.C.I.S.

Registrar/Share Registration Office

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315
Tel: 6536 5355
Fax: 6536 1360

Auditors

Ernst & Young
10 Collyer Quay #21-01
Ocean Building
Singapore 049315
Partner in-charge: Gerard Ee
(with effect from financial year ended 1999)

Registered Office

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

Finance & Administration

38 South Bridge Road #04-01
Singapore 058672
Tel: 6538 5711
Fax: 6533 3028
Email: finance@hwahongcorp.com

Corporate & Legal

Group Corporate Secretarial Services

38 South Bridge Road #01-01
Singapore 058672
Tel: 6538 6818
Fax: 6532 6816
Email: secretariat@hwahongcorp.com

Principal Subsidiary Companies

Singapore Warehouse Company (Private) Ltd.

400 Orchard Road #11-09/10
Orchard Towers
Singapore 238875
Tel: 6734 8355
Fax: 6733 4288
Email: property@hwahongcorp.com

Tenet Insurance Company Ltd

10 Collyer Quay #04-01
Ocean Building
Singapore 049315
Tel: 6532 6022
Fax: 6533 3871
Website: www.tenetinsurance.com
Email: mail@tenetinsurance.com

Paco Industries Pte. Ltd./

Hwa Hong Edible Oil Industries Pte. Ltd.

38 South Bridge Road #04-01
Singapore 058672
Tel: 6538 5711
Fax: 6533 3028
Email: marketing@hwahongcorp.com



Chairman's Statement

Amidst these difficult economic and uncertain geopolitical conditions, I am pleased to report that the Group continued to be profitable, albeit with a drop of 15.7% in profit attributable to shareholders as compared to 2001.

2002 has been a year full of uncertainties and with fears of a double dip recession in Singapore. Amidst these difficult economic and uncertain geopolitical conditions, I am pleased to report that the Group continued to be profitable, albeit with a drop of 15.7% in profit attributable to shareholders as compared to 2001.

Revenue for the Group was \$54.03 million in 2002 as compared to \$114.44 million in the previous year. Group profit attributable to shareholders was \$10.92 million in 2002 as compared to \$12.96 million in 2001.

The decrease in Group revenue of about \$60 million was mainly due to lower contributions from rental income and investment income (2002: \$11.51 million; 2001: \$16.02 million), and the divestment of Singapore Piling & Civil Engineering Private Limited ("SPACE") in July 2001. In 2001, SPACE contributed revenue of about \$93.84 million. This was partially offset by revenue of about \$28.32 million and \$7.59 million from Tenet Insurance Company Ltd ("Tenet Insurance") and Jining Ningfeng Chemical Industry Co., Limited ("Jining") respectively. Tenet Insurance (an associated company in 2001) became a wholly owned subsidiary in January 2002. Jining became a 94% owned subsidiary in September 2001 and its revenue of about \$11.13 million for the full year in 2002 was consolidated in Group revenue as compared with the consolidation of its three months revenue of about \$3.54 million in 2001.

To commemorate the 50th anniversary of the Company, your Directors have recommended a dividend of 6% less income tax, comprising a 3% final ordinary dividend and a 3% special dividend, subject to shareholders' approval in general meeting. Together with the interim dividend of 3% paid in September 2002, the total gross dividend rate will be increased by 28.57% in respect of the financial year under review.



Property



Property

Singapore Warehouse Company (Private) Ltd. Group

Activity levels in the industrial and warehousing property market stayed weak throughout 2002. Sentiment was affected by the uncertainties on the economic front, following the threat of war on Iraq. The lack of demand and excess supply resulted in lower rental and occupancy rates at the *Singapore Warehouse Building* in Paya Lebar Road. The occupancy level was 82.5% (2001: 85.6%) and average monthly rental rate was \$1.04 (2001: \$1.28) per square foot.

The Trademart Complex, a joint venture with CapitaLand Limited, achieved an average occupancy of 77.2% (2001: 85.1%) with an average monthly rental rate of \$2.04 (2001: \$2.19) per square foot for the year. Plans for the redevelopment of the site have been deferred in view of the weak demand in the high end residential property market. In the meantime, efforts are made to maintain the revenue for the complex which will go to servicing interest and operating costs.

The launch of *The Pier at Robertson*, a joint venture residential development with City Developments Limited, was delayed due to uncertainties in demand. The showflat has been completed and, pending a reassessment of the market, the project may be launched in the current year.

The residential property market in London appeared to have peaked in 2002. As the Group's properties are in choice locations and 90% tenanted, there are no immediate plans to dispose of these assets unless acceptable prices are offered.

During the year, the Group together with Campden Investments Limited purchased a commercial property at 55 Greek Street London W1. At a purchase price of £6.8 million, it currently provides a yield of approximately 7% on cost. The Group has a 70% interest in this joint venture.

General Insurance

General Insurance

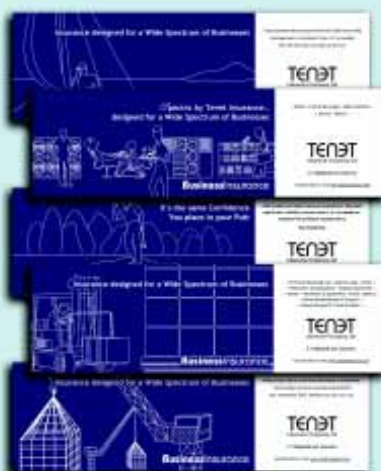
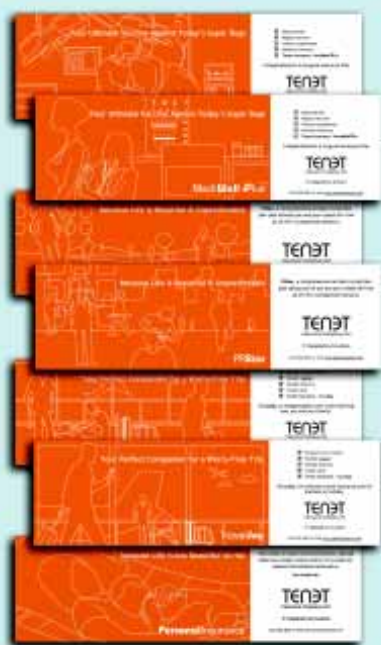
Tenet Insurance Company Ltd

In 2002, Tenet Insurance continued to focus on its strategy to develop its personal lines, small to mid-sized commercial and marine cargo businesses. Total gross written premiums increased by 21% or \$5 million, from \$23.4 million in 2001 to \$28.4 million in 2002. Premiums from Tenet Insurance's motor business accounted for \$2.5 million of the growth, largely due to the hardening of rates. Other lines also performed well with marine cargo, fire, personal accident and workmen's compensation showing an aggregate growth of \$2.5 million. With the continued growth in non-motor lines, motor insurance is expected to account for only one third of Tenet Insurance's premium volume in 2003. This has been made possible through the success in agency recruitment during 2002, many of them with a proven track record in non-motor lines of businesses.

In line with its continuous efforts to provide a comprehensive array of personal insurance products, Tenet Insurance launched a new medical insurance product this year. This product is unique as it features continuous renewal with a premium rated on a portfolio basis.

Claims cost containment remained top priority during the year, particularly for motor insurance. Efforts were made to convert more policyholders to the approved workshop scheme. For private cars, the subscription rate to the approved workshop scheme has crossed the 50% mark each month. It is compulsory for all commercial vehicles insured by Tenet Insurance to use its panel of workshops. Tenet Insurance also participated in the Independent Damage Assessment Centre (IDAC) scheme to streamline claims processes and help contain motor claims costs.

Although the results for the first half year of 2002 showed a loss of \$3.1 million, Tenet Insurance showed a remarkable turnaround in the second half of the year to end with a slight loss after tax of \$0.6 million.



Jining was also awarded the ISO 9001 International Quality Management certificate during the year which will enable its products and management system to meet international standards.

Manufacturing and Trading

The manufacturing and trading operation of the Group had a difficult year. A charge of about \$195,000 was taken to restructure the domestic sales department and to concentrate greater management efforts on the China joint ventures. Revenue at Jining increased from RMB40 million in 2001 to RMB54.7 million in 2002.

During the year, Jining invested RMB1 million to upgrade its packing plant to handle packing of 70% Choline Chloride dry on corn cob carrier which will meet customer requirements further. Jining was also awarded the ISO 9001 International Quality Management certificate during the year which will enable its products and management system to meet international standards.

The Group's investment in Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ("Sichuan") had two major developments, the first being the successful acquisition of 2 quality phosphate rock mines in June for RMB7 million and the second being the signing of an agreement in September to buy out the Chinese partner's equity in Sichuan for RMB4 million. The acquisition of the rock mines will ensure a constant supply of raw materials at reasonable prices which will help manufacturing margins.

Manufacturing and Trading



Outlook



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Hwa Hong Corporation Limited Annual Report 2002

Outlook

The warehousing and industrial property market is not expected to improve for the current year. Uncertain economic outlook and government initiatives to lower cost of business in Singapore will continue to impact rental rates which are already under pressure from excess supply. The rental rates for London residential properties are also affected by the poor economic outlook and retrenchments in the European financial services sectors. Together with the current lower interest rate environment and the uncertain outlook for world stock markets, the profit contribution from this segment to the Group is expected to be lower.

Tenet Insurance is expected to see lower underwriting losses as its 2003 operational business plan realigns its underwriting to a more balanced portfolio and a reduced exposure to the unprofitable motor insurance. However, lower interest rates and a weak stock market may affect the overall insurance results for the current year.

With approximately \$19 million (which is subject to agreement with The Comptroller of Income Tax) in Section 44 tax credit, your Directors intend to utilise this tax credit for the benefit of shareholders within the next 4 years. This will allow a gross dividend of approximately \$86 million to be paid if there are no future requirements for major capital expenditures, new investments or any other matters which may arise.

Lastly, I wish to thank fellow Directors, management, staff and business associates for their support in these challenging times. The dedication and hard work of management and staff to meet the demands of the competitive environment in the various segments of industry in which the Group operates had made possible the performance of the Group.

Ong Choo Eng
Chairman
3 March 2003

Financial Calendar

Financial year-end	31 December
Announcement of unaudited 2002 half year results	16 August 2002
2002 interim dividend of 3% less 22% tax	
Books closure date	5 September 2002
Payment date	23 September 2002
Announcement of unaudited 2002 full year results	21 February 2003
Notice of Annual General Meeting	30 April 2003
Annual General Meeting	23 May 2003
2002 proposed final ordinary dividend of 3% less 22% tax and special dividend of 3% less 22% tax	
Last day for lodgement of transfers for dividend entitlements	Up to 5.00 p.m. on 6 June 2003
Books closure date	9 June 2003
Payment date	23 June 2003



Board of Directors

Ong Choo Eng, 59

Chairman and Group Managing Director
M. Sc. (Eng.), M.I.C.E., M.I.E.S.

Mr Ong Choo Eng was appointed a Director on 15 June 1982 and has served as Group Managing Director since 10 February 1989. As Managing Director of the Company, he is not subject to retirement by rotation in accordance with the Company's Articles of Association. Hence, his last retirement and re-election as a Director was on 27 May 1988. Mr Ong was appointed Chairman of the Board on 1 September 1993. He is an executive Director and therefore non-independent. He is also a member of the Company's Remuneration Committee.

Mr Ong obtained a Bachelor of Science (Honours) Degree in Civil Engineering and a Master of Science Degree in Advanced Structural Engineering from Queen Mary College, University of London in 1966. He was elected as a Fellow of Queen Mary College and Westfield College, University of London in 1990. Mr Ong is a Chartered Civil Engineer (UK) and Professional Engineer (Singapore).

He also serves as a non-executive director on the boards of Metalock (Singapore) Limited ("MSL"), BBR Holdings [S] Ltd ("BBR") and Singapore Reinsurance Corporation Limited, and is a member of MSL's audit committee and BBR's remuneration committee.

Ong Mui Eng, 68

Non-Independent and Executive Director

Mr Ong Mui Eng was appointed a Director on 1 February 1983. He was last re-elected on 23 June 2000. He is an executive Director and is therefore non-independent. Mr Ong will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 May 2003.

Mr Ong is overseeing the finance and administration matters of the Group including investments in the insurance unit. Prior to joining the Company, he was a Regional Officer in The Hongkong and Shanghai Banking Corporation Limited.

Ong Hian Eng, 55

Non-Independent and Executive Director
B. Sc., D.I.C., Ph. D., M.S.I.M., C. Eng., F.I. Chem.E.

Dr Ong Hian Eng was appointed a Director on 24 February 1981. He was last re-elected on 29 May 2001. He is an executive and non-independent Director. Dr Ong will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 May 2003.

Dr Ong is responsible for overseeing the China manufacturing operations and investments and international marketing of the Group.

He graduated with an Upper Second Class Degree in Chemical Engineering from the University of Surrey in 1969 and completed Doctor of Philosophy (PhD) as a Biochemical Engineer at Imperial College, London in 1972.

He is currently a member of the Singapore Shandong Business Council, Singapore Sichuan Trade & Investment Committee and Singapore Chinese Chamber of Commerce & Industry.

Guan Meng Kuan, 73

Non-Independent and Non-Executive Director
B. Sc. (Eng.), M.I.C.E., M.I.E.S., M.I.E.M.

Mr Guan Meng Kuan was appointed a Director on 1 February 1983. He was last re-appointed on 23 May 2002. He is considered a non-independent and non-executive Director. He is also a member of the Company's Nominating Committee. Mr Guan will retire pursuant to Section 153 of the Companies Act, Cap. 50 as he is over 70 years of age and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company scheduled to be held on 23 May 2003.

Mr Guan was the Managing Director of Singapore Piling & Civil Engineering Private Limited ("SPACE") from November 1971 to December 2000, after which, he was a consultant to SPACE until this wholly owned subsidiary of the Company was disposed of on 2 July 2001. Prior to this, he held several head posts of Executive Engineer, Deputy Director and Acting Director of Development Division of Jurong Town Corporation.

Mr Guan holds a Bachelor of Science (Engineering) from the University of London, and is a member of the Institution of Civil Engineers (UK), Institution of Engineers (Singapore) and Institution of Engineers (Malaysia).

Chew Loy Kiat, 71

Independent and Non-Executive Director
P.B.M., F.S.I.I. (Hon.), A.C.I.I., Chartered Insurer, M.S.I.D.

Mr Chew Loy Kiat was appointed a Director on 1 February 1989. He was last re-appointed on 23 May 2002. He is considered an independent non-executive Director. He is also the Chairman of the Company's Audit Committee and a member of the Nominating Committee. Mr Chew will retire pursuant to Section 153 of the Companies Act, Cap. 50 as he is over 70 years of age and will be seeking re-appointment at the forthcoming



Annual General Meeting of the Company scheduled to be held on 23 May 2003.

