

Annual Report 2004



HWA HONG CORPORATION LIMITED



*The cover depicts a classy and yet simplistic approach of exuding traditional charm and essence. The two brush strokes of fish-like silhouettes around the calligraphic Chinese characters of Hwa Hong connote the symbolic meaning of wishes of good tidings and prosperity for all to enjoy and share.*



# 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

### Boon Suan Lee

### Ong Eng Loke

*Alternate Director to Ong Mui Eng*

### Hans Miller

*Appointed on 3 January 2005*

## ■ Management

### Ong Choo Eng

### Ong Mui Eng

### Ong Hian Eng

### Chen Chee Kiew

*General Manager*

*(Property & Investments)*

### Tan Yian Hua

*Principal Officer/Chief Executive Officer*

*(General Insurance)*

### Ong Eng Hock Simon

*Chief Financial Officer*

### Ong Eng Loke

*Business Development Manager*

### Ong Eng Yaw

*Manager, Corporate Development and Strategy*

## ■ Registered Office

38 South Bridge Road

Singapore 058672

website: [www.hwahongcorp.com](http://www.hwahongcorp.com)

## Finance and Administration

38 South Bridge Road #04-01

Singapore 058672

tel: 6538 5711 fax: 6533 3028

email: [finance@hwahongcorp.com](mailto:finance@hwahongcorp.com)

## Corporate and Legal

### Group Corporate Secretarial Services

38 South Bridge Road #01-01

Singapore 058672

tel: 6538 6818 fax: 6532 6816

email: [secretariat@hwahongcorp.com](mailto: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](mailto:property@hwahongcorp.com)

### Tenet Insurance Company Ltd

11 Collyer Quay #09-00 The Arcade

Singapore 049317

tel: 6221 2211 fax: 6221 3302

email: [mail@tenetinsurance.com](mailto:mail@tenetinsurance.com)

website: [www.tenetinsurance.com](http://www.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](mailto:marketing@hwahongcorp.com)

## ■ 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

### Certified Public Accountants

10 Collyer Quay #21-01 Ocean Building

Singapore 049315

Partner In-Charge: Tan Chian Khong

*(With effect from financial year ended 31 December 2004)*

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# Chairman's Statement

“ In line with the robust growth, I am pleased to report on behalf of the Board of Directors that for the financial year ended 31 December 2004, Hwa Hong Group performed better than expected. ”

In 2004, the Singapore economy grew by 8.4%. In line with the robust growth, I am pleased to report on behalf of the Board of Directors that for the financial year ended 31 December 2004, Hwa Hong Group performed better than expected. Group profit before tax increased from \$14.533 million in 2003 to \$15.921 million in 2004. The Group reported an after tax profit of \$15.940 million for 2004, an increase of 18.03% as compared to \$13.505 million for 2003. Revenue for 2004 also increased from \$46.335 million in 2003 to \$53.939 million in 2004.

Your Directors have recommended a final ordinary dividend of 4% less 20% income tax for the year 2004. This is subject to shareholders' approval at the forthcoming Annual General Meeting.

## Property

### Singapore Warehouse Company (Private) Ltd. Group

The real estate statistics released by the Urban Redevelopment Authority ("URA") confirmed the recovery of the property sector in Singapore in 2004. Prices and rentals of industrial space increased



3 bedroom showflat of RiverGate

marginally. Occupancy at the Paya Lebar property owned by the Group was 69.5% with average rental rate of \$0.89 cents per square foot. Increased efforts are made to lease the remaining space as demand is expected to rise.



2 bedroom showflat of RiverGate

Preparations for the redevelopment of the Trademart complex to residential use were completed in 2004. Tenancies were either not renewed or renewed for shorter periods in order for the main contractor to take possession of the site by end March 2005. This resulted in decline in occupancy rate and increase of losses at the associated company level.



Model of the development of RiverGate (Trademart site at Martin Road), a joint venture with CapitaLand Residential Limited

During the year, showflats for the various types of apartments in the project were completed together with marketing brochures which are all ready for the launch of the project in early 2005. Data released by URA showed that the private home price index has edged up 0.9% for the full year of 2004 and is expected to improve further in 2005. This statistic is an useful indicator for the launching of the project, a joint venture with CapitaLand Residential Limited.

The development of *The Pier at Robertson*, a joint venture with City Developments Limited is progressing satisfactorily. As at the end of 2004, 99 units had been sold and the share of profits from the sales was recognised in 2004. With further sales expected in 2005, the Group's share of development profits will be progressively recognised.

The property market in London did not collapse as predicted. The Group's properties continued to enjoy high occupancy at acceptable rental rates. A residential property, a retirement home and a commercial building were disposed of in 2004 and gains from the disposals contributed to the results of the Group. Together with strategic partners, the Group continues to explore various opportunities in London and elsewhere for investment properties.

**General Insurance**

**Tenet Insurance Company Ltd**

2004 has been an eventful year for Tenet Insurance Company Ltd ("Tenet Insurance"), a wholly owned subsidiary. Tenet Insurance ventured into new distribution channels of Financial Advisors and Travel Agencies. During the year, Tenet Insurance launched



its new travel insurance policy which included cover for terrorism and also partnered with the National Association of Travel Agents (NATAS) to distribute its travel insurance policy. Competition in the local general insurance market remains intense. Premium rates for fire and motor insurance began to soften in the second half of 2004. Against such operating conditions, Tenet Insurance managed to maintain its gross premiums at \$24.8 million in 2004. Premiums from motor insurance business shrunk by \$0.9 million whilst premiums from non-motor business grew by \$1 million.



Incurred claim development experience during 2004 for prior years' claims have been favourable for all lines of business. Net incurred claims reduced by \$3.5 million and overall company's loss ratio reduced by 19 percentage points to 29 per cent at the close of 2004.

Underwriting profit grew to \$2.5 million in 2004 as compared to \$0.07 million in 2003. This growth was achieved through the commitment to adhere to stringent underwriting discipline and the implementation of cost containment measures and proactive claims management. Together with

## Chairman's Statement

investment income, which increased by 3 per cent to \$3.4 million this year, Tenet Insurance achieved a net profit after tax of \$6 million.

### Manufacturing And Trading

2004 was again a difficult year for the Company's subsidiary, Jining Ningfeng Chemical Industry Co., Limited ("Jining"). It was badly affected by high crude oil prices which led to high production costs as a key raw material, ethylene oxide is a by product of the petrochemical industry. As raw material prices were very volatile, the Management of Jining adopted a cautious approach in its dealings with customers. To minimise losses, Jining's Management had undertaken cost reduction measures and had also reduced production levels.

Following management and other changes implemented, the 49.5% owned Norwest Holdings Pte Ltd ("Norwest Holdings") and its subsidiaries ("Norwest Group") had a very good year and became profitable for the first time. Although the proposed divestment by Norwest Holdings of its subsidiaries to Asset Backed Holdings Limited, an Australian listed company, was terminated during the year, Hwa Hong Group will continue to review any available options to obtain value from this investment. In accordance with FRS 28 *Accounting for Investments in Associates*, the results of the Norwest Group have not been accounted for by Hwa Hong Group under the equity method as the investment was held with a view to disposal. In addition, the Board had on the recommendation of Management and as a matter of prudence decided not to write-back the impairment loss made previously by Hwa Hong Group on its investment in Norwest Group in respect of the financial year under review.

### Outlook And Acknowledgement

2005 will be a challenging year for the Group as the Singapore economy is expected to slowdown. The redevelopment of the Trademart site will go towards enhancing shareholders' value in the coming years. Tenet Insurance has continued to contribute positively to the Group by adopting prudent underwriting and is ready to meet the challenges ahead.

I am pleased to inform shareholders that Mr Hans Miller joined your Board as an Independent Director on 3 January 2005. Mr Miller brings with him a wealth of international experience in insurance and mergers and acquisition activities. After the forthcoming Annual General Meeting, he will be appointed Chairman of your Company to increase corporate transparency and effectiveness of the Board as a whole. I will remain as the Group Managing Director. This is therefore the last time I am reporting to shareholders in the capacities as both Chairman and Group Managing Director. I wish to thank my fellow Directors, staff, shareholders and business associates for their support during the year. To my fellow Directors, I express my appreciation for their guidance and patience during Board meetings for the last 11 years.

**Ong Choo Eng**

*Chairman and Group Managing Director*

*8 March 2005*

# Five Year Group Financial Profile

	Note		2004	2003	2002	2001	2000
Revenue	1	\$'000	53,939	46,335	63,131	125,250	159,078
Profit before taxation	2	\$'000	15,921	14,533	10,208	16,329	21,622
Profit after taxation	3	\$'000	15,940	13,505	10,860	12,978	15,517
Number of ordinary shares of \$0.25 each		'000	653,504	653,020	652,960	652,960	652,660
Shareholders' funds	4	\$'000	427,694	424,312	441,396	430,388	425,393
Total assets		\$'000	507,875	525,427	700,605	621,970	669,779
Net tangible assets per \$0.25 share		cents	65.45	64.98	67.60	65.91	65.18
In respect of the financial year:-							
i. Gross dividend rate							
– interim		%	4	4	3	2	2
– final		%	4	4	3	3	3
– special		%	–	–	3	2	–
ii. Total net dividend							
		\$'000	10,456	10,321	11,459	8,831	6,125
Dividend Cover	5		1.52	1.31	0.95	1.47	2.53

## Notes

- The figures for FY 2000 to FY 2003 have been adjusted and restated from those previously reported in those years for the change in the basis of recording revenue from disposal of short term investments as disclosed in the notes to the financial statements on page 69. The figures for FY 2002 and FY 2003 have also been adjusted for the restatement of gross premium income. The figures for FY 2000 and FY 2001 have also been adjusted and restated to effect change in accounting policy in FY 2002 resulting from application of the benchmark treatment under SAS 29, *Financial Reporting of Interests in Joint Ventures*. The figures for FY 2000 and FY 2001 include revenue from Singapore Piling & Civil Engineering Private Limited, a subsidiary which was disposed of in FY 2001, but exclude revenue from Tenet Insurance Company Ltd, which was an associated company until FY 2002 when it became a wholly owned subsidiary.
- The figures for FY 2000 to FY 2002 have not been adjusted for the effect of adoption of INT FRS 19, *Reporting Currency - Measurement and Presentation of Financial Statements under FRS 21 and FRS 29*. As disclosed in the notes to the financial statements for the year ended 31 December 2003, the Group has adopted the allowed alternative treatment and recognised an exchange gain of \$1.75 million prospectively.
- The figures for FY 2000 and FY 2001 have been adjusted and restated from those previously reported for these years to effect change in accounting policy in FY 2002 arising from the adoption of SAS 12 (2001) *Income Taxes*.
- The figure for FY 2000 have been adjusted and restated from the figure previously reported in that year to effect the change in accounting policy adopted in FY 2001 in respect of proposed dividend which will only be recognised as a liability upon approval by the members at the annual general meeting. The figures for FY 2000 and FY 2001 have been adjusted and restated from those previously reported for these years to effect change in accounting policy in FY 2002 arising from the adoption of SAS 12 (2001) *Income Taxes*.
- Dividend cover is arrived at by dividing profit after taxation by the net dividend amount.