He is a Chartered Insurer, an Associate of the Chartered Insurance Institute, UK, and a Honorary Fellow of Singapore Insurance Institute.

Mr Chew has with him forty-six years working experience in the Singapore insurance industry. He retired from his career in December 1998. He was the Founder Chairman of the Motor Insurers Bureau of Singapore from 1975 to 1999. In addition, he was awarded the Public Service Medal (PBM) by the President of the Republic of Singapore for this service in 1998.

He also serves as Vice-Chairman of Singapore College of Insurance Ltd and Equatorial Reinsurance (Singapore) Limited, and a Senior Consultant of Aon Reinsurance Brokers Asia Pte Ltd.

Goh Kian Hwee, 48

*Independent and Non-Executive Director
LL.B. (Hons)*

Mr Goh Kian Hwee was appointed a Director on 1 September 1989. He was last re-elected on 23 May 2002. He is considered an independent non-executive Director. He is also the Chairman of the Company's Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr Goh is a partner of the law firm, Rajah & Tann. He holds a LLB (Honours) Degree from the University of Singapore and has been a practising lawyer since 1980.

He also serves as a non-executive director on the boards of Transmarco Limited, Hotel Negara Limited, Blu Inc Group Limited and Achieva Limited, and is a member of the audit committee in these public listed companies.

Yong Kun Da Richard, 61

*Independent and Non-Executive Director
Dip. M.S., F.I.Mgt*

Mr Richard Yong was appointed a Director on 2 January 1990. He was last re-elected on 23 May 2002. He is considered an independent non-executive Director. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit Committee.

Mr Yong holds a First Degree in Business Studies from West London College, UK, and Post Graduate in Management Studies from Kingston College of Technology, UK. He is also a Fellow of The Chartered Institute of Management and The Singapore Institute of Management,

and a member of The Institute of Bankers (Singapore). He acts as a consultant to EFG Financial Advisory Pte Ltd since May 2002.

He also serves as the President/Chairman of The National Kidney Foundation.

Boon Suan Lee, 58

*Non-Independent and Non-Executive Director
F.C.I.S., C.P.A.*

Mr Boon Suan Lee was appointed a Director on 1 July 1998. He was last re-elected on 29 May 2001. He is considered a non-independent and non-executive Director.

Mr Boon, a certified public accountant, is the Managing Partner of Boon Suan Lee & Co since 1981. He is also a Fellow of the Singapore Association of the Institute of Chartered Secretaries and Administrators. He has extensive tax, corporate and financial experience, having served and headed the tax divisions of various international accounting firms.

He is currently a member of the Taxation and Levies Committee of the Institute of Certified Public Accountants of Singapore.

Ong Eng Loke, 37

*Alternate Director to Ong Mui Eng
B. Com., B. Sc. (Hons), M.A., M. Soc. Sc.*

Mr Ong Eng Loke was appointed Alternate Director to Mr Ong Mui Eng on 18 June 2001. As an Alternate Director, he is not required to submit for retirement at the Company's Annual General Meeting. He shall *ipso facto* cease to be an Alternate Director if his appointor ceases for any reason to be a Director.

Mr Ong is the Fund Manager and Country Head of Korean equities at Tokio Marine Asset Management International Pte Ltd where he helps to manage pension funds and unit trusts out of Tokyo. Tokio Marine Asset Management International Pte Ltd is a subsidiary of Tokio Marine & Fire Insurance which is part of the Millea Holdings Group in Japan. Prior to this, he was the Fund Manager and Country Head of Korean and Australian equities with OUB Asset Management, and the Portfolio Manager of UOB Asset Management.

Mr Ong graduated with a BComm and Honours BSc (Distinction) in Finance, Actuarial Science and Statistics from the University of Toronto, Canada, and a Master of Arts in Statistics at the York University, Canada, and a Master of Social Science in Applied Economics at the National University of Singapore.



Key Executives

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Chen Chee Kiew (Mrs)

*General Manager
(Property & Investments)*

Mrs Chen Chee Kiew joined Singapore Warehouse Company (Private) Ltd. as an Executive in April 1977. In 1983, she was promoted to Business Development Manager, to be in charge of leasing, marketing and managing the whole warehouse for the company. In 1989, she was promoted to the post of General Manager and was responsible for leasing/marketing and management of industrial space for the Singapore Warehouse Building situated at Paya Lebar Road and property projects overseas. In addition, she assists the Managing Director in management of funds.

Mrs Chen graduated with a Bachelor of Social Science (Honours) from the University of Singapore in 1975. She also holds a Diploma in Marketing Management.

Stella Tan Yian Hua (Ms)

*Principal Officer/Chief Executive Officer
(General Insurance)*

Ms Stella Tan has been the Chief Executive Officer/Principal Officer of Tenet Insurance Company Ltd ("Tenet Insurance") since September 2000. She joined Tenet Insurance in 1999, first as Head of the Business Insurance Division and subsequently as Chief Operating Officer.

Prior to this, Stella held senior positions with several multi-national insurance companies. Having been in the industry for more than 25 years, she has amassed vast insurance experience and expertise.

Stella now serves as a member of the Management Committee of the General Insurance Association of Singapore (GIAS), Chairperson of the Continuous Professional Development Assessment Committee and member of the Agency Registration Board (GIAS) and Board of Examiners (Singapore College of Insurance).

Stella is a Fellow of the Chartered Insurance Institute, UK and has a Master in Business Administration from Hull University, UK.

Simon Ong Eng Hock

Group Finance Manager

Mr Simon Ong Eng Hock was appointed Group Finance Manager on 1 October 2002. He manages the accounting functions in the Group and is responsible for the consolidation of the Group's financial statements and the preparation of the financial statements for inclusion in the Annual Report of the Company and its subsidiaries.

Mr Ong is a Fellow of the Association of Chartered Certified Accountants and a non practising member of the Institute of Certified Public Accountants of Singapore.

Prior to joining the Group, Mr Ong was an audit manager in the Singapore Office of a big four accounting firm where he was involved in various audit and special engagements of local and multi-national companies in various industries. He has more than ten years of experience in finance and accounting in Singapore, Canada and the People's Republic of China.

Hwa Hong Corporation Limited (the “Company”) describes its corporate governance processes in this report (the “Report”) with specific reference to the Code of Corporate Governance (the “Code”) issued by the Singapore Exchange Securities Trading Limited (“SGX”). This Report should be read as a whole although it has been compartmentalised under the different principles of the Code.

Principle 1: The Board’s Conduct of its Affairs

The principal functions of the board of directors of the Company (the “Board”) are to:-

- set the business direction for the Company;
- deals with matters brought up by the Audit Committee in relation to, in particular, the Company’s system of internal controls, including financial, operational and compliance controls, and risk management;
- review the operational and financial performance of the Company and the Group, including but not limited to approving announcements relating to the Company’s and the Group’s financial results and the audited financial statements;
- approve major acquisitions and disposals;
- approve the nominations of directors; and
- review the Company’s corporate governance processes and activities.

The Board discharges some of its functions through scheduled meetings and ad-hoc meetings as and when circumstances require. The Company has adopted a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Company’s operations or business from the management.

The Articles of Association (the “Articles”) of the Company provides that board meetings may be convened in any form of audio or audio-visual communication. **The attendance of each director at meetings held by the Board and committees during the year is disclosed under “ATTENDANCE AT MEETINGS HELD IN 2002” in this Report.**

During the year, no new director has been appointed and accordingly, orientation-training program is not necessary. The Company continues to disseminate relevant information to keep the Board and key management executives informed of changes in applicable laws and regulations.

Principle 2: Board Composition and Balance

The Board comprises 8 directors and 1 alternate director. Of the 8 directors, the Nominating Committee (“NC”) of the Company considered the 3 executive directors to be non-independent, 3 non-executive directors to be independent, and 2 non-executive directors to be non-independent, having regard to the examples of situations stated in the Code which would deem a director to be not independent.

Although the Articles allows a maximum number of 15 directors to be appointed, the NC is of the view that the current Board size of 8 directors is appropriate after taking into consideration the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of civil engineering, insurance, law, finance and taxation and banking.

Principle 3: Chairman and Chief Executive Officer

The Chairman is also the Group Managing Director, and is responsible for ensuring that Board meetings are held as and when necessary and setting its agenda in consultation with fellow directors and other executives, and if warranted, with professional advisers. The NC is of the view that the effectiveness of the Board as a whole has not been impeded by such dual roles.

Principle 4: Board Membership

In accordance with Article 123 of the Company’s Articles, the Board may delegate any of their powers to committees consisting of such member or members of their body as it thinks fit. The NC was established to perform the following key duties and responsibilities under its terms of reference:-

- to make recommendations to the Board on all board appointments including the re-nomination of directors having regard to the director’s contribution and performance including, if applicable, as an independent director;



- to determine annually whether or not a director is executive, non-executive or considered to be independent;
- to determine whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to recommend for the Board's implementation, a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board.

The NC comprises of the following non-executive directors, the majority of whom are independent:-

1. Goh Kian Hwee (*Chairman*)
2. Guan Meng Kuan
3. Chew Loy Kiat

Under the provisions of the Company's Articles, one-third of the directors for the time being (excluding a Managing Director) shall retire from office at the annual general meeting ("AGM") of the Company in each year provided that all directors (excluding a Managing Director) shall retire from office at least once in every three years. In addition, any director appointed during the year shall retire from office at the close of the next AGM. An alternate director is not required to submit for retirement at general meeting but his appointment shall *ipso facto* cease when his appointor ceases for whatever reason to be a director.

Two of the members of the NC, Mr Guan Meng Kuan and Mr Chew Loy Kiat, are over 70 years of age and subject to retirement every year pursuant to Section 153 of the Companies Act, Cap. 50 (the "Act"). A director who is a member of the NC and subject to retirement under the relevant provision of the Articles or the Act shall not be involved in the deliberations of his nomination.

The NC considered that the multiple board representations held presently by the directors do not impede their performance in carrying out their duties to the Company.

Key information regarding directors can be found in the "Board of Directors" section of the annual report on pages 8 and 9. Information on the directors' shareholding in the Company and its related corporations can also be found on page 18 of the "Report of the Directors" section.

Principle 5: Board Performance

The NC meets at least once a year, and as warranted by circumstances, to discharge its functions. In assessing and making recommendation to the Board as to whether the retiring directors are suitable for re-election/re-appointment, the NC takes into account the director's attendance at meetings and his contribution and performance at such meetings. The NC is of the view that the overall performance of the Board as a whole is satisfactory.

Principle 6: Access to Information

Prior to any meetings of the Board or committees, directors are provided with management information to enable them to be prepared for the meetings. In addition, Board members have separate and independent access to the Company's senior management should they have any queries or require additional information on the Company's and/or Group's affairs, and the Company Secretary for assistance and liaison of corporate secretarial matters.

The Company Secretary attends meetings of the Board and committees, and when required, disseminates the Board's decisions and/or instructions for further action by the relevant parties. Where the directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The roles, duties and responsibilities of the Remuneration Committee ("RC") include functions described in the Code and the administration of the Hwa Hong Corporation Limited Executives' Share Option Scheme (*terminated*) and the Hwa Hong Corporation Limited (2001) Share Option Scheme.



The RC comprises a majority of non-executive directors who are independent of management and is chaired by an independent non-executive director:-

1. Yong Kun Da Richard (*Chairman*)
2. Goh Kian Hwee
3. Ong Choo Eng

There is a process for fixing the remuneration packages of individual directors such that no director should be involved in deciding his own remuneration. In general, the Company makes a comparative study of the packages of executive directors in comparable industries of comparable size and takes into account the performance of the Company as well as the duties and responsibilities of each executive director.

The Board recommends the quantum of Directors' fees for shareholders' approval at AGM. The Directors' fees payable take into account the director's attendance and responsibilities on the respective committees of the Board.

The RC reviews the remuneration packages of executive directors. The remuneration of key executives (who are not directors) and other employees in the Group are subject to annual reviews by the Managing Director or the respective executive director in charge. The basis of any annual adjustments and/or increments to the remuneration, and bonuses are made based on these reviews.

The Company had put in place a share option scheme known as the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme"), approved by shareholders on 29 May 2001. Under the 2001 Scheme, the number of shares in respect of which options may be granted shall be determined at the discretion of the RC who shall take into account, *inter alia*, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the employee. **Please refer to page 20 of the "Report of the Directors" section for more information on some of the principal terms of the 2001 Scheme.** No options have yet been granted under the 2001 Scheme.

The range of remuneration of directors and the top 5 key executives (who are not also directors) of the Group are set out below:-

Directors	
(A)	Between \$500,001 to \$750,000 • Ong Choo Eng*
(B)	Between \$250,001 to \$500,000 • Ong Mui Eng* • Ong Hian Eng*
(C)	\$250,000 and below** • Guan Meng Kuan • Chew Loy Kiat • Goh Kian Hwee • Yong Kun Da Richard • Boon Suan Lee

* Mr Ong Choo Eng, Mr Ong Mui Eng and Dr Ong Hian Eng are brothers and also executive directors of the Company.

** These fees payable by the Company are subject to approval by shareholders as a lump sum at the AGM for the financial year ended 31 December 2002.

Executives	Number
(A) Between \$250,001 to \$500,000	1
(B) \$250,000 and below	4

Save as disclosed, there were no employees who are immediate family members of a director and whose remuneration exceed \$150,000 during the year.



Principle 10: Accountability

Principles 14 & 15: Communication with Shareholders

The Board is accountable to the shareholders while management is accountable to the Board.

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. As from 1 January 2003 onwards, the Company will provide shareholders with quarterly results. The Company also provided a platform in its website containing recent information which has been disseminated via MASNET to the SGX and the public.

All shareholders of the Company receive the full annual report and notice of AGM. The recent annual report of the Company is available on the Company's website at www.hwahongcorp.com and the notice is advertised in newspapers and also made available on the website. At AGMs, shareholders are given the opportunity to air their views and ask directors or management questions regarding the Company.

Under the Company's Articles, a shareholder may vote in person or appoint not more than 2 proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. In view of the methods and forms of voting provided in the Company's Articles on shareholders' participation at general meetings, the Company does not consider it necessary to provide for absentia voting methods, which in its opinion, may not be cost effective.

Principle 11: Audit Committee

The Audit Committee ("AC") of the Company comprises three members, all of whom are independent non-executive directors:-

1. Chew Loy Kiat (*Chairman*)
2. Goh Kian Hwee
3. Yong Kun Da Richard

The AC performs the following functions in addition to those described in the Directors' Report:-

- reviews the non-audit services provided by the auditors;
- reviews the independence and objectivity of the external auditors;
- ensures the adequacy of the internal audit function;
- reviews the effectiveness and adequacy of the Group's internal controls including financial, operational and compliance controls, and risk management; and
- makes recommendations to the Board on the appointment of external auditors.

The AC has express authority to investigate any matter within its terms of reference. In doing so, it has full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings or be provided with reasonable resources to enable it to discharge its functions.

During the year, the AC met up with the external auditors without the presence of management.

The AC has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. As disclosed in Note 6 to the financial statements, there were no non-audit fees paid to the external auditors of the Company.

Principle 12: Internal Controls

Principle 13: Internal Audit

The Board acknowledges that whilst it should endeavour to ensure that management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets, there is no absolute assurance that a system will be fool-proof. The review of the Group's internal control systems should be a concerted and continuing process, designed to manage rather than eliminate risk of failure to achieve business objectives.

The overall control environment of the Company and the Group is considered to be conducive for the promotion of good controls.



The external auditors have reviewed the effectiveness of key controls over the various significant business processes which could have a material impact on the financial statements with an aim to ensure that these are adequate for financial statement attestation purposes. These processes include revenue accounting, purchasing, inventory, cash and fixed assets management, especially where these affect the reliability of financial reporting.

The findings of the external auditors from their review of internal controls have been discussed with the respective line management and heads of department, a summary of which has been included in a report by the external auditors to the AC.

Accordingly, the Board is of the opinion that the existing internal controls of the Company and its subsidiaries are not inadequate.

Starting with Tenet Insurance Company Ltd, a wholly owned subsidiary, its internal audit function has been outsourced to a public accounting firm.

ATTENDANCE AT MEETINGS HELD IN 2002

Name of Director	Board of Directors		Remuneration Committee		Audit Committee	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Ong Choo Eng	4	4	1	1	3	2*
Ong Mui Eng	4	4	N.A.	N.A.	N.A.	N.A.
Ong Hian Eng	4	3	N.A.	N.A.	N.A.	N.A.
Guan Meng Kuan	4	4	N.A.	N.A.	N.A.	N.A.
Chew Loy Kiat	4	3	N.A.	N.A.	3	3
Goh Kian Hwee	4	4	1	1	3	3
Yong Kun Da Richard	4	4	1	1	3	3
Boon Suan Lee	4	3	N.A.	N.A.	N.A.	N.A.

* Attended by invitation of the AC.

DEALINGS IN SECURITIES

The Company and its subsidiaries have followed the recommendations of the Best Practices Guide issued by SGX with regards to dealings in the Company's securities.



Report of the Directors

The Directors present herewith their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2002.

DIRECTORS

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

Ong Choo Eng (Chairman and Group Managing Director)
Ong Hian Eng
Ong Mui Eng
Guan Meng Kuan
Chew Loy Kiat
Goh Kian Hwee
Yong Kun Da Richard (change of name from Yong Kok Kean)
Boon Suan Lee
Ong Eng Loke (Alternate director to Ong Mui Eng)

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiary companies are set out in Note 1 to the financial statements.

Except as disclosed in Note 1, there have been no other significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	Group \$	Company \$
Profit for the financial year transferred to revenue reserve	10,921,867	25,594,218

MATERIAL MOVEMENTS IN RESERVES AND PROVISIONS

Movements in reserves and provisions are as set out in the accompanying financial statements.

ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year:-

1. Hwa Hong Capital (Pte) Limited ("HH Capital"), a wholly-owned subsidiary of the Company, acquired 80% of the issued ordinary share capital of Tenet Insurance Company Ltd ("Tenet Insurance") for cash consideration of about \$30,000,000, resulting in Tenet Insurance becoming a wholly-owned subsidiary. The attributable share of the net tangible assets of Tenet Insurance acquired was about \$41,890,597. Consequent upon the subsequent increase in the issued and paid-up ordinary share capital of Tenet Insurance from \$37,650,000 to \$44,650,000, HH Capital's equity interest in the ordinary share capital of Tenet Insurance was diluted from 80% to 67.46%.



Acquisition and disposal of subsidiary companies (cont'd)

2. Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly-owned subsidiary of the Company, acquired 70 shares of nominal value of £1 each in Filedoor Limited ("Filedoor"), representing 70% of the issued and paid-up share capital of Filedoor, for cash consideration of about £315.28 per share.
3. SWC disposed of its entire 66.67% interest in Powis Street Property Company Limited ("Powis") for net cash consideration of about S\$1,056,701. The attributable share of the net tangible assets of Powis disposed of was S\$417,526.
4. SP International Pte. Ltd. ("SPI"), SPACE Resources Pte Ltd ("SPR") and SP Vietnam (Pte.) Ltd. ("SPV"), wholly-owned subsidiaries held through SWC, had applied to the Registrar of Companies for striking off the Register under Section 344 of the Companies Act, Cap. 50. Since the end of the financial year, SPI, SPR and SPV had been struck off the Register. SPI and SPR were dissolved on 10 January 2003 and SPV was dissolved on 27 February 2003.

ISSUE OF SHARES AND DEBENTURES

During the financial year:-

1. every two existing shares of \$0.50 each in the share capital of HH Capital were consolidated into 1 share of \$1 and its authorised share capital was increased from \$100,000 to \$50,000,000 by the creation of an additional 49,900,000 ordinary shares of \$1 each. The issued and paid-up share capital of HH Capital was also increased from \$1 to \$30,000,001 by the issue and allotment of 30,000,000 ordinary shares of \$1 each at par through the capitalisation of a loan from the Company to HH Capital.
2. the authorised share capital of Global Trade Investment Management Pte Ltd ("GTI"), a wholly-owned subsidiary, was increased from \$500,000 to \$510,000 by the creation of 10,000 redeemable non-cumulative preference shares of \$1 par value each. GTI subsequently issued to the Company 1 redeemable non-cumulative preference share of \$1 par value for cash at par for dividend policy purposes.
3. the authorised share capital of Tenet Insurance was increased from \$50,000,000 to \$50,100,000 by the creation of 100,000 redeemable non-cumulative preference shares of \$1 par value each. Tenet Insurance subsequently issued to the Company 10,000 redeemable non-cumulative preference shares of \$1 par value each for cash at par for dividend policy purposes. The issued and paid-up ordinary share capital of Tenet Insurance was also increased from \$37,650,000 to \$44,650,000 by the issue and allotment to the Company of 7,000,000 ordinary shares of \$1 each for cash at par for working capital purposes.

Save as disclosed above, the Company and its subsidiary companies did not issue any shares or debentures during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under "SHARE OPTIONS" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company under Section 164 of the Companies Act, Cap. 50, the following Directors who held office at the end of the financial year had interests in the shares of the Company as disclosed below:-

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 1.1.2002	At 31.12.2002	At 1.1.2002	At 31.12.2002
Ordinary shares of \$0.25 each				
Ong Choo Eng	–	–	276,227,520	276,547,520
Ong Hian Eng	3,062,604	3,062,604	263,643,520	263,643,520
Ong Mui Eng	4,547,248	4,547,248	263,580,268	263,580,268
Guan Meng Kuan	5,534,860	5,534,860	–	–
Chew Loy Kiat	840,000	840,000	–	–
Ong Eng Loke (Alternate director to Ong Mui Eng)	356,500	406,500	264,142,520	264,142,520

Save as disclosed in this report, no Director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations either at the beginning of the financial year or at the end of the financial year.

The Directors' interests in the shares of the Company as recorded in the Register of Directors' Shareholdings as at 21 January 2003 were the same as those as at 31 December 2002.

DIVIDENDS

Since the end of the last financial year, the following dividends had been paid by the Company:-

	\$
1. Second and final dividend of 3% less tax in respect of the previous financial year as proposed in the Directors' Report of that year	3,819,815
2. Bonus dividend of 2% less tax in respect of the previous financial year as proposed in the Directors' Report of that year	2,546,544
3. Interim dividend of 3% less 22% tax in respect of the financial year under review	3,819,815

The Directors recommend that a final ordinary dividend of 3% less 22% tax amounting to about \$3,819,815, based on the number of shares in issue at the balance sheet date, and a special dividend of 3% less 22% tax amounting to about \$3,819,815, based on the number of shares in issue at the balance sheet date, be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.



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 that proper action had been taken in relation to the writing off of bad debts and the making of provision 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.

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 impairment 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 the accompanying consolidated financial statements which would render the values attributable to current assets in the consolidated financial statements misleading.

CHARGES AND CONTINGENT LIABILITIES

Since the end of the financial year, and up to the date of this report, no charge on the assets of the Company or any corporation in the Group has arisen which secures the liabilities of any other person and no contingent liability of the Company or any corporation in the Group has arisen other than those which may have occurred in the ordinary course of business and except as disclosed in the accompanying financial statements.

ABILITY TO MEET OBLIGATIONS

No contingent liability or other liability of the Company or any corporation in 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.

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 accompanying consolidated financial statements which would render any amount stated in the financial statements of the Company and consolidated financial statements of the Group misleading.

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.



UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

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 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 accompanying financial statements, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

SHARE OPTIONS

The share option schemes of the Company are administered by the Remuneration Committee which comprises the following Directors who do not participate in the schemes:-

Yong Kun Da Richard (Chairman)
Goh Kian Hwee
Ong Choo Eng

Hwa Hong Corporation Limited Executives' Share Option Scheme

On 29 May 2001, the shareholders of the Company approved the termination of the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "ESOS") adopted on 28 June 1995 (without prejudice to the rights of holders of options in respect of whom offers of the options have been granted prior to termination) and the adoption of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme").

Hwa Hong Corporation Limited (2001) Share Option Scheme

The 2001 Scheme will continue in operation for a maximum period of 10 years from 29 May 2001 (the "Adoption Date"), unless otherwise extended and subject to relevant approvals.

Some of the principal terms of the 2001 Scheme are as follows:-

1. All employees of the Company and its subsidiary companies (the "Group"), including Executive Directors (the "Employees"), will be eligible to participate in the 2001 Scheme at the discretion of the Committee. An employee who is a controlling shareholder of the Company or an associate of a controlling shareholder, Non-Executive Director and an employee of an associated company of the Group shall not be eligible to participate in the 2001 Scheme.
2. The subscription price of an Option granted to Employees:-
 - (i) below the rank of Senior Manager (or an equivalent or analogous rank) shall be the market price of an Option (the "Market Price"), determined using the weighted average price of the shares on the market day on which dealings in shares took place on the Singapore Exchange immediately preceding the date on which an offer is made by the Company to an Employee to purchase an Option (the "Offering Date"); and
 - (ii) of the rank of Senior Manager (or an equivalent or analogous rank) and above may be set at a discount of not more than 20% of the Market Price determined in accordance with the Rules of the 2001 Scheme.



Share options (cont'd)

Hwa Hong Corporation Limited (2001) Share Option Scheme (cont'd)

3. Options which are accepted by the Employees upon payment of a consideration of \$1.00 or such other amount as the Committee may prescribe, may be exercised in the period commencing on the first anniversary (in the case of Options granted at the Market Price) or the second anniversary (in the case of Options granted at a discount to the Market Price) of the Offering Date and ending on (and including) the day immediately preceding the tenth anniversary of the Offering Date.
4. The shares issued and allotted upon the exercise of an Option will rank for any dividend, right, allotment or other distribution provided that the date as at the close of business on which shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be) is on or after the date of the exercise of the Option and (subject as aforesaid) will rank *pari passu* in all respects with the existing shares of the Company.
5. The aggregate number of shares to be issued pursuant to the 2001 Scheme does not exceed 5% of the issued share capital of the Company for the time being.

Other information required to be disclosed

No Options were granted under the 2001 Scheme since its Adoption Date.

No Options have been granted to controlling shareholders of the Company or their associates and no employee has received 5% or more of the total number of Options available under the ESOS. The Company is also not under any parent company. Options which had been granted to and exercised by Directors of the Company who had previously held offices in an executive capacity in subsidiaries of the Company were as follows:-

Name of participant	Aggregate number of ordinary shares under Options				
	Granted during the financial year under review	Granted since commencement of ESOS to end of financial year under review	Exercised since commencement of ESOS to end of financial year under review	Lapsed since commencement of ESOS to end of financial year under review	Outstanding as at end of financial year under review
Chew Loy Kiat	–	1,120,000	840,000	280,000	–
Guan Meng Kuan	–	1,400,000	560,000	840,000	–

As at 31 December 2002, details of outstanding Options granted under the ESOS to take up unissued ordinary shares of \$0.25 each in the Company were as follows:-

Date of Grant	Balance as at 01/01/2002	Exercised	Lapsed/ Cancelled	Balance as at 31/12/2002	Adjusted Subscription Price	Date of Expiration
06/11/1998	60,000	–	–	60,000	\$0.25	05/11/2003
02/11/1999	508,000	–	(24,000)	484,000	\$0.45	01/11/2004
	568,000	–	(24,000)	544,000		

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.



AUDIT COMMITTEE

The Audit Committee performs the functions specified in the Companies Act, Cap. 50. In performing its functions, the Committee reviews the overall scope of the external audit and the assistance given by the Company's officers to the auditors. It meets with the Company's external auditors to discuss the results of their examination of the Company's system of internal accounting controls. The Committee also reviews the Group's interim and annual results announcements, the consolidated accounts of the Group and the accounts of the Company as well as the auditors' report thereon before they are submitted to the Board for approval. Its duties also include reviewing interested person transactions, if any.

The Audit Committee has nominated Ernst & Young for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

OTHER INFORMATION REQUIRED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving the interests of the chief executive officer, each director or controlling shareholder and no such material contracts still subsist at the end of the financial year, except for those disclosed in this report and the accompanying financial statements.

On behalf of the Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
3 March 2003



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 accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with the notes thereto 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 2002 and the results of the business and changes in equity of the Company and the Group and the cash flows of the Group for the financial year ended 31 December 2002; 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.

The Board of Directors authorised these financial statements for issue on 3 March 2003.

On behalf of the Directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
3 March 2003



Auditors' Report

to the members of Hwa Hong Corporation Limited

We have audited the financial statements of Hwa Hong Corporation Limited set out on pages 25 to 69. The financial statements comprise the balance sheets of the Company and of the Group as at 31 December 2002, the profit and loss accounts and statements of changes in equity of the Company and of the Group and the cash flow statement of the Group for the financial year ended 31 December 2002, and notes thereto. 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 (Act) and Singapore 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 2002, the results and the changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; 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 subsidiary companies 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' report of all subsidiary companies, of which we have not acted as auditor, and the financial statements of subsidiary companies of which an audit is not required by the laws in their countries of incorporation.