# Board of Directors

## ■ Ong Choo Eng

*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 a Fellow of Queen Mary and Westfield College, University of London in 1990. Mr Ong is a member of the Institution of Civil Engineers (UK) and Institution of Engineers (Singapore).

## ■ Ong Mui Eng

*Non-Independent and Executive Director*

Mr Ong Mui Eng was appointed a Director on 1 February 1983. He was last re-elected on 23 May 2003. He is an executive Director and is therefore non-independent. Mr Ong will retire pursuant to Section 153 of the Companies Act, Chapter 50 as he is of 70 years of age and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company scheduled to be held on 20 April 2005.

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

## ■ Ong Hian Eng

*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 23 May 2003. He is an executive and non-independent Director.

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 a Corporate Member in the class of fellows of Institution of Chemical Engineers, London since November 1986 and was a member of the Trade Development Board from January 1995 to December 1996.

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

## ■ Guan Meng Kuan

*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 April 2004. He is considered an independent 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, Chapter 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 20 April 2005.

Mr Guan was the Managing Director of Singapore Piling & Civil Engineering Private Limited ("SPACE") from November 1971 to December 1999, after which, he has remained as a Director and acted as 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

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

Mr Chew Loy Kiat was appointed a Director on 1 February 1989. He was last re-appointed on 23 April 2004. 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, Chapter 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 20 April 2005.

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

*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 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 20 April 2005.

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.

### ■ Yong Kun Da Richard

*Independent and Non-Executive Director*  
Dip. M.S., FCMI (UK & Singapore)

Mr Richard Yong was appointed a Director on 2 January 1990. He was last re-elected on 23 April 2004. 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 a Fellow of The Chartered Institute of Management (UK) and The Singapore Institute of Management, and a member of The Institute of Bankers (UK).

He is the President/Chairman of The National Kidney Foundation. Recently, he has been appointed as independent director of Comat Industrial Ltd. as well as Oriental Food (Holdings) Ltd.

### ■ Boon Suan Lee

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

Mr Boon Suan Lee was appointed a Director on 1 July 1998. He was last re-elected on 23 April 2004. 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

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

Mr Ong Eng Loke was appointed an 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 joined the Company in August 2004 as manager for business development. He is responsible for evaluating new business and investment opportunities in Asia particularly in the North Asian region of China and Korea. He will tap on his past experience in the Korean equity market to set up an in-house Korean equity fund. Prior to his appointment, he was the Vice President of Investment and Country Manager of Korean equities at Tokio Marine Asset Management International Pte Ltd where he had helped to manage pension funds and unit trusts out of Tokyo. He had also worked in OUB Asset Management as the Fund Manager and Country Manager of Korean and Australian equities, and UOB Asset Management as Portfolio Manager for the Australian equity and the Hong Kong conglomerate sector.

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.

### ■ Hans Miller

*Independent and Non-Executive Director*  
B.A. Economics

Mr Hans Miller was appointed a Director on 3 January 2005.

He is considered an independent non-executive Director. Mr Miller 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 20 April 2005.

Mr Miller holds a BA degree in economics Carleton College (Minnesota, USA). He acts as Managing Director and Senior Advisor to Banc of America Securities (NY, USA); is board vice president of the Harriett Beecher Stowe Center (CT, USA) and chairman of its investment committee; and is a trustee of the Boys and Girls Clubs of Hartford (CT, USA). Mr Miller is past President & CEO of The Hartford International Financial Services Group, LLC (CT, USA), and past Senior Vice President of The Hartford Financial Services Group, Inc, for Planning, Development and Investor Relations. Mr Miller is past chairman of The Committee of American Insurers in Europe and The International Committee of the American Insurance Association, and a past board member of ITT Europe.

# Key Executives

## ■ Chen Chee Kiew

*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.

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

## ■ Tan Yian Hua (Stella)

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

Ms Tan Yian Hua has been the Principal Officer/Chief Executive 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, Yian Hua 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.

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

Yian Hua is Vice-President of the General Insurance Association of Singapore and a Member of the Financial Industry Competency Steering Committee.

## ■ Ong Eng Hock Simon

*Chief Financial Officer*

Mr Ong Eng Hock Simon joined the Company as Group Finance Manager on 1 October 2002. He has been promoted to the position of Chief Financial Officer on 1 July 2004. 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.

Simon 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, Simon 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.

## ■ Ong Eng Loke

*Business Development Manager*

Information concerning Mr Ong Eng Loke is found under "Board of Directors" section of this Annual Report.

## ■ Ong Eng Yaw

*Manager, Corporate Development and Strategy*

Mr Ong Eng Yaw is involved in corporate development and investment for the Group. His duties include the assessment of new investment opportunities for the Group as well as the management of the Group's funds. Eng Yaw's career has primarily been in corporate finance. His primary experience has been in advising companies on various equity capital market transactions including initial public offerings, secondary equity offerings as well as mergers and acquisitions. In addition, he has had experience in corporate strategy and planning as well as venture capital investment. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas and DBS Bank. Eng Yaw holds a Bachelor of Laws (second class upper division) from University College London, an MSc (Investment Management) from Cass Business School and an MBA from INSEAD.

# Corporate Governance Report

Hwa Hong Corporation Limited (the “Company”) describes its corporate governance practices with regard to the principles of the Code of Corporate Governance (the “Code”).

## PRINCIPLE 1: THE BOARD’S CONDUCT OF ITS AFFAIRS

The principal functions of the board of directors of the Company (the “Board”) include:

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

Although specific guidelines have not been formulated to set forth the matters that require Board’s approval, the Board, in general, deals with matters such as conflict of interest issues relating to directors and substantial shareholders, major acquisitions and disposals of assets, dividend and other distributions to shareholders, and those transactions or matters which require Board’s approval under the provisions of the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) or any applicable regulations.

The Board discharges some of its functions through scheduled meetings and ad-hoc meetings as and when circumstances require. In addition, the Board has established an audit committee, a nominating committee and a remuneration committee, and has delegated some of its duties to these committees. The Company has adopted a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group’s operations or business from the Management of the Company.

The Articles of Association 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 Board committees during the year 2004 is disclosed below:

### Meetings Of Board And Board Committees Held In Year 2004

	Board Of Directors	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings held	4	5	1	1
Name Of Director	Attended	Attended	Attended	Attended
Ong Choo Eng	4	N.A.	N.A.	1
Ong Mui Eng	4	N.A.	N.A.	N.A.
Ong Hian Eng	4	N.A.	N.A.	N.A.
Guan Meng Kuan	4	N.A.	1	N.A.
Chew Loy Kiat	4	5	1	N.A.
Goh Kian Hwee	4	5	1	1
Yong Kun Da Richard	4	4	N.A.	1
Boon Suan Lee	4	N.A.	N.A.	N.A.

N.A. - not applicable.

On 3 January 2005, the Board increased its members by the appointment of Mr Hans Miller as a non-executive Director. Mr Miller has been the director of Tenet Insurance Company Ltd (“Tenet Insurance”), a wholly owned subsidiary of the Company, during the period from 7 January 1998 to 4 January 2002 when Tenet Insurance was a joint venture between the Company and The Hartford International Financial Services Group, LLC. The new director has been given briefings and orientation by the Executive Directors and Management of the Company to familiarise him with the businesses and operations of the Group. The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Directors are also aware that they could access the websites of various agencies to obtain information and updates of any regulations and issues.

When circumstances require, the members of the Board exchange views outside the formal environment of board meetings.

### **PRINCIPLE 2: BOARD COMPOSITION AND BALANCE**

The Board comprises 9 directors and 1 alternate director. Of the 9 directors, the Nominating Committee (“NC”) of the Company considered the 3 executive directors to be non-independent, 5 non-executive directors to be independent, and 1 non-executive director to be non-independent, having regard to the examples of situations given in the Code deeming a director to be not independent.

Although the Articles of Association of the Company allows a maximum number of fifteen directors to be appointed, the NC is of the view that the Board size of nine 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, corporate management, 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 of Association, the Board may delegate any of their powers to committees consisting of such 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:

- making recommendations to the Board on new appointments to the Board;
- making recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company’s annual general meeting, having regard to the director’s contribution and performance;
- determining annually whether or not a director is executive or independent;
- determining 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;
- deciding how the Board’s performance may be evaluated and propose objective performance criteria for the Board’s approval; and

- recommending 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, all of whom are independent:

- Goh Kian Hwee (Chairman)
- Guan Meng Kuan
- Chew Loy Kiat

Under the provisions of the Company's Articles of Association, 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. The retiring directors are eligible to offer themselves for re-election.

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, Chapter 50 (the "Act"). A director who is a member of the NC and subject to retirement under the relevant provision of the Articles of Association of the Company or the Act shall not be involved in the deliberations of his nomination.

The NC has recommended the re-appointment of the retiring directors, namely, Mr Ong Mui Eng, Mr Guan Meng Kuan, Mr Chew Loy Kiat, Mr Goh Kian Hwee and Mr Hans Miller, at the forthcoming AGM of the Company.

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.

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

Particulars of present directorships including board committees held by directors of the Company in other listed companies are as follows:

Name Of Director	Directorships Including Board Committees Held In Other Listed Companies	
	Present	Preceding 3 Years
Ong Choo Eng	MTQ Corporation Limited - director - audit committee member - remuneration committee member  BBR Holdings (S) Ltd - director - remuneration committee member  Singapore Reinsurance Corporation Limited - director - executive committee member - investment committee member	N.A.