We are satisfied that the financial statements and auditors' report of the subsidiary companies that have been consolidated with the financial statements of the Company are in a 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 subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore

Gerard Ee
Partner

3 March 2003



Profit and Loss Accounts

for the financial year ended 31 December 2002

	Notes	Group		Company	
		2002 \$	2001 \$ (restated)	2002 \$	2001 \$
Revenue	3	54,025,554	114,440,181	29,049,518	6,265,000
Cost of sales	4	(34,140,483)	(94,998,897)	–	–
Gross profit		19,885,071	19,441,284	29,049,518	6,265,000
Other income	5	5,880,327	4,644,773	1,022,184	2,207,119
General and administrative costs	6	(9,395,189)	(8,750,000)	2,837,452	(2,128,602)
Selling and distribution costs		(5,185,619)	(732,686)	–	–
Other operating costs	7	(2,256,835)	(160,815)	(35,000)	–
Exceptional items	8	2,296,879	3,996,683	(956,138)	1,854,117
Operating profit		11,224,634	18,439,239	31,918,016	8,197,634
Finance costs	9	(824,813)	(947,139)	(29)	(8,931)
Share of results of associated companies		(191,783)	(1,162,925)	–	–
Profit before taxation		10,208,038	16,329,175	31,917,987	8,188,703
Taxation	10	652,578	(3,351,435)	(6,323,769)	(1,684,925)
Profit after taxation		10,860,616	12,977,740	25,594,218	6,503,778
Minority interests		61,251	(22,058)	–	–
Profit attributable to shareholders		10,921,867	12,955,682	25,594,218	6,503,778
Earnings per share:-	11				
Basic		1.67¢	1.98¢		
Fully diluted		1.67¢	1.98¢		

The accounting policies and explanatory notes on pages 33 through 69 form an integral part of the financial statements.



Balance Sheets

as at 31 December 2002

	Notes	Group		Company	
		2002 \$	2001 \$ (restated)	2002 \$	2001 \$
EQUITY					
Share capital	12	163,240,000	163,240,000	163,240,000	163,240,000
Share premium		8,680,826	8,680,826	8,680,826	8,680,826
Revenue reserve		120,379,597	119,643,904	32,054,606	16,646,562
Capital reserve		150,590,060	139,868,800	237,420,599	241,820,116
Currency translation adjustment reserve		(1,494,452)	(1,046,026)	–	–
Share capital and reserves		441,396,031	430,387,504	441,396,031	430,387,504
Minority interests		89,923	447,769	–	–
Non-Current Liabilities					
Bank loan, secured	13	17,111,197	11,821,598	–	–
Deferred taxation	14	6,499,498	6,280,599	–	–
Amount due to an associated company (non-trade)	15	152,626,250	156,551,250	–	–
Other payables	16	185,992	308,955	–	–
Hire purchase creditors	17	85,734	134,744	–	–
Provision for outstanding claims	18	51,240,980	–	–	–
Provision for unearned premiums	19	12,306,342	–	–	–
Provision for premium deficiency	19	871,000	–	–	–
Contingency reserve	20	84,792	–	–	–
Amount due to a minority shareholder		–	255,924	–	–
		241,011,785	175,353,070	–	–
		682,497,739	606,188,343	441,396,031	430,387,504
ASSETS LESS LIABILITIES					
Non-Current Assets					
Fixed assets	21	14,638,041	6,165,712	5,111,170	5,293,681
Negative goodwill	22	(3,410,382)	–	–	–
Investment properties	23	122,446,568	103,534,163	–	–
Investment in subsidiary companies	24	–	–	463,030,416	417,262,307
Investment in associated companies	15	231,599,119	247,022,739	–	13,157,625
Long term investments	25	107,479,369	54,475,035	3,322,767	3,330,987
Other receivables	26	503,161	502,374	–	–
Reinsurer's share of technical provisions					
Provision for unearned premiums	19	2,393,696	–	–	–
Provision for outstanding claims	18	10,938,728	–	–	–
Balance carried forward		486,588,300	411,700,023	471,464,353	439,044,600

	Notes	Group		Company	
		2002 \$	2001 \$ (restated)	2002 \$	2001 \$
Balance brought forward		486,588,300	411,700,023	471,464,353	439,044,600
Current Assets					
Inventories	27	263,315	726,403	–	–
Trade receivables	28	7,071,225	1,921,487	–	–
Other receivables	26	8,298,973	28,984,497	818,387	3,677,615
Amounts due from subsidiary companies (non-trade)	24	–	–	12,578,886	36,022,931
Amounts due from affiliated companies	29	283,280	2,787,410	4,712	163,492
Amounts due from associated companies	15	93,193,622	92,015,395	–	–
Short term investments	30	53,690,504	39,217,083	–	6,530,545
Cash and bank balances	31	51,215,524	42,467,005	785,112	15,065,396
		214,016,443	208,119,280	14,187,097	61,459,979
Current Liabilities					
Trade payables and accruals		3,577,269	1,807,053	–	–
Deferred premiums	32	1,591,651	–	–	–
Other payables	16	9,539,484	8,813,677	1,382,820	5,361,884
Hire purchase creditors	17	49,005	49,000	–	–
Amounts due to subsidiary companies (non-trade)	24	–	–	42,872,599	64,755,191
Bank overdraft, secured	33	308,026	1,083,093	–	–
Bank loan, secured	13	2,144,641	591,763	–	–
Provision for taxation		896,928	1,286,374	–	–
		18,107,004	13,630,960	44,255,419	70,117,075
Net Current Assets/(Liabilities)		195,909,439	194,488,320	(30,068,322)	(8,657,096)
		682,497,739	606,188,343	441,396,031	430,387,504

The accounting policies and explanatory notes on pages 33 through 69 form an integral part of the financial statements.



Statements of Changes in Equity

for the financial year ended 31 December 2002

		Group	Company		
	Notes	2002 \$	2001 \$ (restated)	2002 \$	2001 \$
Share capital					
Balance at beginning of the year		163,240,000	163,165,000	163,240,000	163,165,000
Issue of ordinary shares		-	75,000	-	75,000
Balance at end of the year	12	163,240,000	163,240,000	163,240,000	163,240,000
Share premium					
Balance at beginning of the year		8,680,826	8,669,435	8,680,826	8,669,435
Premium on issue of ordinary shares		-	11,400	-	11,400
Share issue expense		-	(9)	-	(9)
Balance at end of the year		8,680,826	8,680,826	8,680,826	8,680,826
Revenue reserve					
Balance at beginning of the year as previously reported		123,205,166	111,726,988	16,646,562	12,608,382
Adjustment due to change in accounting policy	34	-	3,696,707	-	3,696,707
- SAS 10		(3,561,262)	(2,573,168)	-	-
- SAS 12					
Balance at beginning of the year as restated		119,643,904	112,850,527	16,646,562	16,305,089
Profit for the year		10,921,867	12,955,682	25,594,218	6,503,778
Dividends paid	35	(10,186,174)	(6,162,305)	(10,186,174)	(6,162,305)
Balance at end of the year		120,379,597	119,643,904	32,054,606	16,646,562
Balance carried forward		292,300,423	291,564,730	203,975,432	188,567,388

Statements of Changes in Equity

	Notes	Group		Company	
		2002 \$	2001 \$ (restated)	2002 \$	2001 \$
Balance brought forward		292,300,423	291,564,730	203,975,432	188,567,388
Capital reserve					
Balance at beginning of the year as previously reported		142,588,137	138,871,978	248,100,715	237,253,161
Adjustment due to change in accounting policy	34	(2,719,337)	(2,710,342)	–	–
- SAS 12					
- net deficit on revaluation of subsidiary companies		–	–	(6,280,599)	(5,283,508)
Balance at beginning of the year as restated		139,868,800	136,161,636	241,820,116	231,969,653
Effect of changes in tax rate		12,320	(4,765)	–	–
Deferred tax arising from investment properties		160,530	(4,230)	–	–
Net surplus/(deficit) on revaluation of					
- investment properties		11,136,415	409,092	–	–
- subsidiary companies		–	–	(4,399,517)	12,951,436
Adjustment due to disposal of shares in subsidiary company and associated companies		(588,005)	3,307,067	–	(3,100,973)
Balance at end of the year		150,590,060	139,868,800	237,420,599	241,820,116
Currency translation adjustment reserve					
Balance at beginning of the year		(1,046,026)	(737,423)	–	–
Exchange differences arising on consolidation		(448,426)	(308,603)	–	–
Balance at end of the year		(1,494,452)	(1,046,026)	–	–
Share capital and reserves		441,396,031	430,387,504	441,396,031	430,387,504
Net change in equity from non-owner sources excluding net profits		10,272,834	3,398,561	(4,399,517)	9,850,463

The accounting policies and explanatory notes on pages 33 through 69 form an integral part of the financial statements.



Consolidated Statement of Cash Flows

for the financial year ended 31 December 2002

	2002 \$	2001 \$(restated)
Cash flow from operating activities:		
Operating profit	11,224,634	18,439,239
Adjustments for:-		
Interest income	(8,576,962)	(7,536,578)
Depreciation of fixed assets	1,114,888	393,909
Currency realignment, net	42,477	43,255
Negative goodwill amortised	(8,298,697)	-
Gain on sale of fixed assets	(1,989)	(10,700)
Gain on sale of investment property	(266,132)	-
Gain on sale of subsidiary company	(639,175)	(1,855,639)
Gain on sale of associated companies	-	(2,141,044)
Allowance for doubtful receivables from affiliated companies	3,104,392	-
Provision for outstanding claims	19,783,172	-
Write-back of provision for obligations and warranties	(5,000,000)	-
Write-back of provision for unearned premiums	(2,515,843)	-
	(1,253,869)	(11,106,797)
Operating income before reinvestment in working capital	9,970,765	7,332,442
Decrease in receivables and short term investments	1,046,971	758,674
Decrease in inventories	463,088	135,303
Increase in payables	4,378,413	1,433,990
	5,888,472	2,327,967
Cash generated from operations	15,859,237	9,660,409
Net claims paid	(17,220,731)	-
Interest received	7,669,972	9,456,234
Income from interests in associated companies	5,000,000	8,205,832
Interest paid	(864,066)	(947,139)
Income taxes paid	(91,618)	(1,854,636)
	(5,506,443)	14,860,291
Net cash generated from operating activities	10,352,794	24,520,700



Consolidated Statement of Cash Flows

	2002 \$	2001 \$(restated)
Balance brought forward	10,352,794	24,520,700
Cash flow from investing activities:		
Prepayment for purchase of a subsidiary company	–	(24,020,019)
Purchase of investment properties	(13,524,120)	(785,869)
Purchase of fixed assets	(8,733,784)	(447,978)
Decrease/(Increase) in other investments	6,672,062	(15,513,716)
Amounts due from associated companies	(2,877,009)	(10,397,715)
Proceeds from disposal of fixed assets	58,861	10,700
Proceeds from sale of investment property	614,857	–
Acquisition of subsidiary company, net of cash	15,115,248	28,622
Disposal of shares in subsidiary company, net of cash	936,818	1,382,460
Net cash used in investing activities	(1,737,067)	(49,743,515)
	8,615,727	(25,222,815)
Cash flow from financing activities:		
Proceed from bank loans	11,067,415	234,044
Decrease in overdraft	(775,067)	(839,796)
Repayment to minority shareholder	–	(21,372)
Payment from/(to) affiliated companies	75,628	(1,100,199)
Dividends paid	(10,186,174)	(6,162,305)
Repayment to hire purchase creditors	(49,010)	(49,005)
Proceeds from issue of shares	–	86,391
Net cash provided by/(used in) financing activities	132,792	(7,852,242)
Net increase/(decrease) in cash and cash equivalents	8,748,519	(33,075,057)
Cash and cash equivalents at beginning of the year	42,467,005	75,542,062
Cash and cash equivalents at end of the year (Note 31)	51,215,524	42,467,005

The accounting policies and explanatory notes on pages 33 through 69 form an integral part of the financial statements.



Consolidated Statement of Cash Flows

The acquisition and the disposal of the following subsidiary companies have been shown in the statement as single items. The effect on the individual assets and liabilities is set out below:-

	Tenet Insurance Company Ltd \$	Powis Street Property Company Limited \$
Non-Current Assets		
Fixed assets	961,382	–
Investment properties	–	(5,633,250)
Long term investments	59,465,746	–
Other receivable	256,711	–
Reinsurer's share		
Provision for unearned premiums	1,916,762	–
Claims outstanding	21,340,102	–
Current Assets		
Trade receivables	5,187,490	(160,945)
Other receivables	3,861,922	(174,312)
Short term investments	17,271,365	–
Amount due from related companies	68,390	–
Cash and bank balances	21,276,747	(119,883)
Current Liabilities		
Trade payables	(1,872,211)	7,500
Other payables	(2,301,458)	379,336
Provision for taxation	(581,248)	–
Amount due to related companies	–	511,845
Non-Current Liabilities		
Bank loans	–	4,224,938
Provision for unearned premiums	(11,782,338)	–
Claims outstanding	(59,079,914)	–
Provision for premium deficiency	(3,245,000)	–
Contingency reserve	(381,202)	–
Amount due to minority shareholder	–	255,924
Fair value of net tangible assets	52,363,246	(708,847)
Interest already held by the Group	(10,472,649)	–
Minority interests	–	291,321
Net assets acquired/(disposed of)	41,890,597	(417,526)
Negative goodwill arising on acquisition	(11,709,079)	–
Gain on disposal	–	(639,175)
Cash paid/(received)	30,181,518	(1,056,701)
Less: Cash and cash equivalents	(21,276,747)	119,883
Less: Amount paid in prior year	(24,020,019)	–
Net cash flow on acquisition/disposal of subsidiary company	(15,115,248)	(936,818)

The accounting policies and explanatory notes on pages 33 through 69 form an integral part of the financial statements.

Notes to the Financial Statements

- 31 December 2002

1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the financial year ended 31 December 2002 were authorised for issue in accordance with a resolution of the Directors on 3 March 2003. Hwa Hong Corporation Limited is incorporated in Singapore.

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

The principal activity of the Company is that of an investment holding company. The subsidiary companies are primarily engaged in property rental, investment and development, packing of edible oils, general insurance, manufacturers of chemicals and trading of consumer products. During the year, a subsidiary company, Global Trade Investment Management Pte Ltd changed its principal activity to include that of business development consultants and advisors, in relation to or in connection with business investments and projects of any kind.

Save as disclosed above, there have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

The Group operates in Singapore, Malaysia, United Kingdom and China and employed 193 (2001: 33) employees as of 31 December 2002. The Company employed 11 (2001: 11) employees as of 31 December 2002.

The subsidiary and associated companies as at 31 December 2002 are:-

(a) Subsidiary companies

Name of company	Percentage of interest held by the Group		Place of incorporation	Cost of investment		Principal activities
	2002 %	2001 %		2002 \$'000	2001 \$'000	
Held by the Company						
Singapore Warehouse Company (Private) Ltd.	100.0	100.0	Singapore	139,425	139,425	Owner of warehouse for rental and storage and investment holding.
* Phratra Sdn. Bhd.	100.0	100.0	Malaysia	6,985	6,985	Property investment and development.
Hwa Hong Capital (Pte) Limited	100.0	100.0	Singapore	30,000	–	Investment holding.
Tenet Insurance Company Ltd (formerly known as The Hartford Insurance Company (Singapore) Ltd)	32.5	–	Singapore	20,158	–	General insurance.
				196,568	146,410	



Notes to the Financial Statements

1. Corporate information (cont'd) (a) Subsidiary companies (cont'd)

	Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
		2002 %	2001 %		
	Held by 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.
***	Bream's One Limited	100.0	100.0	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.
	Global Trade Investment Management Pte Ltd	100.0	100.0	Singapore	Business management and consultancy and investment holding.
****	SP Vietnam (Pte.) Ltd.	100.0	100.0	Singapore	Investment holding.
****	SP International Pte. Ltd.	100.0	100.0	Singapore	Dormant.
****	SPACE Resources Pte Ltd	100.0	100.0	Singapore	Dormant.
****	01-labs.com Pte Ltd	88.0	88.0	Singapore	Dormant
***	Midasnote Limited	70.0	70.0	United Kingdom	Property investment.



1. Corporate information (cont'd)
(a) Subsidiary companies (cont'd)

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	2002 %	2001 %		
Held by Singapore Warehouse Company (Private) Ltd. (cont'd)				
** (2) Powis Street Property Company Limited	–	66.7	United Kingdom	Property investment.
** (2) Filedoor Limited (Nominee Company)	70.0	–	United Kingdom	Property investment.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
***** Jining Ningfeng Chemical Industry Co., Limited	94.0	94.0	The People's Republic of China	Feed chemical manufacturer.
Held by Hwa Hong Capital (Pte) Limited				
Tenet Insurance Company Ltd (acquired on 4 January 2002)	67.5	–	Singapore	General insurance.
(b) Associated companies				
Held by the Company				
Tenet Insurance Company Ltd	–	20.0	Singapore	General insurance.
Held by 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.
*** Exceptenigma Limited	33.5	33.5	United Kingdom	Property investment.
*** Coralsand Limited	50.0	50.0	United Kingdom	Property investment.
** (1) Riverwalk Promenade Pte Ltd	50.0	50.0	Singapore	Leasing of property for rental income and property development.



1. Corporate information (cont'd) (b) Associated companies (cont'd)

Name of company	Percentage of interest held by the Group		Place of incorporation	Principal activities
	2002 %	2001 %		
Held by Singapore Warehouse Company (Private) Ltd. (cont'd)				
** (1) Hong Property Investments Pte Ltd	30.0	30.0	Singapore	Property investment.
** (2) Aronbrook Limited (Nominee Company)	50.0	50.0	United Kingdom	Property investment.
Held by Thackeray Properties Limited				
*** Matahari 461 Ltd	50.0	50.0	United Kingdom	Property management.

All subsidiary companies are audited by Ernst & Young, Singapore except for those companies:-

- * Audited by affiliated firms of Ernst & Young, Singapore in the respective countries.
- ** Audited by other firms.
 - (1) KPMG, Singapore
 - (2) BDO Stoy Hayward, London
- *** Not required to be audited in the country of incorporation.
- **** Not audited as companies are dormant and will be dissolved or liquidated.
- ***** Audited by affiliated firm of Ernst & Young, Singapore for consolidation purpose in the year ended 31 December 2002. Audited by Jining Justice and Honesty, Jining for the year ended 31 December 2001.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis modified by revaluation of certain fixed assets.

The consolidated financial statements have been prepared in accordance with Singapore Statements of Accounting Standard ("SAS") and applicable requirements of Singapore law.

The accounting policies have been consistently applied by the Company and, except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

The financial statements are presented in Singapore Dollars.



2. Significant accounting policies (cont'd)

(b) Change in accounting policy

On 1 January 2002, the Company adopted SAS 12(2001), Income Taxes.

The adoption of the standard involved a change in accounting policy. In accordance with SAS 12, a deferred tax liability is recognised for all taxable temporary differences, including those arising on revalued depreciable properties and unremitted foreign income. Previously, a deferred tax liability was recognised for timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future.

The financial effect of this change in accounting policy is the reduction of revaluation reserve and revenue reserve of the Company and a corresponding increase in deferred tax liability by \$2,719,337 (2001: \$2,710,342) and \$3,561,262 (2001: \$2,573,168) respectively at the beginning of the year.

The Group has interests in joint ventures and the share of results was recognised previously using the equity method and included in the share of results of associated companies. As the Group has control over the future economic benefits of the jointly controlled entity, management has decided to apply the benchmark treatment under SAS 29, Financial Reporting of Interests in Joint Ventures - proportionate consolidation to better reflect the substance and economic reality of the Group's interest. The adjustments have been applied retrospectively and have no major impact on the results and net tangible assets of the Group as the Group has previously accounted for the results under investment in associated companies. The comparatives in the consolidated balance sheet have been restated and investment properties and borrowings have increased by \$10 million and \$8 million respectively with a corresponding decrease in amount owing from associated companies by \$2 million.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hwa Hong Corporation Limited (the parent company) and its controlled subsidiary companies, after the elimination of all material intercompany transactions.

Subsidiary companies are consolidated from the date the parent company obtains control until such time as control ceases. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

The financial statements of subsidiary companies are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

The excess of the cost of acquisition of a subsidiary company over the book value of the net underlying assets acquired is dealt with as goodwill arising on consolidation. Such goodwill is amortised against profit and loss account over the period the benefits are expected to be received.

Assets, liabilities and results of the overseas subsidiary companies are translated into Singapore dollars on the basis outlined in paragraph (p) below.

(d) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of investments over the fair value of identifiable net assets of the subsidiary companies or associated companies at the date of acquisition. Goodwill is amortised using the straight-line method over an average of 10 to 20 years provided that benefits are expected to be received. The estimated useful life is revised for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment.



2. Significant accounting policies (cont'd)

(d) Intangible assets (cont'd)

(iii) Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

Negative goodwill is presented in the same balance sheet classification as goodwill. With respect to investment in associated companies, negative goodwill is included in the carrying value of the investment.

(e) Revenue recognition

Interest income is taken into account on the accrual basis.

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 "deferred premium".

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.

Revenue from dividend income is recognised upon declaration of dividends by subsidiary companies.

(f) Subsidiary companies

The investments in subsidiary companies are stated in the financial statements of the Company at Directors' annual valuation which is based on the attributable share of the combined net asset value of the subsidiary companies. Any surplus or deficit arising from this revaluation is taken direct to capital reserve, 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.

(g) Associated companies

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term equity interest of between 20% and 50% and in whose financial and operating policy decisions the Group exercises significant influence.

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 financial statements, or from unaudited management accounts where audited accounts are not available, for the latest financial year ended 31 December.



2. Significant accounting policies (cont'd)

(h) 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:-

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 financial statements 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.

(i) 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. Any surpluses held in capital reserves arising from previous revaluations of investment properties sold during the financial year are regarded as having become realised and are transferred to the profit and loss account.

(j) Investments

Quoted and unquoted investments held on a long term basis are stated at cost. A provision for impairment loss is made for any decline in value which is considered to be other than temporary.

Market value represents the last transaction price at year-end.

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.

(k) Inventories and work-in-progress

Inventories 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. 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.



2. Significant accounting policies (cont'd)

(l) Trade and other receivables

Trade and other receivables are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(m) Loans and borrowings

Loans and borrowings are initially recognised at cost net of transaction costs associated with the borrowing or loan. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost, taking into account any discount or premium on settlement.

(n) Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(o) Deferred taxation

Deferred income taxes is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

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

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.



2. Significant accounting policies (cont'd)

(p) Foreign currency translation

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Singapore Dollar equivalents using year-end spot foreign exchange rates. Transactions in foreign currencies are recorded at exchange rates approximately those ruling at the transaction dates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are recognised in the profit and loss accounts.

Foreign entities

Assets and liabilities of foreign entities are translated into Singapore Dollar equivalents using year-end spot foreign exchange rates. Revenues and expenses are translated monthly at average exchange rates. The effects of translating these operations are included in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(q) Affiliated companies

An affiliated company is defined as one other than a related corporation, in which the Company has a substantial equity interest but is not able to nor exercise significant influence over its financial and operating policies.

(r) Cash and cash equivalents

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

(s) Provision for outstanding claims and contingency reserves

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 all recoveries, using the best information available at that time. The Company 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 Company's credit and political risks insurance portfolio to meet extraordinary fluctuations in claims experience.

(t) Provision for unearned premium and premium deficiency

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

The provision for unearned premiums 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.

In addition, a provision is made for premium deficiency where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the provision for unearned premiums in relation to such policies.



2. Significant accounting policies (cont'd)

(u) Employee benefits

Defined contribution plan

As required by law, the Group's companies made contributions to the state pension scheme in the countries that they operate. These contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

Equity and equity related compensation benefits

The Share Option Scheme allows eligible employees to acquire shares of the Company. No compensation cost of obligation is recognised. When the options are recognised, equity is increased by the amount of proceeds received.

(v) Interest in joint ventures

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. An assessment of interests in joint ventures is made when there are indications that the assets have been impaired or the impairments losses recognised in prior years no longer exist.

(w) Provisions

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

(x) Impairment

The carrying amounts of the Company's assets, other than investment properties (Note 2(i)) are reviewed at each balance sheet date to determine whether there is any indication of any impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account whenever the carrying amount of an asset of its cash-operating unit exceeds its recoverable amount.

An impairment loss is only reversed to the extent of the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation of amortisation, if no impairment loss had been recognised. All reversals of impairment losses are recognised in the profit and loss account.



3. REVENUE

Revenue of the Group excludes transactions between companies in the Group.

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Dividend income from subsidiary companies	–	–	29,049,518	6,265,000
Dividend income from other investments	953,601	2,686,379	–	–
Gross written premiums	28,315,809	–	–	–
Rental and storage income	4,754,294	5,233,737	–	–
Trading sales	12,748,373	4,579,526	–	–
Total billings on completed contracts	–	93,837,000	–	–
Interest income				
- associated companies	2,226,218	3,228,256	–	–
- financial institutions	796,607	1,008,152	–	–
- others	1,530,045	1,586,340	–	–
Profit from sale of investments properties	266,132	–	–	–
Profit from sale of other investments	2,434,475	2,280,791	–	–
	54,025,554	114,440,181	29,049,518	6,265,000

4. COST OF SALES

Included in cost of sales is:-

	Group	
	2002	2001
	\$	\$
Write-back of provision for unearned premiums	<u>(2,515,843)</u>	–



5. OTHER INCOME

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Amortisation of premium	(71,366)	–	–	–
Interest income				
- quoted bonds	2,991,135	422,029	74,000	40,953
- financial institutions	487,002	954,557	53,454	613,449
- others	450,300	337,244	130,564	323,627
- affiliated companies	95,655	–	–	–
	4,024,092	1,713,830	258,018	978,029
Dividend income from				
- quoted investments	521,681	–	–	–
- unquoted investments	8,100	175,516	–	–
	529,781	175,516	–	–
Gain from sale of investments				
- Gain on redemption of bond, stocks and government securities	61,815	80,555	62,300	1,555
- Gain on sale of investments	50,265	–	–	–
	112,080	80,555	62,300	1,555
Exchange gain/(loss), net	393,518	860,504	(1,317)	120,952
Rental income	153,713	–	–	–
Management fee	300,000	300,000	590,240	632,240
Bad debts recovered	3,450	15,202	–	–
Gain on disposal of fixed assets	1,989	10,700	–	–
Sundry income	433,070	1,488,466	112,943	474,343
	5,880,327	4,644,773	1,022,184	2,207,119



6. GENERAL AND ADMINISTRATIVE COSTS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Directors' fees	(310,000)	(180,000)	(210,000)	(180,000)
- underprovision in respect of prior year	-	(72,000)	-	(72,000)
	(310,000)	(252,000)	(210,000)	(252,000)
Directors' remuneration				
- Directors of the Company	(1,256,314)	(1,433,173)	(867,996)	(819,268)
- Other directors of subsidiary companies	(23,016)	(24,599)	-	-
	(1,279,330)	(1,457,772)	(867,996)	(819,268)
Auditors' remuneration				
- Auditors of the Company				
- current year	(178,890)	(112,990)	(68,000)	(68,000)
- over/(under) provision in respect of prior year	700	(750)	-	-
	(178,190)	(113,740)	(68,000)	(68,000)
- Other auditors of subsidiary companies	(25,569)	(10,002)	-	-
	(203,759)	(123,742)	(68,000)	(68,000)
<i>There were no non-audit fees paid to auditors of the Company.</i>				
Depreciation of fixed assets	(1,114,888)	(393,909)	(207,587)	(202,303)
Write-back of provision for obligations and warranties	5,000,000	-	5,000,000	-
Fees paid to firms in which certain directors are members	(106,250)	(98,900)	(74,300)	(51,500)
Allowance for doubtful receivables				
- trade	(278,657)	(20,900)	-	-
- non-trade	(19,400)	-	-	-
Write-back of allowance for doubtful receivables (trade)	41,533	17,914	-	-
Bad debts written off				
- trade	(695)	(3,635)	-	-
- non-trade	-	(212,373)	-	-
Staff cost	(5,997,451)	(2,276,952)	(461,569)	(531,464)
Retrenchment costs	(195,127)	-	-	-
CPF contribution	(680,661)	(202,481)	(53,717)	(45,178)



7. OTHER OPERATING COSTS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Provision for impairment				
losses of long term investments				
- quoted equity investments	(1,466,850)	(4,813,830)	-	-
- unquoted non-equity investments	(23,025)	(196,234)	(35,000)	-
Provision for impairment losses of				
short term quoted equity investments	(2,264,557)	-	-	-
Write-back of impairment losses on				
long term unquoted equity investments	1,466,850	4,804,118	-	-
Write-back of impairment losses on				
short term investments				
- quoted equity investments	18,018	45,131	-	-
- quoted government securities	9,411	-	-	-
- unquoted bonds	359	-	-	-

8. EXCEPTIONAL ITEMS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Provision for impairment				
losses of long term investment	(2,737,101)	-	-	-
Allowance for doubtful receivables				
(non-trade)	(3,104,392)	-	(156,638)	-
Provision for proportionate guarantee	(799,500)	-	(799,500)	-
Gain on disposal of subsidiary companies	639,175	1,855,639	-	1,854,117
Negative goodwill amortised	8,298,697	-	-	-
Gain on disposal of associated companies	-	2,141,044	-	-
	2,296,879	3,996,683	(956,138)	1,854,117

9. FINANCE COSTS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
		(restated)		
Bank overdrafts	(224,098)	(102,267)	(29)	(10)
Bank loans	(591,138)	(838,257)	-	-
Hire purchase	(6,615)	(6,615)	-	-
Others	(2,962)	-	-	(8,921)
	(824,813)	(947,139)	(29)	(8,931)



10. TAXATION

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
	(restated)			
Current taxation in respect of profit for the year	(505,524)	(1,841,228)	(6,390,894)	(1,684,925)
Over/(Under) provision in respect of prior years	437,550	(335,000)	67,125	–
	(67,974)	(2,176,228)	(6,323,769)	(1,684,925)
Share of tax of associated companies	(37,841)	(187,113)	–	–
Deferred taxation	(354,750)	(988,094)	–	–
Tax benefit relating to utilisation of group tax relief	1,113,143	–	–	–
	652,578	(3,351,435)	(6,323,769)	(1,684,925)
Tax expense reported in equity related to capital reserve	(172,850)	8,995	–	–

A reconciliation of the statutory tax rate to the Group's and Company's effective tax rate applicable to profit before taxation is as follows:-

	Group		Company	
	2002	2001	2002	2001
	%	%	%	%
Domestic statutory tax rates	22.0	24.5	22.0	24.5
Adjustments:				
Non allowable items	(18.0)	(1.0)	–	–
(Over)/Under provision of tax	(4.3)	2.0	–	–
Utilisation of tax losses brought forward	(1.1)	(0.2)	–	–
Others	(4.6)	(4.3)	(2.0)	(3.5)
Effective tax rate	(6.0)	21.0	20.0	21.0

The taxation charge for the Group is lower than the amount determined by applying the Singapore income tax rate of 22% (2001: 24.5%) to the pre-tax profits mainly due to the non-allowable items of \$8 million relating to amortisation of negative goodwill and the utilisation of group tax losses brought forward. The Group has also applied group tax relief of approximately \$4 million in one of its subsidiary accounts from current year losses of its other subsidiary company. The use of the group tax relief is subject to compliance with the relevant rules and procedures and the agreement with the Inland Revenue Authority of Singapore.