## Directorships Including Board Committees Held In Other Listed Companies

Name Of Director	Present	Preceding 3 Years
<b>(cont'd)</b>		
Goh Kian Hwee	Hotel Negara Limited - director - audit committee member  Achieva Limited - director - nominating committee chairman - audit committee member - remuneration committee member  MAE Engineering Ltd - director - remuneration committee member - nominating committee member  Hong Leong Asia Ltd - director - audit committee member  Japan Land Ltd ( <i>formerly known as Japan Asia Ltd</i> )	Transmarco Limited  Ayala International Holdings Limited  Blu Inc Group ( <i>now known as Vantage Corporation Limited</i> ) - director - remuneration committee chairman - audit committee member - nominating committee member
Yong Kun Da Richard	Comat Industrial Ltd. - director - audit committee chairman - nominating committee chairman  Oriental Food (Holdings) Ltd. - director - audit committee member - remuneration committee member	

Further information regarding directors can be found in the section “Board of Directors” on pages 6 and 7. Information on directors’ shareholdings in the Company and its related corporations can be found in the section “Directors’ Report” on pages 18 to 21.

### 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. The Company presently does not have a formal assessment process of evaluating the performance and contribution of each director. The NC is of the view that such evaluation process is deemed unnecessary at the present moment and the issue will be brought up for future reviews should the need arises.

**PRINCIPLE 6: ACCESS TO INFORMATION**

The Executive Directors and the Senior Management keep the Board apprised of the Group's operations and performance through updates and reports as well as through informal discussions. Prior to any meetings of the Board or committees, directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. In addition, Board members have separate and independent access to the Senior Management should they have any queries or require additional information on the affairs of the Company and the Group. The Company Secretary attends meetings of the Board and Board committees, and when required, disseminates decisions and/or instructions of the Board for further action by the relevant parties.

Executive Directors and members of the Audit Committee of the Company have the ultimate authority in ensuring that appropriate procedures are followed and that the requirements of the Act and the provisions of the Listing Manual are complied with.

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**

The roles, duties and responsibilities of the Remuneration Committee ("RC") include functions described in the Code and the administration of the Share Option Schemes of the Company.

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

The Board believes that members of the RC have the requisite knowledge in the field of executive compensation. Expert advice is sought as and when deemed appropriate by the RC.

**PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION**

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

The RC reviews the service contracts and compensation packages of directors of the Company and its subsidiaries.

The remuneration of key executives (who are not directors) and other employees in the Group are subject to annual reviews by the Group Managing Director or the respective executive director in charge. The basis of any annual adjustments and/or increments to the remuneration and bonuses are 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. More information on the 2001 Scheme can be found in the Rules

of the 2001 Scheme as set out in Appendix 1 of the Circular to Shareholders dated 4 May 2001. No options have yet been granted under the 2001 Scheme.

## PRINCIPLE 9: DISCLOSURE ON REMUNERATION

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

### Remuneration Band & Name Of Director

- (i) \$500,001 to \$750,000
  - Ong Choo Eng<sup>1</sup>
- (ii) \$250,001 to \$500,000
  - Ong Hian Eng<sup>1</sup>
- (iii) \$250,000 and below
  - Ong Mui Eng<sup>1</sup>
  - Guan Meng Kuan<sup>3</sup>
  - Chew Loy Kiat<sup>3</sup>
  - Goh Kian Hwee<sup>3</sup>
  - Yong Kun Da Richard<sup>3</sup>
  - Boon Suan Lee<sup>3</sup>
  - Ong Eng Loke<sup>2</sup> (Alternate director to Ong Mui Eng)

- 1 Mr Ong Choo Eng, Mr Ong Mui Eng and Dr Ong Hian Eng are brothers and also executive directors of the Company, and each of their all-in remuneration exceeded \$150,000 for the year 2004.
- 2 Mr Ong Eng Loke joined as Business Development Manager on 1 August 2004. He is the son of Mr Ong Mui Eng and his all-in remuneration does not exceed \$150,000 for the year 2004.
- 3 The fees payable by the Company to these non-executive directors in respect of the financial year ended 31 December 2004 are subject to approval by shareholders as a lump sum at the forthcoming AGM.

### Top 5 Key Executives In Remuneration Bands

	Number
(i) \$250,001 to \$500,000	2
(ii) \$250,000 and below	3
TOTAL	5

Given the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters, the Company believes that the disclosure of remuneration of individual executives as recommended by the Code, would be disadvantageous to the Group's interests.

One of the key executives whose all-in remuneration exceeded \$150,000 (but below \$250,000) for the year 2004 is the son of Mr Ong Choo Eng, the Group Managing Director. Save as disclosed, none of the employees of the Company and its subsidiaries were an immediate family of any director or the Chief Executive Officer, and whose remuneration exceeded \$150,000 in the year 2004.

**PRINCIPLE 10: ACCOUNTABILITY**

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. Shareholders are informed of the financial performance of the Group through quarterly results announcements and the various disclosures and announcements made to the SGX-ST via SGXNET. The Company provides a platform in its website containing recent information which has been disseminated via SGXNET to the SGX-ST and the public.

**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 Board believes that the AC of the Company is appropriately qualified to discharge their responsibilities.

The AC performs, *inter alia*, the following functions:

- reviewing the overall scope of the external audit;
- reviewing the assistance given by the Group’s officers to the external auditors;
- reviewing the Group’s interim and annual results announcements, the financial statements of the Company and the consolidated financial statements of the Group as well as the auditors’ report thereon prior to submission to the Board for approval and release;
- reviewing with the external auditors the results of their examination of the Group’s system of internal accounting controls;
- reviewing non-audit services provided by the auditors;
- reviewing the independence and objectivity of the external auditors;
- reviewing the adequacy of the internal audit function;
- reviewing the effectiveness and adequacy of the Group’s internal controls including financial, operational and compliance controls, and risk management;
- nominating external auditors for appointment; and
- reviewing interested person transactions.

## Interested Person Transactions

Transactions entered into with interested persons during the financial year ended 31 December 2004 are as follows:

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

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 auditors without the presence of Management. The Group Managing Director and the Chief Financial Officer (who has been promoted from Group Finance Manager) were invited to be present at AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group. The external auditors were also invited to be present at most of the AC meetings held during the year to, *inter alia*, deliberate on any matters connected with accounting records and the audit thereof.

The external auditors have confirmed to the AC that no non-audit services have been provided by them to the Group and accordingly, no non-audit fees of any kind have been paid or payable to external auditors. The AC, having undertaken a review of all services provided by the external auditors, is of the opinion that the independence and objectivity of the external auditors have not been affected.

### PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges that it should endeavour to ensure that Management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss and the review of the Group's internal control systems should be a concerted and continuing process.

A company's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organisation and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedure.

The external auditors have concluded that 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 the aim of ensuring that they 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 from their review of internal controls have been discussed with the respective line management and heads of departments. Accordingly, the Board is of the opinion that the existing internal controls of the Company and its subsidiaries are not inadequate.

### **PRINCIPLE 13: INTERNAL AUDIT**

KPMG has been engaged on an ad-hoc basis to provide internal audit services or work to such corporations or areas in the Group as deemed appropriate by the AC.

Starting with Tenet Insurance, a wholly owned subsidiary, KPMG has carried or will carry out its internal audit activities based on the areas of focus by business processes in Tenet Insurance as follows:

1. Underwriting - Fiscal year 2003;
2. Claims - Fiscal year 2004; and
3. Resource Management (including human resources, information management, and investment/financial management) - Fiscal year 2005.

In early 2003, KPMG has completed internal audit review of the underwriting process of Tenet Insurance. KPMG has also carried out and completed its internal audit on the claims process of Tenet Insurance in the year 2004. Their preliminary findings and recommendations were discussed with the operating management of Tenet Insurance and the final detailed findings and recommendations, incorporating management comments, were documented in an internal audit report to the AC.

### **PRINCIPLES 14 & 15: COMMUNICATION WITH SHAREHOLDERS**

All shareholders of the Company receive the full annual report with the notice of AGM. Recent annual reports of the Company are available on the Company's website at [www.hwahongcorp.com](http://www.hwahongcorp.com). The notice of AGM is also advertised in newspapers and made available on the SGXNET. At AGMs, shareholders are given the opportunity to air their views and ask directors or Management questions regarding the Company and the Group. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

Under the Company's Articles of Association, a shareholder may vote in person or appoint not more than two 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 of Association 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.

### **DEALINGS IN SECURITIES**

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

Date: 8 March 2005

# Directors' Report

The Directors present their report to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited and its subsidiaries for the financial year ended 31 December 2004 and balance sheet of the Company as at 31 December 2004.

## 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

Boon Suan Lee

Ong Eng Loke (Alternate director to Ong Mui Eng)

Hans Miller (Appointed on 3 January 2005)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, save as disclosed under "Share options" in this report and the Hwa Hong Corporation Limited Scrip Dividend Scheme approved by shareholders at an Extraordinary General Meeting of the Company held on 7 November 2003.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of Directors who held office at the end of the financial year in the shares of the Company are as follows:-

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 1.1.2004	At 31.12.2004	At 1.1.2004	At 31.12.2004
	<b>Ordinary shares of \$0.25 each</b>			
Ong Choo Eng	—	—	276,665,520	276,900,520
Ong Mui Eng	4,547,248	4,547,248	263,580,268	263,580,268
Ong Hian Eng	3,062,604	3,062,604	263,643,520	263,643,520
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)	406,500	406,500	264,142,520	264,142,520

**DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)**

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares and share options of the Company or of related corporations, either at the beginning 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 of the Company as at 21 January 2005 were the same as those as at 31 December 2004 except as disclosed below:-

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 31.12.2004	At 21.1.2005	At 31.12.2004	At 21.1.2005
<b>Ordinary shares of \$0.25 each</b>				
Ong Choo Eng	–	100,000	276,900,520	276,900,520

**DIRECTORS' INTERESTS IN CONTRACTS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits 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, other than in the normal course of business and except as disclosed in this report and the accompanying financial statements.

**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.

The principal features of the 2001 Scheme had been set out in previous Directors' Reports.

**SHARE OPTIONS (CONT'D)**

**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					Outstanding as at end of financial year under review
	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		
Chew Loy Kiat	–	1,120,000	840,000	280,000	–	
Guan Meng Kuan	–	1,400,000	560,000	840,000	–	

As at 31 December 2004, details of 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 1.1.2004	Exercised	Lapsed/ Cancelled	Balance as at 31.12.2004	Adjusted Subscription Price	Date of Expiration
2.11.1999	484,000	(484,000)	–	–	\$0.45	1.11.2004

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 performed, *inter alia*, the functions specified in the Companies Act, Chapter 50. The functions performed are set out in the Corporate Governance Report.

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

**MATERIAL CONTRACTS INVOLVING THE INTERESTS OF CHIEF EXECUTIVE OFFICER, EACH DIRECTOR OR CONTROLLING SHAREHOLDER**

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving the interests of the chief executive officer, each director or controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company 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 and except that, a wholly-owned subsidiary company has entered into property joint ventures and related transactions with certain related corporations of Hong Leong Investment Holdings Pte. Ltd., a controlling shareholder of the Company as defined. The joint ventures relate to Hong Property Investments Pte Ltd and the residential development known as *The Pier at Robertson* in which a wholly-owned subsidiary company of the Company has an interest of 30% and 20% respectively.

**AUDITORS**

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

On behalf of the Directors,

**Ong Choo Eng**

Director

**Ong Mui Eng**

Director

Singapore

8 March 2005

# Statement By Directors

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, consolidated profit and loss account, consolidated statement 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 2004 and the results of the business, changes in equity and cash flows of the Group for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors,

**Ong Choo Eng**

Director

**Ong Mui Eng**

Director

Singapore

8 March 2005

# Auditors' Report

to the Members of Hwa Hong Corporation Limited

We have audited the accompanying financial statements of Hwa Hong Corporation Limited (the Company) and its subsidiary companies (the Group) set out on pages 24 to 69 for the financial year ended 31 December 2004. 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 consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

## **ERNST & YOUNG**

Certified Public Accountants

Singapore

## **Tan Chian Khong**

Partner

8 March 2005

# Consolidated Profit and Loss Accounts

for the financial year ended 31 December 2004

	Note	Group	
		2004	2003
		\$	\$
<b>Revenue</b>	3	53,938,650	46,334,951
Cost of sales	4	(29,473,009)	(24,229,691)
<b>Gross profit</b>		24,465,641	22,105,260
Other income	5	11,183,429	11,785,502
General and administrative costs	6	(14,810,414)	(15,291,493)
Selling and distribution costs		(3,639,605)	(3,345,082)
Other operating income/(costs)	7	849,364	774,790
<b>Operating profit</b>		18,048,415	16,028,977
Finance costs	8	(1,043,955)	(1,131,698)
Share of results of associated companies and unincorporated joint venture		(1,083,690)	(364,995)
<b>Profit before taxation</b>		15,920,770	14,532,284
Taxation	9	18,626	(1,027,536)
<b>Profit after taxation</b>		15,939,396	13,504,748
Minority interests		18,200	63,994
<b>Profit attributable to shareholders</b>		15,957,596	13,568,742
Earnings per share :	10		
Basic		2.44¢	2.08¢
Fully diluted		2.44¢	2.08¢

# Balance Sheets

as at 31 December 2004

	Note	Group		Company	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>EQUITY</b>					
Share capital	11	163,376,000	163,255,000	163,376,000	163,255,000
Reserves	12	264,317,416	261,056,662	264,317,416	261,056,662
<b>Share capital and reserves</b>		<b>427,693,416</b>	<b>424,311,662</b>	<b>427,693,416</b>	<b>424,311,662</b>
<b>Minority interests</b>		<b>7,662</b>	<b>25,862</b>	<b>—</b>	<b>—</b>
<b>Non-Current Liabilities</b>					
Bank loans (secured)	13	8,607,657	9,879,345	—	—
Deferred taxation	14	2,625,384	5,625,799	45,000	45,000
Other payables	16	163,348	150,285	—	—
Hire purchase creditors	17	—	36,729	—	—
Provision for outstanding claims	18	39,895,325	44,445,586	—	—
Provision for unearned premiums	19	11,841,073	13,462,272	—	—
Provision for premium deficiency	19	2,021,000	1,696,000	—	—
		<b>65,153,787</b>	<b>75,296,016</b>	<b>45,000</b>	<b>45,000</b>
		<b>492,854,865</b>	<b>499,633,540</b>	<b>427,738,416</b>	<b>424,356,662</b>
<b>ASSETS LESS LIABILITIES</b>					
<b>Non-Current Assets</b>					
Fixed assets	20	13,549,810	13,535,737	4,730,652	4,944,823
Investment properties	21	111,305,747	128,129,846	—	—
Investment in subsidiary companies	22	—	—	457,653,898	456,372,466
Investment in associated companies	15	57,801,376	59,255,768	—	—
Long term investments	23	85,525,535	100,355,256	3,322,767	3,322,767
Other receivables	24	318,833	356,984	—	—
<b>Reinsurer's share of technical provisions</b>					
Provision for unearned premiums	19	3,169,110	4,353,491	—	—
Provision for outstanding claims	18	8,551,617	7,890,399	—	—
Balance carried forward		<b>280,222,028</b>	<b>313,877,481</b>	<b>465,707,317</b>	<b>464,640,056</b>

## Balance Sheets

	Note	Group		Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Balance brought forward		280,222,028	313,877,481	465,707,317	464,640,056
<b>Current Assets</b>					
Inventories	25	367,926	386,631	—	—
Trade receivables	26	3,503,323	3,913,701	—	—
Deferred acquisition costs	19	2,254,435	2,138,395	—	—
Other receivables	24	3,838,168	4,198,606	79,659	1,214,193
Amounts due from subsidiary companies (non-trade)	22	—	—	11,421,466	10,300
Amounts due from affiliated companies	27	88,293	636,095	88,293	619,248
Amounts due from associated companies	15	105,762,973	93,978,850	—	—
Short term investments	28	54,320,193	43,157,180	—	—
Cash and cash equivalents	29	57,517,794	63,140,358	91,023	188,852
		227,653,105	211,549,816	11,680,441	2,032,593
<b>Current Liabilities</b>					
Trade payables and accruals		1,958,255	3,408,169	—	—
Advanced premium		973,687	982,559	—	—
Other payables	16	9,705,498	8,927,473	1,484,013	2,458,658
Hire purchase creditors	17	36,729	49,005	—	—
Amounts due to subsidiary companies (non-trade)	22	—	—	48,138,329	39,857,329
Bank overdraft, secured	30	458,481	129,229	—	—
Bank loans (secured)	13	1,170,882	10,801,275	—	—
Provision for taxation		716,736	1,496,047	27,000	—
		15,020,268	25,793,757	49,649,342	42,315,987
<b>Net Current Assets/(Liabilities)</b>		212,632,837	185,756,059	(37,968,901)	(40,283,394)
		492,854,865	499,633,540	427,738,416	424,356,662

The accounting policies and explanatory notes on pages 30 through 69 form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2004

	Note	Group	
		2004	2003
		\$	\$
<b>Share capital</b>			
Balance at the beginning of the year		163,255,000	163,240,000
Issue of ordinary shares		121,000	15,000
Balance at the end of the year	11	163,376,000	163,255,000
<b>Share premium</b>			
Balance at the beginning of the year		8,680,826	8,680,826
Premium on issue of shares		96,800	—
Balance at the end of the year	12	8,777,626	8,680,826
<b>Revenue reserve</b>			
Balance at the beginning of the year		121,215,620	120,379,597
Profit for the year		15,957,596	13,568,742
Dividends paid	31	(10,455,104)	(12,732,719)
Balance at the end of the year		126,718,112	121,215,620
<b>Capital reserve</b>			
Balance at the beginning of the year		130,070,127	150,590,060
Effect of INT FRS 19		—	(4,200,850)
Deferred tax arising from investment properties		154,208	(109,309)
Net (deficit)/surplus on revaluation of			
- investment properties		(3,008,115)	2,736,374
- associated company		—	(19,421,867)
Adjustment due to disposal of :			
- investment properties		(2,200,309)	—
- subsidiary companies		—	475,719
Balance at the end of the year		125,015,911	130,070,127
<b>Currency translation adjustment reserve</b>			
Balance at the beginning of the year		1,090,089	(1,494,452)
Effect of INT FRS 19		—	2,450,447
Exchange differences arising on consolidation		2,715,678	134,094
Balance at the end of the year		3,805,767	1,090,089
<b>Share capital and reserves</b>		<b>427,693,416</b>	<b>424,311,662</b>
<b>Net change in equity from non-owner sources excluding net profits</b>		<b>(2,338,538)</b>	<b>(17,935,392)</b>

The accounting policies and explanatory notes on pages 30 through 69 form an integral part of the financial statements.

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2004

	2004 \$	2003 \$
<b>Cash flow from operating activities :</b>		
Operating profit	18,048,415	16,028,977
Adjustments for :-		
Interest income	(7,510,698)	(7,430,279)
Depreciation and impairment loss on fixed assets	1,098,771	1,649,638
Exchange gain arising from adoption of INT FRS 19	-	(1,750,403)
Currency realignment	(1,835,626)	348,984
Negative goodwill amortised	-	(3,410,382)
Profit on sale of investment properties	(3,222,840)	(196,670)
Gain on sale of fixed assets	(113,325)	(14,757)
Loss on sale of associated companies	-	15,334
Provision for doubtful receivables from affiliated companies	411,122	272,039
Movement on provision for outstanding claims	4,912,469	8,425,635
Write-back of provision for unearned premiums	(68,509)	(806,793)
Fixed assets written off	-	18,003
	(6,328,636)	(2,879,651)
<b>Operating income before reinvestment in working capital</b>	11,719,779	13,149,326
(Increase)/decrease in receivables and short term investments	(10,564,960)	20,536,139
Decrease/(increase) in inventories	18,705	(123,316)
Decrease in payables	(826,934)	(1,707,012)
	(11,373,189)	18,705,811
<b>Cash generated from operations</b>	346,590	31,855,137
Net claims paid	(10,123,948)	(12,172,700)
Interest received	7,721,495	6,403,535
Interest paid	(1,043,955)	(1,131,698)
Income taxes paid	(3,606,892)	(341,721)
	(7,053,300)	(7,242,584)
<b>Net cash (used in)/generated from operating activities carried forward</b>	(6,706,710)	24,612,553

## Consolidated Cash Flow Statement

	2004	2003
	\$	\$
<b>Net cash (used in)/generated from operating activities brought forward</b>	(6,706,710)	24,612,553
<b>Cash flow from investing activities :</b>		
Purchase of investment properties	—	(1,506,357)
Purchase of fixed assets	(1,306,779)	(585,976)
Decrease in other investments	15,200,422	2,930,183
Proceeds from sale of investment properties	19,417,771	485,131
Amounts due from associated companies	(11,784,123)	(872,643)
Proceeds from disposal of fixed assets	279,313	14,757
Acquisition of associated companies	—	(144)
<b>Net cash generated from investing activities</b>	21,806,604	464,951
<b>Cash flow from financing activities:</b>		
Net repayment of term loans	(10,902,081)	(210,149)
Increase/(decrease) in overdraft	329,252	(178,797)
Payment from affiliated companies	136,680	3,000
Dividends paid	(10,455,104)	(12,732,719)
Repayment to hire purchase creditors	(49,005)	(49,005)
Proceeds from issue of shares	217,800	15,000
<b>Net cash used in financing activities</b>	(20,722,458)	(13,152,670)
Net (decrease)/increase in cash and cash equivalents	(5,622,564)	11,924,834
Cash and cash equivalents at the beginning of the year	63,140,358	51,215,524
<b>Cash and cash equivalents at the end of the year (note 29)</b>	57,517,794	63,140,358

# Notes to the Financial Statements

- 31 December 2004

The financial statements for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 8 March 2005.