The Group has estimated tax losses of \$5,897,000 (2001: \$6,900,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to Sections 23 and 37 of the Income Tax Act, Cap 134 and agreement by the Inland Revenue Authority of Singapore.



11. EARNINGS PER SHARE

- (a) Basic earnings per share ("EPS") is calculated by dividing the Group profit attributable to shareholders of \$10,921,867 (2001: restated \$12,955,682) by the weighted average number of ordinary shares in issue during the year of 652,960,000 (2001: 652,907,726).
- (b) Fully diluted EPS is calculated after adjusting for the effect of dilutive options under the Hwa Hong Corporation Limited Executives' Share Option Scheme ("ESOS") as follows:-

	2002	2001
Weighted average number of ordinary shares in issue during the year	652,960,000	652,907,726
Increase in weighted average number of ordinary shares on the assumed exercise of options under the ESOS	19,998	534,667
Weighted average number of ordinary shares used in the calculation of fully diluted EPS	652,979,998	653,442,393

The potential ordinary shares from the exercise of the options under ESOS would be treated as anti-dilutive if their conversion to ordinary shares increases the earnings per share.

12. SHARE CAPITAL

	Group and Company			
	2002		2001	
	No. of Shares	\$	No. of Shares	\$
Authorised				
Balance at beginning and end of the year				
- ordinary shares of \$0.25 each	1,200,000,000	300,000,000	1,200,000,000	300,000,000
Issued and paid-up				
Balance at beginning of the year				
- ordinary shares of \$0.25 each	652,960,000	163,240,000	652,660,000	163,165,000
Issue of ordinary shares	-	-	300,000	75,000
Balance at end of the year				
- ordinary shares of \$0.25 each	652,960,000	163,240,000	652,960,000	163,240,000



13. BANK LOAN, SECURED

	Group	
	2002	2001
	\$	\$
		(restated)
Non-current portion of long term bank loans	17,111,197	11,821,598
Current portion of long term bank loans	681,223	347,563
Short term bank loans	1,463,418	244,200
	2,144,641	591,763
Total bank loans	19,255,838	12,413,361
Amount repayable within one year	2,144,641	591,763
Amount repayable between two and five years	3,406,115	5,962,752
Amount repayable after five years	13,705,082	5,858,846
	19,255,838	12,413,361

Long term bank loans of \$17,792,420 (2001: \$7,944,223) are secured by a fixed charge over a subsidiary company's investment properties. Repayments are made quarterly. Interest is charged at 1.5% and 1.25% over LIBOR.

Long term bank loan of Nil (2001: \$4,224,938) was secured by a fixed charge over a subsidiary company's investment property, corporate guarantees from the subsidiary company and a minority shareholder and legal assignment of rental income. Interest is charged at 1.5% over 1, 3 or 6 months LIBOR.

Short term bank loans have varying maturities and are secured by a fixed charge over a subsidiary company's plant & machinery. Interest is charged at 5.04% to 6.6% per annum.

Comparatives for long term bank loans have been restated because of the reason set out in Note 2(b).

14. DEFERRED TAXATION

Deferred taxation is due to temporary difference associated with:-

	Group	
	2002	2001
	\$	\$
Foreign income not remitted	3,916,011	3,524,262
Revaluation of investment property	2,583,487	2,756,337
	6,499,498	6,280,599



15. ASSOCIATED COMPANIES

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Unquoted shares, at cost	103,211,251	114,522,414	–	13,157,625
Share of reserves	128,387,868	132,500,325	–	–
	231,599,119	247,022,739	–	13,157,625
Loans due from associated companies	93,193,622	92,015,395	–	–
Amount due to an associated company (non-trade)	(152,626,250)	(156,551,250)	–	–
	172,166,491	182,486,884	–	13,157,625

The share of reserves is made up as follows:-

Capital reserve	122,867,989	122,867,989	–	–
Revenue reserve	5,519,879	9,632,336	–	–
	128,387,868	132,500,325	–	–

Loans due from associated companies of \$10,003,925 (2001: \$9,191,437) and \$83,189,697 (2001: \$82,823,958) are charged at 3% - 4% (2001: 4% - 5%) and 2.02% - 2.65% (2001: 2.41% - 4.29%) per annum respectively. All loans due from associated company have no fixed terms of repayment.

Loans due from associated companies of \$83,189,697 (2001: \$83,107,967) are subordinated to bankers to secure banking facilities granted to associated companies.

The amount due to an associated company is unsecured, interest free and is not expected to be repayable within the next twelve months.

16. OTHER PAYABLES

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Current				
Deposits	365,882	486,295	–	–
Unclaimed dividends	37,217	37,217	37,217	37,217
Sundry payables	9,136,385	8,290,165	1,345,603	5,324,667
	9,539,484	8,813,677	1,382,820	5,361,884
Non-current				
Tenancy deposits	185,992	201,367	–	–
Sundry payables	–	107,588	–	–
	185,992	308,955	–	–



17. HIRE PURCHASE CREDITORS

	Group			
	Minimum payments 2002 \$	Present value of payments 2002 \$	Minimum payments 2001 \$	Present value of payments 2001 \$
Within one year	55,620	49,005	55,620	49,000
After one year but not more than five years	97,310	85,734	152,930	134,744
Total minimum payments	152,930	134,739	208,550	183,744
Less: Amounts representing finance charges	(18,191)	–	(24,806)	–
Present value of minimum payments	134,739	134,739	183,744	183,744

Interest rate implicit in the hire purchase agreement is approximately 2.7% (2001: 2.7%).

18. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2002 \$	2001 \$
Gross outstanding claims	51,240,980	–
Reinsurers' share of outstanding claims	(10,938,728)	–
Net outstanding claims	40,302,252	–
Movement in provision:-		
Balance at beginning of the year	–	–
Due to acquisition of subsidiary company	37,739,811	–
Net claims paid	(17,220,731)	–
Net claims incurred	19,783,172	–
Net outstanding claims	40,302,252	–

19. PROVISION FOR UNEARNED PREMIUMS

	Group	
	2002 \$	2001 \$
Gross unearned premiums	12,306,342	–
Reinsurers' share of unearned premiums	(2,393,696)	–
Gross deferred acquisition costs (Note 26)	(2,185,598)	–
Provision for premium deficiency	871,000	–
Net outstanding claims	8,598,048	–
Movement in provision:-		
Balance at beginning of the year	–	–
Due to acquisition of subsidiary company	11,113,891	–
Write-back during the year	(2,515,843)	–
Balance at end of the year	8,598,048	–



20. CONTINGENCY RESERVE

A contingency reserve is held in respect of a subsidiary company's credit and political risks insurance portfolio in accordance with its accounting policy.

21. FIXED ASSETS

	Leasehold land and buildings \$	Plant and machinery \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
GROUP				
Cost				
As at 1 January 2002	5,340,372	98,484	2,722,484	8,161,340
Due to acquisition of subsidiary company	–	–	2,959,285	2,959,285
Additions	7,792,973	204,456	736,355	8,733,784
Disposals	–	(16,302)	(263,405)	(279,707)
Currency realignment	(17,863)	(49,610)	(2,305)	(69,778)
As at 31 December 2002	13,115,482	237,028	6,152,414	19,504,924
Accumulated depreciation				
As at 1 January 2002	257,404	98,484	1,639,740	1,995,628
Due to acquisition of subsidiary company	–	–	1,997,904	1,997,904
Charge for the year	333,253	55,867	725,768	1,114,888
Disposals	–	–	(222,835)	(222,835)
Currency realignment	(3,135)	(15,084)	(483)	(18,702)
As at 31 December 2002	587,522	139,267	4,140,094	4,866,883
Charge for 2001	121,683	–	272,226	393,909
Net book value at cost				
As at 31 December 2002	12,527,960	97,761	2,012,320	14,638,041
As at 31 December 2001	5,082,968	–	1,082,744	6,165,712

21. Fixed assets (cont'd)

The Group's properties are listed in Note 42 to the financial statements.

	Leasehold land and buildings \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
COMPANY			
Cost			
As at 1 January 2002	5,165,495	965,264	6,130,759
Additions	–	25,076	25,076
As at 31 December 2002	5,165,495	990,340	6,155,835
Accumulated depreciation			
As at 1 January 2002	240,257	596,821	837,078
Charge for the year	120,128	87,459	207,587
As at 31 December 2002	360,385	684,280	1,044,665
Charge for 2001	119,180	83,123	202,303
Net book value			
As at 31 December 2002	4,805,110	306,060	5,111,170
As at 31 December 2001	4,925,238	368,443	5,293,681

As at 31 December 2002, the net book value of fixed assets under hire purchase agreements for the Group amounted to \$186,667 (2001: \$256,667).

22. NEGATIVE GOODWILL

	Group 2002 \$	2001 \$
Balance at beginning of the year	–	–
Additions during the year	(11,709,079)	–
Amortisation during the year	8,298,697	–
Balance at end of the year	(3,410,382)	–

Negative goodwill arose on the acquisition of Tenet Insurance Company Ltd during the year and was recognised in the profit and loss account in accordance with the Group's accounting policy as stated in Note 2d(ii).



23. INVESTMENT PROPERTIES

	Group	
	2002 \$	2001 \$(restated)
Investment properties, at valuation	122,446,568	103,534,163
Balance at beginning of the year as previously reported	93,461,027	93,007,506
Share of interest in investment properties held by a nominee company	10,073,136	10,073,136
Balance at beginning of the year as restated	103,534,163	103,080,642
Currency realignment	233,845	(378,005)
Addition during the year	13,524,120	422,434
Disposal during the year	(5,981,975)	–
Surplus arising on revaluation of investment properties	11,136,415	409,092
Balance at end of the year	122,446,568	103,534,163

These are freehold properties in Singapore and the United Kingdom which are stated at directors' valuation based on professional valuation carried out by Allied Appraisal Consultants Pte Ltd and Meredith & Co Chartered Surveyors in December 2002. The valuations have been done on the basis of open market valuation.

The net revaluation surplus of \$11,136,415 (2001: \$409,092) is taken to capital reserve.

The Group's investment properties are listed in Note 42 to the financial statements.

An investment property in Singapore amounting to \$38,174,000 (2001: \$41,529,000) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary company. The facilities were not utilised during the financial year.

The investment properties in the United Kingdom amounting to \$24,403,493 (2001: \$10,073,136) are mortgaged to a bank to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2002 amounted to \$17,792,420 (2001: \$7,944,224).

The rest of the investment properties are not mortgaged during the financial year.

24. SUBSIDIARY COMPANIES

	Company	
	2002 \$	2001 \$
Unquoted shares, at directors' valuation	463,030,416	417,262,307
Amounts due to subsidiary companies (non-trade)	(42,872,599)	(64,755,191)
Amounts due from subsidiary companies (non-trade)	575,967	24,490,012
Loans receivable from subsidiary companies	12,002,919	11,532,919
Amounts due from subsidiary companies (non-trade)	12,578,886	36,022,931
	432,736,703	388,530,047

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

25. LONG TERM INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Investments, net of provision for impairment losses:-				
- Quoted equity investments	2,693,580	4,160,430	-	-
- Quoted bonds	22,684,304	8,530,483	1,000,010	1,000,010
- Unquoted equity investments	9,783,603	10,868,268	270,227	270,227
- Unquoted non-equity investments	21,814,341	16,530,068	52,530	60,750
- Unquoted bonds	42,641,266	7,348,244	2,000,000	2,000,000
- Unincorporated joint venture	7,862,275	7,037,542	-	-
	107,479,369	54,475,035	3,322,767	3,330,987

Unincorporated joint venture relates to the Company's interest in a joint venture with an external party in relation to the development of a residential cum commercial property at Mohamed Sultan/Robertson Quay in Singapore. The Company's interest in the joint venture is 20% while that of the external party is 80%.