## 1. CORPORATE INFORMATION

Hwa Hong Corporation Limited (the "Company") is a limited liability company, which 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, trading of consumer products and that of business development consultants and advisors, in relation to or in connection with business investments and projects of any kind.

The Group operates in Singapore, Malaysia, United Kingdom and China and employed 173 (2003 : 182) employees as of 31 December 2004. The Company employed 9 (2003 : 11) employees as of 31 December 2004.

The subsidiary and associated companies at 31 December 2004 are :-

### (a) Subsidiary companies

Name of company	Percentage of interest held		Place of incorporation	Cost of investment		Principal activities
	2004 %	2003 %		2004 \$'000	2003 \$'000	
<b>Held by the Company</b>						
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	41,890	41,890	Investment holding.
Tenet Insurance Company Ltd	15.7	15.7	Singapore	7,010	7,010	General insurance.
				<u>195,310</u>	<u>195,310</u>	

## 1. CORPORATE INFORMATION (CONT'D)

## (a) Subsidiary companies (cont'd)

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2004 %	2003 %		
<b>Held by Singapore Warehouse Company (Private) Ltd.</b>				
* 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	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.
**** 01-labs.com Pte Ltd	—	88.0	Singapore	Dormant.
*** Filedoor Limited	70.0	70.0	United Kingdom	Property investment. (Nominee Company)
<b>Held by Hwa Hong Edible Oil Industries Pte. Ltd.</b>				
***** Jining Ningfeng Chemical Industry Co., Limited	94.0	94.0	The People's Republic of China	Feed chemical manufacturer.
<b>Held by Hwa Hong Capital (Pte) Limited</b>				
Tenet Insurance Company Ltd	84.3	84.3	Singapore	General insurance.
<b>Held by Paco Industries Pte. Ltd.</b>				
***** Jining Paco Chemical Industry Co., Ltd	100.0	—	The People's Republic of China	Dormant.

## 1. CORPORATE INFORMATION (CONT'D)

## (b) Associated companies

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2004 %	2003 %		
<b>Held by Singapore Warehouse Company (Private) Ltd.</b>				
** Riverwalk Promenade Pte Ltd	50.0	50.0	Singapore	Leasing of property for rental income and property development.
** Hong Property Investments Pte Ltd	30.0	30.0	Singapore	Property investment.
*** Aronbrook Limited	50.0	50.0	United Kingdom	Property investment. <i>(Nominee Company)</i>
*** Vistawell Limited	50.0	50.0	United Kingdom	Property investment. <i>(Nominee Company)</i>
<b>Held by Thackeray Properties Limited</b>				
*** Matahari 461 Ltd	50.0	50.0	United Kingdom	Property management.

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

- \* Audited by affiliated firms of Ernst & Young, Singapore
- \*\* Audited by other firms - KPMG, Singapore
- \*\*\* Not required to be audited in the country of incorporation
- \*\*\*\* Dissolved during the year
- \*\*\*\*\* Audited by affiliated firm of Ernst & Young, Singapore for consolidation purpose
- \*\*\*\*\* Not required to be audited as the company is dormant

## 2. SIGNIFICANT ACCOUNTING POLICIES

## (a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

The financial statements have been prepared on a historical cost basis except that certain fixed assets, investment properties and investments are carried at revalued amounts.

The accounting policies have been consistently applied by the company and are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) 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 uniform accounting policies for like transactions and other events in similar circumstances.

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 carried at cost less accumulated amortisation.

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

### (c) 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. Goodwill is stated at cost less accumulated amortisation and any impairment.

#### (ii) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) 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 provision for unexpired risks is made in accordance with the accounting policy. Premium for any period in excess of one year is classified as "Provision for Unearned Premiums". In previous years, such premium was classified as "Deferred Premium".

Premium for policy that is issued prior to the date of commencement of the risk is classified as "Advance Premium". In previous years, such premium was classified 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 rendering of consulting services is recognised by reference to the stage of completion of the contract.

Revenue from dividend income is recognised when the Group's right to receive payment is established.

### (e) 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 capital reserve is insufficient to cover any deficit, then such deficit will be charged to the profit and loss account.

### (f) 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 except for those held with a view to disposal in the near future (note 2(p)), is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is included in the investment in associated companies 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)

### (g) 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.

### (h) 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.

### (i) 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.

The investments managed by fund managers are stated at the lower of cost and market value determined on an aggregate basis.

### (j) Inventories and work-in-progress

Inventories are stated at the lower of cost and net realisable value.

Cost includes other direct 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)

**(k) 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.

**(l) 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 carried at amortised cost, taking into account any discount or premium on settlement.

**(m) 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.

**(n) Deferred taxation**

Deferred income taxes are 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 subsidiary companies, associated companies 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)

### (o) 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.

### (p) Affiliated companies

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

### (q) 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.

### (r) Provision for outstanding claims

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 Group makes an additional provision for claims incurred during the year but which were not reported as at the balance sheet date.

### (s) 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 1/24<sup>th</sup> 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.

The provision for unearned premiums for marine cargo at the end of the period is calculated based on 25 per cent of 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (s) Provision for unearned premium and premium deficiency (cont'd)

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.

#### (t) Employee benefits

##### *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

##### *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 or obligation is recognised when the options are granted. When the options are exercised, equity is increased by the amount of proceeds received.

#### (u) 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 carrying value 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.

#### (v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

#### (w) Impairment

The carrying amounts of the Company's assets, other than investment properties (note 2(h)) 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 or a cash-generating unit exceeds its recoverable amount.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(w) Impairment (cont'd)**

An impairment loss is reversed only to the extent that 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.

**(x) Share capital**

The cost of shares repurchased by the Company is credited against revenue reserve. An amount equivalent to the par value of the shares repurchased is transferred to a capital redemption reserve.

**3. REVENUE**

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

	Group	
	2004	2003
	\$	\$
Dividend income from other investments	1,165,684	1,136,245
Gross written premiums	24,747,843	24,611,524
Rental and storage income	4,728,166	5,130,996
Trading sales	2,619,015	4,103,449
Interest income		
- associated companies	2,204,123	1,918,228
- financial institutions	1,030,278	705,498
- others	1,091,167	1,317,451
	4,325,568	3,941,177
Proceeds from sale of short term investments	16,352,374	6,661,560
Consultancy service income	—	750,000
	53,938,650	46,334,951

**4. COST OF SALES**

Included in cost of sales is :-

	Group	
	2004	2003
	\$	\$
Write-back of provision for unearned premiums	(68,509)	(806,793)

## Notes to the Financial Statements

### 5. OTHER INCOME

	Group	
	2004	2003
	\$	\$
Amortisation of premium	(105,769)	(83,053)
Interest income		
- quoted bonds	2,490,130	2,692,382
- financial institutions	300,267	328,031
- others	320,395	115,396
- affiliated companies	74,338	353,293
	3,185,130	3,489,102
Amortisation of negative goodwill	—	3,410,382
Dividend income from		
- quoted investments	1,020,386	720,713
- unquoted investments	60,969	14,100
	1,081,355	734,813
(Loss)/gain from sale of investments		
- loss on redemption of bond, stocks and government securities	(28,397)	(14,485)
- gain on sale of investment property	3,222,840	196,670
- gain/(loss) on sale of investment	210,627	(1,133,444)
	3,405,070	(951,259)
Exchange gain, net	2,742,158	4,315,142
Rental income	—	157,290
Management fee income from affiliated company	300,000	300,000
Gain on disposal of fixed assets	113,325	14,757
Gain on commutations	137,726	—
Sundry income	324,434	398,328
	<u>11,183,429</u>	<u>11,785,502</u>

## 6. GENERAL AND ADMINISTRATIVE COSTS

	Group	
	2004	2003
	\$	\$
Directors' fees		
- Directors of the Company	(211,000)	(198,000)
- other directors of a subsidiary company	(5,340)	(4,580)
Directors' remuneration		
- Directors of the Company		
- current year	(1,446,332)	(1,799,493)
- other directors of subsidiary companies	(74,997)	(83,697)
	(1,521,329)	(1,883,190)
Auditors' remuneration		
- auditors of the Company		
- current year	(179,510)	(179,020)
- underprovision in respect of prior year	(3,465)	(8,105)
	(182,975)	(187,125)
- other auditors of subsidiary companies		
- current year	(56,809)	(40,963)
- underprovision in respect of prior year	(18,594)	(15,280)
	(75,403)	(56,243)
	(258,378)	(243,368)
* There were no non-audit fees paid to auditors of the Company.		
Depreciation on fixed assets	(1,098,771)	(1,123,189)
Impairment losses on fixed assets	-	(526,449)
Fees paid to firms in which certain directors are members	(216,286)	(130,202)
Write-back/(provision) for doubtful debt		
- trade	56,435	44,314
- non-trade	12,293	(28,187)
Staff cost	(5,994,211)	(5,810,090)
CPF contribution	(551,453)	(659,803)

**7. OTHER OPERATING INCOME/(COSTS)**

	Group	
	2004	2003
	\$	\$
Provision for doubtful receivables from affiliated companies	(411,122)	(272,039)
Write-back/(provision) for impairment losses		
on long term investments		
- quoted equity investments	1,346,905	(1,794,100)
- unquoted non-equity investments	(68,000)	(629,703)
- unquoted equity investment	30,000	(1,770,127)
- unquoted bonds	(3,377)	(3,196)
Write-back/(provision) of impairment losses		
on short term investments		
- quoted equity investments	(53,053)	5,235,662
- quoted government securities	9,082	9,189
- unquoted bonds	(1,071)	(896)
	849,364	774,790

**8. FINANCE COSTS**

	Group	
	2004	2003
	\$	\$
<b>Interest expense</b>		
Bank loans and overdrafts	(1,037,340)	(1,117,667)
Hire purchase	(6,615)	(6,615)
Others	—	(7,416)
	(1,043,955)	(1,131,698)

## 9. TAXATION

Major components of income tax expense for the year ended 31 December were:

	Group	
	2004	2003
	\$	\$
Current taxation in respect of profit for the year	(1,383,529)	(2,007,577)
Underprovision in respect of prior years	(1,444,053)	(508)
	(2,827,582)	(2,008,085)
Share of tax of associated companies	–	(2,459)
Deferred taxation in respect of current year	157,802	(607,911)
Overprovision of deferred taxation in respect of prior years	2,688,406	1,590,919
	18,626	(1,027,536)
Tax expense reported in equity related to capital reserve	154,208	(109,309)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to profit before taxation for the years ended 31 December is as follows:

	Group	
	2004	2003
	%	%
Domestic statutory tax rates	20.0	22.0
Adjustments:		
Non taxable items	(30.5)	(6.8)
Over/(under)provision of tax	7.8	(10.6)
Deferred tax not recognised	5.1	2.8
Others	(2.5)	(0.3)
Effective tax rate	(0.1)	7.1

The Group has estimated tax losses of \$7,277,000 (2003 : \$5,621,000) 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 Section 23 and 37 of the Income Tax Act, Cap 134 and agreement by the Inland Revenue Authority of Singapore.