Investments are stated after providing for impairment losses of:-

- Quoted equity investments (25a)	(6,280,680)	(4,813,830)	-	-
- Unquoted equity investments (25b)	(9,139,748)	(8,544,635)	(83,440)	(83,440)
- Unquoted non-equity investments (25c)	(927,266)	(495,724)	(35,000)	-
	(16,347,694)	(13,854,189)	(118,440)	(83,440)

Quoted investments at market value:-

- Equity investments	2,694,138	6,281,780	-	-
- Bonds	24,488,365	8,909,006	1,010,000	1,000,000
	27,182,503	15,190,786	1,010,000	1,000,000

25a. PROVISION FOR IMPAIRMENT LOSSES OF QUOTED EQUITY INVESTMENTS

	Group	
	2002	2001
	\$	\$
Balance at beginning of the year	(4,813,830)	-
Charge to profit and loss account	(1,466,850)	(4,813,830)
Balance at end of the year	(6,280,680)	(4,813,830)



25b. PROVISION FOR IMPAIRMENT LOSSES OF UNQUOTED EQUITY INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Balance at beginning of the year	(8,544,635)	(13,348,753)	(83,440)	(83,440)
Due to disposal of shares in subsidiary company	675,138	–	–	–
Write-back during the year	1,466,850	4,804,118	–	–
Charge to profit and loss account	(2,737,101)	–	–	–
Balance at end of the year	(9,139,748)	(8,544,635)	(83,440)	(83,440)

25c. PROVISION FOR IMPAIRMENT LOSSES OF UNQUOTED NON-EQUITY INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Balance at beginning of the year	(495,724)	(918,263)	–	–
Due to acquisition of subsidiary company	(408,517)	–	–	–
Charge to profit and loss account	(23,025)	(196,234)	(35,000)	–
Amount written off during the year	–	618,773	–	–
Balance at end of the year	(927,266)	(495,724)	(35,000)	–

26. OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Tax recoverable	1,829,051	1,186,837	740,662	1,186,837
Prepayments and deposits	148,720	24,109,689	49,259	37,672
Sundry receivables	2,107,849	2,474,429	–	207,616
Dividend receivable	180,360	173,676	–	2,027,175
Interest receivable	1,677,437	920,664	24,024	163,640
Staff loans	160,841	64,317	–	–
Other loan receivable	4,543	–	–	–
Staff advances	132	2,210	–	2,000
Other recoverables	4,442	52,675	4,442	52,675
Gross deferred acquisition costs (Note 19)	2,185,598	–	–	–
	8,298,973	28,984,497	818,387	3,677,615

26. Other receivables (cont'd)

	Group	
	2002 \$	2001 \$
Staff loans	427,588	566,691
Due within 12 months	(160,841)	(64,317)
Due after 12 months	266,747	502,374
Staff loans due after 12 months	266,747	502,374
Other loan receivable	1,217,959	-
Less: Allowance for doubtful receivables		
Balance at beginning of the year	-	-
Due to acquisition of subsidiary company	(1,024,834)	-
Charge to profit and loss account	(19,400)	-
Exchange differences arising on translation	67,232	-
Balance at end of the year	(977,002)	-
	507,704	502,374
Other loan receivable due within 12 months	(4,543)	-
Total other receivables included in non-current assets	503,161	502,374

27. INVENTORIES

	Group	
	2002 \$	2001 \$
Raw materials	186,372	118,476
Finished goods	76,943	607,927
At cost	263,315	726,403

28. TRADE RECEIVABLES

	Group	
	2002 \$	2001 \$
Trade receivables are stated after allowance for doubtful receivables of	(817,441)	(44,335)
Analysis of allowance for doubtful receivables:-		
Balance at beginning of the year	(44,335)	(62,555)
Due to disposal of shares in a subsidiary company	-	6,004
Due to acquisition of subsidiary company	(2,355,007)	-
Charge to profit and loss account	(278,657)	(20,900)
Amount utilised	1,819,025	15,202
Write-back of allowance	41,533	17,914
Balance at end of the year	(817,441)	(44,335)



29. AMOUNTS DUE FROM AFFILIATED COMPANIES

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Amounts due from affiliated companies (non-trade)	1,958,107	1,425,000	161,350	163,492
Amounts due from affiliated companies (trade)	60,272	26,004	-	-
Loans due from affiliated companies	1,369,293	1,336,406	-	-
	3,387,672	2,787,410	161,350	163,492
Less: Allowance for doubtful receivables	(3,104,392)	-	(156,638)	-
	283,280	2,787,410	4,712	163,492
Analysis of allowance for doubtful receivables:-				
Balance at beginning of the year	-	-	-	-
Charge to profit and loss account	(3,104,392)	-	(156,638)	-
Balance at end of the year	(3,104,392)	-	(156,638)	-

The amounts due from affiliated companies are interest free, unsecured and have no fixed terms of repayment.

The loans due from affiliated companies bear interest of 6% - 9% per annum, are unsecured and have no fixed terms of repayment.

30. SHORT TERM INVESTMENTS

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Investments, net of provision for impairment losses:-				
- Quoted equity investments	24,540,282	17,356,649	-	-
- Quoted bonds, debenture and loan stocks	-	1,528,360	-	-
- Quoted government securities	5,200,000	-	-	-
- Quoted fixed rate notes	-	2,050,000	-	2,050,000
- Unquoted bonds and floating rate notes	23,950,222	18,282,074	-	4,480,545
	53,690,504	39,217,083	-	6,530,545
Investments are stated after providing for impairment losses of:-				
- Quoted equity investments (30a)	(5,420,845)	(1,161,376)	-	-
- Quoted government securities (30b)	(19,090)	-	-	-
- Unquoted bonds and floating rate notes (30c)	-	-	-	-
	(5,439,935)	(1,161,376)	-	-
Quoted investments at market value:-				
- Equity investments	24,540,282	18,523,635	-	-
- Bonds, debenture and loan stocks	-	1,550,500	-	-
- Government securities	5,200,000	-	-	-
- Fixed rate notes	-	2,050,000	-	2,050,000
	29,740,282	22,124,135	-	2,050,000



30a. PROVISION FOR IMPAIRMENT LOSSES OF QUOTED EQUITY INVESTMENTS

	Group	
	2002	2001
	\$	\$
Balance at beginning of the year	(1,161,376)	(1,541,748)
Due to acquisition of subsidiary company	(2,012,930)	–
Charge to profit and loss account	(2,264,557)	–
Write-back during the year	18,018	45,131
Amount written off during the year	–	335,241
Balance at end of the year	(5,420,845)	(1,161,376)

30b. PROVISION FOR IMPAIRMENT LOSSES OF QUOTED GOVERNMENT SECURITIES

	Group	
	2002	2001
	\$	\$
Balance at beginning of the year	–	–
Due to acquisition of subsidiary company	(28,501)	–
Write-back during the year	9,411	–
Balance at end of the year	(19,090)	–

30c. PROVISION FOR IMPAIRMENT LOSSES OF UNQUOTED BONDS AND FLOATING RATE NOTES

	Group	
	2002	2001
	\$	\$
Balance at beginning of the year	–	–
Due to acquisition of subsidiary company	(359)	–
Write-back during the year	359	–
Balance at end of the year	–	–

31. CASH AND BANK BALANCES

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
		(restated)		
Fixed deposits	46,114,024	35,437,758	480,864	9,595,548
Cash and bank balances	5,101,500	7,029,247	304,248	5,469,848
	51,215,524	42,467,005	785,112	15,065,396



32. DEFERRED PREMIUMS

This is in respect of premiums for policies in excess of one year which are carried forward in accordance with the Group's accounting policy. The amount stated is net of reinsurance premiums and commissions payable as follows:-

	Group	
	2002 \$	2001 \$
Gross deferred premium	2,828,098	-
Reinsurance premium	(785,671)	-
Commission payable	(450,776)	-
	<u>1,591,651</u>	<u>-</u>

33. BANK OVERDRAFT, SECURED

The bank overdrafts are covered by a corporate guarantee given by a subsidiary company supported by a first charge over the subsidiary company's time deposit. Interest is charged at 0.75% per annum over the sterling pound base rate.

34. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Revenue reserve				
Balance at beginning of the year				
as previously reported	123,205,166	111,726,988	16,646,562	12,608,382
Effect of adopting SAS 10, considered last year	-	3,696,707	-	3,696,707
Effect of adopting SAS 12				
- Deferred tax relating to unremitted dividend	(1,572,291)	(974,994)	-	-
- Deferred tax relating to unremitted interest income	(1,988,971)	(1,598,174)	-	-
	<u>(3,561,262)</u>	<u>(2,573,168)</u>	<u>-</u>	<u>-</u>
Balance at beginning of the year as restated	<u>119,643,904</u>	<u>112,850,527</u>	<u>16,646,562</u>	<u>16,305,089</u>

34. Changes in accounting policies and prior year adjustments (cont'd)

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Profit and loss for the year				
Profit for the year before adoption of SAS 12	11,221,622	13,943,776	25,594,218	6,503,778
Effect of adopting SAS 12				
- Deferred tax relating to unremitted dividend	(55,628)	(597,297)	-	-
- Deferred tax relating to unremitted interest income	(244,127)	(390,797)	-	-
	(299,755)	(988,094)	-	-
Profit for the year after adoption of SAS 12	10,921,867	12,955,682	25,594,218	6,503,778
Capital reserve				
Balance at beginning of the year as previously reported	142,588,137	138,871,978	248,100,715	237,253,161
Effect of adopting SAS 12				
- Deferred tax relating to investment property	(2,719,337)	(2,710,342)	-	-
- Net deficit on revaluation of subsidiary companies	-	-	(6,280,599)	(5,283,508)
Balance at beginning of the year as restated	139,868,800	136,161,636	241,820,116	231,969,653

35. DIVIDENDS

	Group and Company	
	2002 \$	2001 \$
Additional final dividend paid in respect of the previous financial year due to issue of shares under the ESOS before books closure date	-	(677)
Interim dividend paid in respect of the current financial year, 3% less 22% tax [2001: 2% less 24.5% tax]	(3,819,815)	(2,464,921)
Final dividend paid in respect of the previous financial year, 3% less 22% tax [2001: 3% less 24.5% tax]	(3,819,815)	(3,696,707)
Bonus dividend paid in respect of the previous financial year, 2% less 22% tax [2001: Nil]	(2,546,544)	-
	(10,186,174)	(6,162,305)

The Directors of the Company had recommended a final ordinary dividend of 3% less 22% tax amounting to about \$3,819,815, based on the number of shares in issue at the balance sheet date, and a special dividend of 3% less 22% tax amounting to about \$3,819,815, based on the number of shares in issue at the balance sheet date, be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.



36. INTEREST IN JOINT VENTURE

A subsidiary company has a 50% and 70% interest in the assets, liabilities, revenue and expenses of Aronbrook Limited and Filedoor Limited respectively. Aronbrook Limited and Filedoor Limited are nominee companies which hold the United Kingdom properties in trust for the subsidiary company.

	Group	
	2002 \$	2001 \$
Current assets	1,167,753	676,316
Non-current assets	24,403,493	10,073,136
Total assets	25,571,246	10,749,452
Current liabilities	(1,029,731)	(601,174)
Non-current liabilities	(24,043,893)	(10,413,041)
Net assets	497,622	(264,763)

37. RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Management fees received from subsidiary companies	-	-	(590,240)	(590,240)
Insurance premiums paid to a subsidiary company	-	-	15,624	-
Interest paid to a subsidiary company	-	-	-	8,920
Corporate and secretarial services fee received from subsidiary companies	-	-	(78)	(60)

Other transactions with related parties are disclosed in Note 3.

38. COMMITMENT AND CONTINGENCIES**(a) Contingent liabilities, unsecured**

	Group		Company	
	2002 \$	2001 \$	2002 \$	2001 \$
Guarantee given to a financial institution in connection with facilities given to a subsidiary	-	-	15,000,000	15,000,000
Guarantee given to a financial institution in connection with facilities given to a corporation in which the Group has long term investment	-	886,000	-	886,000



38. Commitment and contingencies (cont'd)**(b) Contingent liabilities, secured**

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Guarantees given to financial institutions in connection with facilities given to associated companies	8,060,670	8,111,880	-	-

(c) Commitments

	Group		Company	
	2002	2001	2002	2001
	\$	\$	\$	\$
Capital expenditure commitments	14,900,000	-	-	-

39. OPERATING LEASE COMMITMENTS

The Group has minimum operating lease commitments in respect of leases of office space and factory building for its subsidiary companies.

	Group	
	2002	2001
	\$	\$
Within one year	729,573	27,282
Between two and five years	314,878	76,912
After five years	96,767	112,442
	1,141,218	216,636

Rental expense was \$773,493 (2001: Nil) for the year ended 31 December 2002.

40. DIRECTORS' REMUNERATION

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

	Company	
	2002	2001
\$500,000 and above	1	1
\$250,000 to \$499,999	2	2
Below \$250,000	6	6
	9	9



41. GROUP SEGMENTAL INFORMATION

By Business Segments

	Warehousing & Property		Insurance & Investment	
	2002	2001	2002	2001
	\$	\$	\$	\$
Segment Revenue				
External	4,754,294	5,233,737	36,584,711	10,789,918
Inter Segment	–	–	35,247,404	17,700,666
Total Revenue	4,754,294	5,233,737	71,832,115	28,490,584
Operating profit/(loss)	3,300,121	4,162,571	41,407,339	32,198,998
Finance costs				
Share of results of associates				
Profit before tax				
Tax				
Profit after tax				
Minority interest				
Profit attributable to shareholders				
Segment assets	127,835,538	107,062,071	845,530,137	760,032,710
Investment in associated companies	10	10	231,599,109	247,022,726
	127,835,548	107,062,081	1,077,129,246	1,007,055,436
Unallocated assets				
Total assets				
Segment liabilities	(46,481,510)	(10,088,043)	(271,522,149)	(166,138,216)
Unallocated liabilities				
Total liabilities				
Capital expenditure	–	–	8,150,390	73,007
Depreciation	457	527	898,700	289,207
Other non-cash expenses	–	–	(4,013,055)	(302)
Impairment losses	–	–	2,259,794	159,485

By Geographical Segments

	Singapore		United Kingdom	
	2002	2001	2002	2001
	\$	\$	\$	\$
Revenue				
External	39,156,322	107,215,067	3,668,004	3,595,905
Inter Segment	35,248,926	17,703,980	–	–
Total Revenue	74,405,248	124,919,047	3,668,004	3,595,905
Segment assets	1,223,709,606	1,087,377,156	60,930,865	50,202,190
Capital expenditure	8,156,214	447,978	–	–



Manufacturing & Trading		Construction & Civil Engineering		Eliminations		Total	
2002	2001	2002	2001	2002	2001	2002	2001
\$	\$	\$	\$	\$	\$	\$	\$
12,748,373	4,579,526	-	93,837,000	(61,824)	-	54,025,554	114,440,181
634,442	3,314	-	-	(35,881,846)	(17,703,980)	-	-
13,382,815	4,582,840	-	93,837,000	(35,943,670)	(17,703,980)	54,025,554	114,440,181
(6,414,709)	510,697	-	(732,893)	(27,068,117)	(17,700,134)	11,224,634	18,439,239
						(824,813)	(947,139)
						(191,783)	(1,162,925)
						10,208,038	16,329,175
						652,578	(3,351,435)
						10,860,616	12,977,740
						61,251	(22,058)
						10,921,867	12,955,682
8,982,876	9,437,179	-	-	(593,284,453)	(525,458,860)	389,064,098	351,073,100
-	-	-	-	-	-	231,599,119	247,022,736
8,982,876	9,437,179	-	-	(593,284,453)	(525,458,860)	620,663,217	598,095,836
						79,941,526	21,723,467
						700,604,743	619,819,303
(17,481,288)	(2,597,693)	-	-	85,226,002	1,875,991	(250,258,945)	(176,947,961)
						(8,859,844)	(12,036,069)
						(259,118,789)	(188,984,030)
583,394	374,971	-	-	-	-	8,733,784	447,978
215,731	104,175	-	-	-	-	1,114,888	393,909
3,216,629	(11,914)	-	-	-	-	(796,426)	(12,216)
2,737,101	1,330	-	-	-	-	4,996,895	160,815
Others		Eliminations		Total			
2002	2001	2002	2001	2002	2001	2002	2001
\$	\$	\$	\$	\$	\$	\$	\$
11,201,228	3,629,209	-	-	54,025,554	114,440,181		
632,920	-	(35,881,846)	(17,703,980)	-	-		
11,834,148	3,629,209	(35,881,846)	(17,703,980)	54,025,554	114,440,181		
9,248,725	7,698,817	(593,284,453)	(525,458,860)	700,604,743	619,819,303		
577,570	-	-	-	8,733,784	447,978		