**10. EARNINGS PER SHARE**

- (a) Basic earnings per share (“EPS”) is calculated by dividing the Group profit attributable to shareholders of \$15,957,596 (2003 : \$13,568,742) by the weighted average number of ordinary shares in issue during the year of 653,357,205 (2003 : 652,975,123).
- (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:-

	Group	
	2004	2003
Weighted average number of ordinary shares in issue during the year	653,357,205	652,975,123
Increase in weighted average number of ordinary shares on the assumed exercise of options under the ESOS	—	95,077
Weighted average number of ordinary shares used in the calculation of fully diluted EPS	653,357,205	653,070,200

**11. SHARE CAPITAL**

	Group and Company			
	2004		2003	
	No. of shares	\$	No. of shares	\$
<b>Authorised</b>				
Balance at the beginning and the end of the year				
- ordinary shares of \$0.25 each	1,200,000,000	300,000,000	1,200,000,000	300,000,000
<b>Issued and paid-up</b>				
Balance at the beginning of the year	653,020,000	163,255,000	652,960,000	163,240,000
Issue of shares for cash at a premium of \$0.20 (2003 : nil)	484,000	121,000	60,000	15,000
Balance at the end of the year	653,504,000	163,376,000	653,020,000	163,255,000

**Share repurchase**

At an Extraordinary General Meeting of the Company held on 7 November 2003, shareholders of the Company had approved the grant of a general mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares of \$0.25 each (the “Share Purchase Mandate”). The terms of the Share Purchase Mandate were set out in the Company’s Circular to Shareholders dated 15 October 2003. The Share Purchase Mandate was renewed on 23 April 2004.

**11. SHARE CAPITAL (CONT'D)**

The Directors believe that share repurchase is an expedient, effective and cost-effective way for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to shareholders.

The Company did not repurchase any shares during the financial year.

**12. RESERVES**

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Share premium	8,777,626	8,680,826	8,777,626	8,680,826
Revenue reserve	126,718,112	121,215,620	23,497,198	21,614,676
Capital reserve	125,015,911	130,070,127	232,042,592	230,761,160
Currency translation adjustment reserve	3,805,767	1,090,089	—	—
	<u>264,317,416</u>	<u>261,056,662</u>	<u>264,317,416</u>	<u>261,056,662</u>

Movement in reserves of the Group is disclosed in the Consolidated Statement of Changes in Equity. Movement in reserves of the Company is set out below:-

	Company and Group	
	2004	2003
	\$	\$
<b>Share premium</b>		
Balance at the beginning of the year	8,680,826	8,680,826
Premium on issue of shares	96,800	—
Balance at the end of the year	<u>8,777,626</u>	<u>8,680,826</u>
<b>Revenue reserve</b>		
Balance at the beginning of the year	21,614,676	32,054,606
Profit for the year	12,337,626	2,292,789
Dividends paid	(10,455,104)	(12,732,719)
Balance at the end of the year	<u>23,497,198</u>	<u>21,614,676</u>

## 12. RESERVES (CONT'D)

	Company	
	2004	2003
	\$	\$
<b>Capital reserve</b>		
Balance at the beginning of the year	230,761,160	237,420,599
Net surplus/(deficit) on revaluation of subsidiary companies	1,281,432	(6,659,439)
Balance at the end of the year	232,042,592	230,761,160

## 13. BANK LOANS (SECURED)

	Group	
	2004	2003
	\$	\$
Non-current portion of long term bank loans	8,607,657	9,879,345
Current portion of long term bank loans	198,406	8,737,474
Short term bank loans	972,476	2,063,801
	1,170,882	10,801,275
Total bank loans	9,778,539	20,680,620
Amount repayable within one year	1,170,882	10,801,275
Amount repayable between two and five years	8,607,657	9,879,345
	9,778,539	20,680,620

Long term bank loans of \$8,806,063 (2003 : \$18,616,819) and short term bank loan of \$872,976 (2003 : \$1,356,012) are secured by a fixed charge over subsidiary companies' investment properties. Repayments are made quarterly. Interest is charged at 1.5% and 1.25% (2003 : 1.5% and 1.25%) per annum over LIBOR.

Short term bank loans of \$99,500 (2003 : \$707,789) have varying maturities and are secured by a fixed charge over a subsidiary company's plant & machinery. Interest is charged at 5.49% to 6.9% (2003 : 5.04% to 6.6%) per annum.

**14. DEFERRED TAXATION**

Deferred taxation is due to temporary difference associated with:

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Foreign income not remitted	—	2,833,419	—	—
Revaluation of investment property	2,580,384	2,692,796	—	—
Others	45,000	99,584	45,000	45,000
	2,625,384	5,625,799	45,000	45,000

**15. ASSOCIATED COMPANIES**

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Unquoted shares, at cost	53,000,288	53,000,288	—	—
Share of reserves	4,801,088	6,255,480	—	—
	57,801,376	59,255,768	—	—
Loans due from associated companies	105,762,973	93,978,850	—	—
	163,564,349	153,234,618	—	—
The share of reserves is made up as follows :-				
Capital reserve	907,285	907,285	—	—
Revenue reserve	3,893,803	5,348,195	—	—
	4,801,088	6,255,480	—	—

Loans due from associated companies of \$11,460,247 (2003 : \$10,776,904) and \$94,302,726 (2003 : \$83,189,697) are charged at 2.5% (2003 : 2.5% - 3%) and 1.85% - 2.61% (2003 : 1.81% - 2.18%) per annum respectively. All loans due from associated company have no fixed terms of repayment.

Loans due from associated companies include an amount of \$94,302,726 (2003 : \$83,201,947) which is subordinated to the repayment of borrowings of an associated company.

**16. OTHER PAYABLES**

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>Current</b>				
Deposits	110,854	255,572	—	—
Unclaimed dividends	37,217	37,217	37,217	37,217
Deferred reinsurance commissions	160,833	1,484	—	—
Cash collateral received from insurer's customers	2,845,616	2,114,498	—	—
Deferred income	49,583	583,688	49,583	583,688
Provision for corporate guarantee	799,500	799,500	799,500	799,500
Accrued expenses	3,004,017	2,091,604	500,921	671,800
Sundry payables	2,697,878	3,043,910	96,792	366,453
	9,705,498	8,927,473	1,484,013	2,458,658
<b>Non-current</b>				
Tenancy deposits	163,348	150,285	—	—

**17. HIRE PURCHASE CREDITORS**

	Group			
	Minimum payment 2004 \$	Present value of payments 2004 \$	Minimum payment 2003 \$	Present value of payments 2003 \$
	Within one year	41,690	36,729	55,620
After one year but not more than five years	—	—	41,690	36,729
Total minimum payments	41,690	36,729	97,310	85,734
Less : Amounts representing finance charges	(4,961)	—	(11,576)	—
Present value of minimum payments	36,729	36,729	85,734	85,734

Interest rate implicit in the hire purchase agreement is approximately 2.7% (2003 : 2.7%).

**18. PROVISION FOR OUTSTANDING CLAIMS**

	Group	
	2004	2003
	\$	\$
Gross outstanding claims	39,895,325	44,445,586
Reinsurers' share of outstanding claims	(8,551,617)	(7,890,399)
Net outstanding claims	<u>31,343,708</u>	<u>36,555,187</u>
Movement in provision:-		
Balance at the beginning of the year	36,555,187	40,302,252
Net claims paid	(10,123,948)	(12,172,700)
Net claims incurred	<u>4,912,469</u>	<u>8,425,635</u>
Net outstanding claims	<u>31,343,708</u>	<u>36,555,187</u>

Incurred claims development experience during 2004 for prior years' claims has been favourable for all lines of business. In line with the recommendation of its actuary, the insurance subsidiary company adjusted its prior years' provision for outstanding claims and recognised a write back of \$9.2 million and \$4.8 million of provision for outstanding claims for prior years in the profit and loss account for the year ended 31 December 2004 and 31 December 2003, respectively.

**19. PROVISION FOR UNEARNED PREMIUMS**

	Group	
	2004	2003
	\$	\$
Gross unearned premium	11,841,073	13,462,272
Reinsurers' share of unearned premium	(3,169,110)	(4,353,491)
Gross deferred acquisition costs	(2,254,435)	(2,138,395)
Provision for premium deficiency	2,021,000	1,696,000
Deferred reinsurance commissions (Note 16)	<u>160,833</u>	<u>1,484</u>
Net outstanding claims	<u>8,599,361</u>	<u>8,667,870</u>
Movement in provision:-		
Balance at the beginning of the year	8,667,870	9,474,663
Write-back during the year	<u>(68,509)</u>	<u>(806,793)</u>
Balance at the end of the year	<u>8,599,361</u>	<u>8,667,870</u>

## 20. FIXED ASSETS

Group	Leasehold land and buildings \$	Plant and machinery \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
<b>Cost</b>				
As at 1 January 2004	13,130,010	317,142	6,218,206	19,665,358
Additions	155,220	—	1,151,559	1,306,779
Disposals	—	—	(1,047,988)	(1,047,988)
Currency realignment	(7,782)	(7,430)	(47,350)	(62,562)
As at 31 December 2004	13,277,448	309,712	6,274,427	19,861,587
<b>Accumulated depreciation</b>				
As at 1 January 2004	874,723	217,009	5,037,889	6,129,621
Charge for the year	285,275	75,675	737,821	1,098,771
Disposals	—	—	(882,000)	(882,000)
Currency realignment	(2,066)	(4,028)	(28,521)	(34,615)
As at 31 December 2004	1,157,932	288,656	4,865,189	6,311,777
Charge for 2003	284,805	63,460	774,924	1,123,189
<b>Net book value</b>				
As at 31 December 2004	12,119,516	21,056	1,409,238	13,549,810
As at 31 December 2003	12,255,287	100,133	1,180,317	13,535,737

As at 31 December 2004, the net book value of fixed assets under hire purchase agreements for the Group amounted to \$49,667 (2003 : \$116,667).