42. MAJOR PROPERTIES OWNED BY THE GROUP

Location	Type/Usage	Area
Held by the Company		
38 South Bridge Road Singapore 058672	Lot 160 - 99 years lease from 1941. Lot 164 - 99 years lease from 1947. Office.	Lot 160 - land area of about 121 sq. metres. Lot 164 - land area of about 123 sq. metres. Gross floor area of about 1,022 sq. metres.
Held by Subsidiary Companies		
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Freehold. Factory, warehouse, ancillary office and showroom.	Land area of about 5,480 sq. metres. Gross floor area of about 11,250 sq. metres.
523 Jalan Kluang 83000 Batu Pahat Johore, Malaysia	Freehold. Factory and ancillary office.	Land area of about 32,375 sq. metres. Gross floor area of about 5,205 sq. metres.
Thackeray House and Tennyson House 1-9 Culford Gardens London SW3, United Kingdom	Freehold. 14 units of residential flats.	–
58 Queensgate London SW7, United Kingdom	Freehold. 6 units of residential apartments.	–
115B Queensgate London SW7, United Kingdom	Freehold. 4 units of residential apartments.	–
15/17 Hornton Street London W8, United Kingdom	Freehold. 11 units of residential apartments.	–
25 & 26 Charles II Place 77 King's Road, Chelsea London SW3 4NG, United Kingdom	Freehold. 2 units of residential townhouses.	Net lettable area of units range from 1,287 to 1,838 sq. feet.
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Freehold. Office.	Gross floor area of about 1,690 sq. feet.



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

Location	Type/Usage	Area
Held by Subsidiary Companies (cont'd)		
50% interest in Riverview House Beavor Lane Hammersmith London W6, United Kingdom	Freehold. Office building.	Gross floor area of about 40,000 sq. feet.
70% interest in 55 Greek Street London W1D 3DT United Kingdom	Freehold. Commercial.	Gross floor area of about 17,000 sq. feet.
Flat 1 Balmoral Court London NW8 United Kingdom	999 years lease from 1990. Porter's lodge.	–
11 Collyer Quay #09-00 The Arcade Singapore 049317	99 years lease from 1980. Commercial.	Gross floor area of about 8,027 sq. feet. Net lettable area of about 6,974 sq. feet.
Held by Associated Companies		
60, 60B, 60C Martin Road Trademart Singapore 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.
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Freehold. Commercial.	Gross floor area of about 58,362 sq. feet.
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Freehold. Commercial.	Gross floor area of about 7,328 sq. feet.



43. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Exposure to interest rate risks, liquidity risks, credit and foreign currency risks arise in the normal course of business. The Group's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to its placements in fixed deposits and debt obligations with financial institutions and hire purchase agreements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

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

(ii) Liquidity risk

The Group manages liquidity risks through short-term funding obtained from overdraft facilities, when necessary.

(iii) Credit risk

The carrying amount of trade and other debtors and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group's exposure to credit risk is monitored on an ongoing basis. At balance sheet date, there were no significant concentration of credit risks.

(iv) Foreign currency risk

The Group does not use foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the US Dollars and Sterling Pounds. Wherever possible, the Group manages its exchange risk arising from effect of changes in exchange rate on its foreign investment properties by financing its purchase using bank borrowings denominated in the currency of the country in which the asset is situated.

(b) Fair values

The fair value of financial assets and liabilities reported in the balance sheet approximate the carrying amount of those assets and liabilities except for unquoted equity investments. In the management's opinion, it is not practicable to determine the fair values of the unquoted equity investments held as long-term investments and carried at value of \$9,783,603 (2001: \$10,868,268). The expected cash flows from these investments are believed to be in excess of their carrying amount.

No disclosure of fair value is made for balances with subsidiary companies, holding companies and staff loan, as it is not practical to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.



44. SUBSEQUENT EVENT

Since the end of the financial year, SP International Pte. Ltd. ("SPI"), SPACE Resources Pte Ltd ("SPR") and SP Vietnam (Pte.) Ltd. ("SPV") had been struck off the Register.

SPI and SPR were dissolved on 10 January 2003 and SPV was dissolved on 27 February 2003.

45. COMPARATIVE FIGURES

The comparatives figures have been adjusted or extended to take into account the requirements of the change in accounting standards, which the Group adopted with effect from 1 January 2002 as disclosed in Note 2(b). Where necessary, comparatives have been adjusted to give retrospective effect to the application of these standards. Certain comparatives have been reclassified to conform to current year's presentation.



Shareholding Statistics as at 1 April 2003

Authorised share capital	:	\$300,000,000
Issued and fully paid	:	\$163,240,000
Number of shareholders	:	4,882
Class of equity security	:	Ordinary shares of \$0.25 each
Voting rights of ordinary shareholders	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	166	3.40	60,426	0.01
1,000 - 10,000	2,473	50.66	13,773,472	2.11
10,001 - 1,000,000	2,221	45.49	105,933,960	16.22
1,000,001 and above	22	0.45	533,192,142	81.66
Total	4,882	100.00	652,960,000	100.00

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. HSBC (Singapore) Nominees Pte Ltd	132,315,776	20.26
2. Oversea-Chinese Bank Nominees Pte Ltd	104,922,000	16.07
3. United Overseas Bank Nominees Pte Ltd	52,101,450	7.98
4. Hong Leong Enterprises Pte. Ltd.	43,664,000	6.69
5. Ong Holdings (Private) Limited	31,686,000	4.85
6. DBS Nominees Pte Ltd	30,514,748	4.67
7. Tudor Court Gallery Pte Ltd	29,940,000	4.59
8. Citibank Nominees Singapore Pte Ltd	27,648,000	4.23
9. Starich Investments Pte. Ltd.	23,748,000	3.64
10. Ely Investments (Pte) Ltd.	13,347,000	2.04
11. Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
12. OCBC Securities Private Limited	9,302,000	1.42
13. Guan Meng Kuan	5,550,860	0.85
14. UOB Kay Hian Pte Ltd	4,310,300	0.66
15. Chew Cheng Hoi Investments Pte Ltd	2,293,584	0.35
16. Raffles Nominees Pte Ltd	2,257,600	0.35
17. HSBC Republic Bank (Suisse) SA	1,900,000	0.29
18. Goodland Private Limited	1,600,000	0.25
19. Ong Hian Eng	1,254,764	0.19
20. Phillip Securities Pte Ltd	1,146,864	0.18
	530,988,442	81.32



EXTRACT FROM REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%
Ong Choo Eng	–	276,605,520	276,605,520	42.36
Ong Mui Eng	4,547,248	263,580,268	268,127,516	41.06
Ong Hian Eng	3,062,604	263,643,520	266,706,124	40.85
Ong Kwee Eng	200,000	265,259,020	265,459,020	40.65
Ong Eng Loke	406,500	264,142,520	264,549,020	40.52
Ong Eng Yaw	25,000	263,258,520	263,283,520	40.32
Ong Holdings (Private) Limited	227,081,676	36,176,844	263,258,520	40.32
Hong Leong Enterprises Pte. Ltd.	43,664,000	24,512,000	68,176,000	10.44
Hong Leong Investment Holdings Pte. Ltd.	–	119,412,248	119,412,248	18.29
Kwek Holdings Pte Ltd	–	119,412,248	119,412,248	18.29

Notes:-

- Each of Mr Ong Choo Eng, Mr Ong Mui Eng, Dr Ong Hian Eng, Mr Ong Kwee Eng, Mr Ong Eng Loke and Mr Ong Eng Yaw (the "Ongs") is deemed to have an interest in the 227,081,676 and 36,176,844 shares held by Ong Holdings (Private) Limited and its subsidiaries respectively in the Company, representing a total of 40.32% of the issued capital of the Company. Other deemed interests of the Ongs, as disclosed in their respective last substantial shareholding notifications, relate to shares held by spouse and/or personal investment holding company (as the case may be) amounting to 2.59% of the issued capital of the Company.
- Each of Kwek Holdings Pte Ltd and Hong Leong Investment Holdings Pte. Ltd. is deemed to have an interest in 18.29% of the issued capital of the Company inclusive of the 10.44% direct and deemed interests declared under Hong Leong Enterprises Pte. Ltd.

PERCENTAGE OF PUBLIC FLOAT

Based primarily on the Register of Substantial Shareholders, the percentage of the Company's public float as at 1 April 2003 was about 34.35% of the Company's issued share capital and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited had been complied with.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of the Company will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Friday, 23 May 2003 at 10.00 a.m. for the following purposes:-

Ordinary Business

- | | | |
|-----|---|---------------------|
| 1. | To receive and adopt the audited Financial Statements and the reports of the Directors and Auditors for the financial year ended 31 December 2002. | Resolution 1 |
| 2. | To declare a final ordinary dividend of 3% less 22% income tax in respect of the financial year ended 31 December 2002. | Resolution 2 |
| 3. | To declare a special dividend of 3% less 22% income tax in respect of the financial year ended 31 December 2002. | Resolution 3 |
| 4. | To approve the Directors' fees of \$210,000 for the financial year ended 31 December 2002 (2001: \$120,000). | Resolution 4 |
| 5. | To re-elect the following Directors retiring by rotation in accordance with Article 105 of the Company's Articles of Association:- | |
| (a) | Mr Ong Mui Eng
<i>(Note: Mr Ong Mui Eng is an executive director.)</i> | Resolution 5 |
| (b) | Dr Ong Hian Eng
<i>(Note: Dr Ong Hian Eng is an executive director.)</i> | Resolution 6 |
| 6. | To consider and, if thought fit, to pass the following resolutions:- | |
| (a) | "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."
<i>(Note: Mr Guan Meng Kuan, if re-elected, will remain as a member of the Nominating Committee. He is considered a non-executive and non-independent director.)</i> | Resolution 7 |
| (b) | "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Chew Loy Kiat be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company."
<i>(Note: Mr Chew Loy Kiat, if re-elected, will remain as Chairman of the Audit Committee and a member of the Nominating Committee, and is considered an independent non-executive director.)</i> | Resolution 8 |
| 7. | To appoint Auditors and to authorise the Directors to fix their remuneration. | Resolution 9 |
| 8. | To transact any other ordinary business which may properly be transacted at an Annual General Meeting. | |



Special Business

9. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:-

9A. "That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or **Resolution 10**
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."



- 9B. "That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors or any committee appointed by them to issue and allot shares in the Company (including to issue and allot 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 (notwithstanding that the exercise thereof or such issue and allotment may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company), and to do all acts and things which they may consider necessary or expedient to carry the same into effect." **Resolution 11**
- 9C. "That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors or any committee appointed by them to exercise full powers of the Company to grant options over shares in the Company in accordance with the Rules of the Hwa Hong Corporation Limited (2001) Share Option Scheme approved by shareholders in general meeting on 29 May 2001 and as may be amended from time to time and to issue and allot shares in the Company upon the exercise of any such options (notwithstanding that the exercise thereof or such issue and allotment may occur after the conclusion of the next or any ensuing Annual General Meeting of the Company), and to do all acts and things which they may consider necessary or expedient to carry the same into effect." **Resolution 12**



BY ORDER OF THE BOARD

TAN MEE CHOO

SECRETARY

Singapore, 30 April 2003

Note

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

Explanatory Notes to Special Business

Resolution 10, if passed, will empower the Directors to issue shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of shares to be issued pursuant to this Resolution, including shares to be issued in pursuance of Instruments made or granted pursuant thereto, will be subject to the 50% limit and the 20% sub-limit. The 50% limit and the 20% sub-limit will be calculated based on the issued share capital of the Company at the time of the passing of this Resolution, after adjusting for:

- (a) new shares arising upon the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time of the passing of this Resolution; and
- (b) any subsequent consolidation or subdivision of shares.

The authority conferred by this Resolution will continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless previously revoked or varied at a general meeting.

Resolution 11, if passed, gives authority to the Directors to issue shares in the capital of the Company pursuant to the exercise of options granted under the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "ESOS"), which was terminated and succeeded by the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") at the Extraordinary General Meeting of the Company held on 29 May 2001. Options that were granted prior to the termination of the ESOS remain exercisable in accordance with the Rules of the ESOS.

Resolution 12, if passed, gives authority to the Directors to grant options and to issue shares in connection with the 2001 Scheme (notwithstanding that such issue of shares may take place after the expiration of this approval).

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

IMPORTANT:

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

PROXY FORM

*I/We, _____ (Name)

of _____ (Address)

being *a member/members of **HWA HONG CORPORATION LIMITED** (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of shares	%
*and/or				

or failing him/her, the Chairman of the meeting, as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the **Fiftieth Annual General Meeting** of the Company ("AGM") to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 23 May 2003 at 10.00 a.m. and at any adjournment thereof.

*I/We have indicated with an "X" 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.

Resolution No.	Ordinary Business	To be used on a Show of Hands		To be used in the Event of a Poll	
		For	Against	No. of Votes For	No. of Votes Against
1	Adoption of reports and financial statements				
2	Declaration of final ordinary dividend				
3	Declaration of special dividend				
4	Approval of Directors' fees				
5	Re-election of Mr Ong Mui Eng				
6	Re-election of Dr Ong Hian Eng				
7	Re-appointment of Mr Guan Meng Kuan				
8	Re-appointment of Mr Chew Loy Kiat				
9	Appointment of Auditors and authorising Directors to fix their remuneration				
	Any other business				
	Special Business				
10	Authority to issue shares and to make or grant Instruments up to stipulated limits				
11	Authority to issue shares pursuant to the exercise of options granted under the ESOS				
12	Authority to grant options and to issue shares pursuant to the exercise of options granted under the 2001 Scheme				

Dated this _____ day of _____ 2003

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

IMPORTANT: PLEASE READ NOTES PRINTED ON THE REVERSE

* Delete as appropriate

Total Number of Shares Held

Scrip

Scripless

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 may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
6. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (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.

Fold 2

Affix
Postage
Stamp

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

Fold 1

General

The Company shall be entitled to reject the 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 the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Company.





HWA HONG CORPORATION LIMITED