The Group's properties are listed in note 38 to the financial statements.

## 20. FIXED ASSETS (CONT'D)

Company	Leasehold land and buildings \$	Furniture, motor vehicles, computers and other equipment \$	Total \$
<b>Cost</b>			
As at 1 January 2004 and 31 December 2004	5,165,495	798,520	5,964,015
<b>Accumulated depreciation</b>			
As at 1 January 2004	480,513	538,679	1,019,192
Charge for the year	120,128	94,043	214,171
As at 31 December 2004	600,641	632,722	1,233,363
Charge for 2003	120,128	87,459	207,587
<b>Net book value</b>			
As at 31 December 2004	4,564,854	165,798	4,730,652
As at 31 December 2003	4,684,982	259,841	4,944,823

## 21. INVESTMENT PROPERTIES

	2004 \$	Group 2003 \$
Investment properties, at valuation	111,305,747	128,129,846
Balance at the beginning of the year	128,129,846	122,446,568
Currency realignment	4,625,094	1,683,172
Addition during the year	—	1,506,357
Disposal during the year	(18,441,078)	(242,625)
(Deficit)/surplus arising on revaluation of investment properties	(3,008,115)	2,736,374
Balance at the end of the year	111,305,747	128,129,846

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 2004. The valuations have been done on the basis of open market valuation.

The net revaluation deficit of \$3,008,115 (2003 : surplus of \$2,736,374) is taken to the capital reserve.

The Group's investment properties are listed in note 38 to the financial statements.

**21. INVESTMENT PROPERTIES (CONT'D)**

An investment property in Singapore, amounting to \$33,514,000 (2003 : \$36,554,000) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary company. The banking facilities were not utilised during the financial year.

Investment properties in the United Kingdom, amounting to \$14,309,057 (2003 : \$28,097,317) are mortgaged to a bank to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2004 amounted to \$9,679,039 (2003 : \$19,972,831).

**22. SUBSIDIARY COMPANIES**

	Company	
	2004	2003
	\$	\$
Unquoted shares, at directors' valuation	457,653,898	456,372,466
Amounts due to subsidiary companies, non-trade	(48,138,329)	(39,857,329)
Amounts due from subsidiary companies, non-trade	11,421,466	10,300
	420,937,035	416,525,437

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

**23. LONG TERM INVESTMENTS**

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Investments, net of provision for impairment losses :-				
- Quoted equity investments	2,242,625	899,480	—	—
- Quoted bonds	24,562,207	26,798,443	1,000,010	1,000,010
- Unquoted equity investments	4,217,027	2,769,351	270,227	270,227
- Unquoted non-equity investments	15,076,794	22,688,700	52,530	52,530
- Unquoted bonds	31,143,930	39,342,668	2,000,000	2,000,000
- Unincorporated joint venture	8,282,952	7,856,614	—	—
	85,525,535	100,355,256	3,322,767	3,322,767

Unincorporated joint venture relates to the Group's interest in a joint venture residential development with an external party. The Group's interest in the joint venture is 20%. Included in unincorporated joint venture is an amount of \$370,701 (2003 : Nil) relating to the Group's share of its revenue reserve.

Included in the unquoted non-equity investments is an amount of \$1,355,260 which is placed with a professional fund manager who is given discretionary powers within certain guidelines to invest the funds. Included in the unquoted equity investment is an amount of \$885,570 (2003 : \$885,570) relating to investment in an affiliated company.

**23. LONG TERM INVESTMENTS (CONT'D)**

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Investments are stated after providing for impairment losses of :-				
- Quoted equity investments (note 23a)	(6,727,875)	(8,074,780)	—	—
- Unquoted equity investments (note 23b)	(10,879,875)	(10,909,875)	(83,440)	(83,440)
- Unquoted non-equity investments (note 23c)	(1,193,427)	(1,125,427)	—	—
- Unquoted bonds (note 23d)	(403,115)	(399,738)	—	—
	<u>(19,204,292)</u>	<u>(20,509,820)</u>	<u>(83,440)</u>	<u>(83,440)</u>
Quoted investments at market value :-				
- Equity investments	3,588,200	6,284,246	—	—
- Bonds	25,947,570	26,470,675	1,010,000	1,010,000
	<u>29,535,770</u>	<u>32,754,921</u>	<u>1,010,000</u>	<u>1,010,000</u>

**23a. Provision for impairment losses of quoted equity investments**

	Group	
	2004 \$	2003 \$
Balance at the beginning of the year	(8,074,780)	(6,280,680)
Write-back/(charge) to profit and loss account	1,346,905	(1,794,100)
Balance at the end of the year	<u>(6,727,875)</u>	<u>(8,074,780)</u>

**23b. Provision for impairment losses of unquoted equity investments**

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Balance at the beginning of the year	(10,909,875)	(9,139,748)	(83,440)	(83,440)
Write-back/(charge) to profit and loss account	30,000	(1,770,127)	—	—
Balance at the end of the year	<u>(10,879,875)</u>	<u>(10,909,875)</u>	<u>(83,440)</u>	<u>(83,440)</u>

**23c. Provision for impairment losses of unquoted non-equity investments**

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Balance at the beginning of the year	(1,125,427)	(530,724)	—	(35,000)
Charge to profit and loss account	(68,000)	(629,703)	—	—
Amount written off during the year	—	35,000	—	35,000
Balance at the end of the year	(1,193,427)	(1,125,427)	—	—

**23d. Provision for impairment loss of unquoted bonds**

	Group	
	2004 \$	2003 \$
Balance at the beginning of the year	(399,738)	(396,542)
Charge to profit and loss account	(3,377)	(3,196)
Balance at the end of the year	(403,115)	(399,738)

**24. OTHER RECEIVABLES**

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Tax recoverable	1,020,607	1,100,441	—	1,122,579
Prepayments and deposits	289,668	653,902	50,815	63,779
Sundry receivables	973,000	735,104	—	—
Dividend receivable	292,533	192,306	—	—
Interest receivable	1,194,319	1,405,116	23,101	23,167
Staff loans	44,872	106,937	—	—
Staff advances	8,424	132	—	—
Other recoverables	14,745	4,668	5,743	4,668
	3,838,168	4,198,606	79,659	1,214,193

## 24. OTHER RECEIVABLES (CONT'D)

	Group	
	2004	2003
	\$	\$
Staff loans	222,738	329,747
Due within 12 months	(44,872)	(106,937)
Due after 12 months	177,866	222,810
Staff loans due after 12 months	177,866	222,810
Other loan receivable	1,077,362	1,120,013
Less : Allowance for doubtful receivables		
Balance at the beginning of the year	(985,839)	(977,002)
Write-back/(charge) to profit and loss account	12,293	(28,187)
Exchange differences arising on translation	37,151	19,350
Balance at the end of the year	(936,395)	(985,839)
Total other receivables included in non-current assets	318,833	356,984

## 25. INVENTORIES

	Group	
	2004	2003
	\$	\$
<b>At cost</b>		
Raw materials	249,891	269,062
Work-in-progress	49,241	74,572
Finished goods	68,794	42,997
	367,926	386,631

## 26. TRADE RECEIVABLES

	Group	
	2004	2003
	\$	\$
Trade receivables are stated after provision for doubtful debts of	(528,594)	(706,765)
Analysis of provision for doubtful debts :-		
Balance at the beginning of the year	(706,765)	(817,441)
Amount utilised	121,736	62,673
Write-back of provision	56,435	44,314
Exchange differences arising from translation	—	3,689
Balance at the end of the year	(528,594)	(706,765)

**27. AMOUNTS DUE FROM AFFILIATED COMPANIES**

	Group		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Amounts due from affiliated companies, non-trade	3,870,786	2,675,240	244,931	775,886
Loans due from affiliated companies	—	1,337,286	—	—
	3,870,786	4,012,526	244,931	775,886
Less : Provision for doubtful debts	(3,782,493)	(3,376,431)	(156,638)	(156,638)
	88,293	636,095	88,293	619,248
Analysis of provision for doubtful debts :-				
Balance at the beginning of the year	(3,376,431)	(3,104,392)	(156,638)	(156,638)
Amount utilised	5,060	—	—	—
Charge to profit and loss account	(411,122)	(272,039)	—	—
Balance at the end of the year	(3,782,493)	(3,376,431)	(156,638)	(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 5.12% - 9% (2003 : 5.12% - 9%) per annum, are unsecured and have no fixed terms of repayment.

**28. SHORT TERM INVESTMENTS**

	Group	
	2004 \$	2003 \$
Investments, net of provision for impairment losses :-		
- Unquoted equity investments	1,113,860	—
- Quoted equity investments	27,232,748	25,477,180
- Quoted bonds, debenture and loan stocks	—	1,000,000
- Quoted government securities	3,500,000	3,500,000
- Unquoted bonds and floating rate notes	18,241,502	13,180,000
- Investment under fund management	4,232,083	—
	54,320,193	43,157,180
Investments are stated after providing for impairment losses of :-		
- Quoted equity investments (note 28a)	(53,053)	—
- Quoted government securities (note 28b)	(819)	(9,901)
- Unquoted bonds and floating rate notes (note 28c)	(1,967)	(896)
	(55,839)	(10,797)

## 28. SHORT TERM INVESTMENTS (CONT'D)

	Group	
	2004	2003
	\$	\$
Amounts placed under investment fund management can be analysed as follows :-		
- Quoted investments	3,881,110	—
- Cash held by fund manager	350,973	—
	4,232,083	—

The Group places fund with certain professional fund managers who are given discretionary powers within certain guidelines to invest the funds.

Quoted investments at market value :-

- Equity investments	32,863,997	27,109,951
- Bonds, debenture and loan stocks	—	1,000,000
- Investment under fund management	4,424,156	—
- Government securities	3,500,000	3,617,950
	40,788,153	31,727,901

## 28a. Provision for impairment losses of quoted equity investments

	Group	
	2004	2003
	\$	\$
Balance at the beginning of the year	—	(5,420,845)
(Charge)/write-back to profit and loss account	(53,053)	5,235,662
Amount written off during the year	—	185,183
Balance at the end of the year	(53,053)	—

## 28b. Provision for impairment losses of quoted government securities

	Group	
	2004	2003
	\$	\$
Balance at the beginning of the year	(9,901)	(19,090)
Write-back during the year	9,082	9,189
Balance at the end of the year	(819)	(9,901)

**28c. Provision for impairment losses of unquoted bonds and floating rate notes**

	Group	
	2004	2003
	\$	\$
Balance at the beginning of the year	(896)	–
Charge to profit and loss account	(1,071)	(896)
Balance at the end of the year	(1,967)	(896)

**29. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Fixed deposits	52,475,087	55,303,869	–	–
Cash and bank balances	5,042,707	7,836,489	91,023	188,852
	57,517,794	63,140,358	91,023	188,852

Included in above are:-

Fixed deposits held as cash collateral against performance bonds issued on behalf of customers	2,759,047	2,066,731	–	–
Cash collateral for banking facilities granted to subsidiary companies	2,857,050	2,679,750	–	–
Fixed deposits pledged to the Monetary Authority of Singapore as statutory deposit required under Insurance Act	500,000	500,000	–	–
	6,116,097	5,246,481	–	–

**30. BANK OVERDRAFT, SECURED**

The bank overdrafts are covered by a corporate guarantee given by a subsidiary company and supported by a first charge over the subsidiary company's fixed deposits. Interest is charged at 0.75% per annum over the Sterling Pound base rate.

**31. DIVIDENDS**

	Group	
	2004	2003
	\$	\$
In respect of financial year ended 31 December 2002:		
- final ordinary dividend of 3% less 22% tax	–	(3,819,815)
- special dividend of 3% less 22% tax	–	(3,819,815)
In respect of financial year ended 31 December 2003:		
- interim dividend of 4% less 22% tax	–	(5,093,089)
- final ordinary dividend of 4% less 20% tax	(5,227,552)	–
In respect of financial year ended 31 December 2004:		
- interim dividend 4% less 20% tax	(5,227,552)	–
	(10,455,104)	(12,732,719)

The Directors of the Company have recommended a final ordinary dividend of 4% less 20% tax amounting to about \$5,228,032 be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.

**32. INTEREST IN JOINT VENTURE**

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

	Group	
	2004	2003
	\$	\$
Current assets	1,001,264	1,563,801
Non-current assets	14,353,819	28,097,317
Total assets	15,355,083	29,661,118
Current liabilities	(1,817,358)	(11,302,187)
Non-current liabilities	(8,607,657)	(9,879,345)
Net assets	4,930,068	8,479,586
Revenue	1,468,666	1,758,455
Other income	1,294,809	8,450
Expenses	(1,195,338)	(1,445,389)
Profit	1,568,137	321,516

**33. 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	
	2004	2003	2004	2003
	\$	\$	\$	\$
Management fees received and receivables from subsidiary companies	—	—	(11,636,316)	(595,140)
Insurance premiums paid to a subsidiary company	—	—	5,596	14,478
Corporate bookkeeping and secretarial services fee received from subsidiary companies	—	—	(8,484)	(5,472)

Other transactions with related parties are disclosed in notes 3 and 5.

**34. COMMITMENT AND CONTINGENCIES**

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>(a) Contingent liabilities</b>				
Guarantees given to financial institutions in connection with facilities given to a subsidiary company and associated companies	2,857,050	37,652,811	15,000,000	15,000,000
Guarantees given to financial institutions in connection with facilities given to associated companies	9,679,041	9,801,921	—	—
<b>(b) Commitments</b>				
Capital expenditure commitments	8,800,000	14,900,000	—	—
Capital contribution for new subsidiary	459,220	—	—	—
Unquoted investment	992,000	—	—	—

**35. 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	
	2004	2003
	\$	\$
Within one year	4,975	251,562
Between two and five years	19,900	33,990
After five years	215,915	84,048
	240,790	369,600

Rental expense was \$Nil (2003 : \$729,573) for the financial year ended 31 December 2004.

**36. DIRECTORS' REMUNERATION**

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

	2004	2003
\$500,000 and above	1	2
\$250,000 to \$499,999	1	1
Below \$250,000	7	6
	9	9

**37. GROUP SEGMENTAL INFORMATION**

At 31 December 2004, the Group is organised into three main business segments:

- (i) Warehousing and Property - rental of residential and commercial properties and warehousing operations.
- (ii) Insurance and Investment - general insurance and investment holding.
- (iii) Manufacturing and Trading - manufacturing and trading of chemicals and packing and trading of edible oils.

Inter-segment transactions are determined on an arm's length basis. Segment assets consist primarily of investment properties, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to fixed assets and investment properties.

The Group's three business segments operate in three main geographical areas:

- (i) Singapore - the areas of operation mainly arise from investment holding, warehousing operations, general insurance activities and trading of chemicals and edible oils.
- (ii) United Kingdom - the areas of operation mainly arise from rental of residential and commercial properties.
- (iii) Other countries - the main activities are manufacturing and trading of chemicals.

## Notes to the Financial Statements

### 37. GROUP SEGMENTAL INFORMATION (CONT'D)

#### By Business Segments

	Warehousing & Property		Insurance & Investment	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>Segment Revenue</b>				
External	4,728,167	5,130,996	46,591,469	37,100,506
Inter Segment	29,100	–	8,370,391	106,161,608
Total Revenue	4,757,267	5,130,996	54,961,860	143,262,114
Operating profit/(loss)	5,693,704	4,730,266	22,067,879	105,537,377
Finance costs				
Share of results of associates and unincorporated joint venture				
Profit before tax				
Tax				
Profit after tax				
Minority interest				
Profit attributable to shareholders				

Note: Additional internal management fees of \$9,772,867 in respect of previous years under recovery charged by the Company to the subsidiaries during the year have not been reflected in the various segments as it would distort the trend of results reported for each segment.

Manufacturing & Trading		Eliminations		Total	
2004	2003	2004	2003	2004	2003
\$	\$	\$	\$	\$	\$
2,619,014	4,103,449	—	—	53,938,650	46,334,951
1,481,788	1,902,373	(9,881,279)	(108,063,981)	—	—
4,100,802	6,005,822	(9,881,279)	(108,063,981)	53,938,650	46,334,951
(2,707,223)	(2,117,711)	(7,005,945)	(91,940,955)	18,048,415	16,028,977
				(1,043,955)	(1,131,698)
				(1,083,690)	(364,995)
				15,920,770	14,532,284
				18,626	(1,027,536)
				15,939,396	13,504,748
				18,200	63,994
				15,957,596	13,568,742

## Notes to the Financial Statements

### 37. GROUP SEGMENTAL INFORMATION (CONT'D)

#### By Business Segments (cont'd)

	Warehousing & Property		Insurance & Investment	
	2004 \$	2003 \$	2004 \$	2003 \$
Segment Assets	118,868,443	134,715,976	838,947,418	821,052,088
Investment in associated companies	10	10	57,801,366	59,255,758
	118,868,453	134,715,986	896,748,784	880,307,846
Unallocated Assets				
Total Assets				
Segment Liabilities	(26,065,846)	(28,304,776)	(120,772,644)	(112,674,741)
Unallocated Liabilities				
Total Liabilities				
Capital expenditure	2,377	1,794,979	1,134,241	264,150
Depreciation and impairment loss on fixed assets	140,640	101,534	805,338	847,826
Other non-cash expenses/(income)	(24,919)	22,000	(13,816)	28,187
(Write-back)/provision for impairment losses	—	—	(764,297)	11,166,420

#### By Geographical Segments

	Singapore		United Kingdom	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>Revenue</b>				
External	49,586,643	40,240,297	3,776,094	4,032,743
Inter Segment	9,881,279	106,525,175	—	—
Total Revenue	59,467,922	146,765,472	3,776,094	4,032,743
Segment Assets	1,015,041,610	1,003,309,942	81,216,158	93,948,174
Capital expenditure	1,148,992	484,847	—	1,574,282

Manufacturing & Trading		Eliminations		Total	
2004	2003	2004	2003	2004	2003
\$	\$	\$	\$	\$	\$
2,725,562	4,440,199	(592,518,295)	(576,510,316)	368,023,128	383,697,947
—	—	—	—	57,801,376	59,255,768
2,725,562	4,440,199	(592,518,295)	(576,510,316)	425,824,504	442,953,715
				82,050,629	82,473,582
				507,875,133	525,427,297
(7,336,356)	(1,864,297)	87,616,660	69,771,471	(66,558,186)	(73,072,343)
				(13,615,869)	(28,017,430)
				(80,174,055)	(101,089,773)
170,161	33,204	—	—	1,306,779	2,092,333
152,793	700,278	—	—	1,098,771	1,649,638
1,082,042	306,138	(640,927)	—	402,380	356,325
767,315	840,000	(1,263,504)	(13,053,249)	(1,260,486)	(1,046,829)
Others		Eliminations		Total	
2004	2003	2004	2003	2004	2003
\$	\$	\$	\$	\$	\$
575,913	2,061,911	—	—	53,938,650	46,334,951
—	1,538,806	(9,881,279)	(108,063,981)	—	—
575,913	3,600,717	(9,881,279)	(108,063,981)	53,938,650	46,334,951
4,135,660	4,679,497	(592,518,295)	(576,510,316)	507,875,133	525,427,297
157,787	33,204	—	—	1,306,779	2,092,333

**38. MAJOR PROPERTIES OWNED BY THE GROUP**

Location	Type/Usage	Area
<b>Held by the Company</b>		
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.
<b>Held by Subsidiary Companies</b>		
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.	—
26 Charles II Place 77 King's Road, Chelsea London SW3 4NG, United Kingdom	Freehold. 1 unit of residential townhouse.	Net lettable area of 1,800 sq. feet.

## 38. MAJOR PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Type/Usage	Area
<b>Held by Subsidiary Companies (cont'd)</b>		
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Freehold. Office.	Gross floor area of about 1,690 sq. feet.
50% interest in Riverview House Beavor Lane Hammersmith London W6, United Kingdom	Freehold. Office building.	Gross floor area of about 40,000 sq. feet.
11 Collyer Quay #09-00 The Arcade Singapore 049317	99 years lease from 1980. Office.	Gross floor area of about 8,027 sq. feet. Net lettable area of 6,974 sq. feet.
50 % interest in Hollins Hall United Kingdom	Freehold. 4 units of retirement homes.	—
<b>Held by Associated Companies</b>		
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.

### 39. FINANCIAL RISK MANAGEMENT

#### (i) 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.

##### (a) 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.

##### (b) Liquidity risk

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

##### (c) 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 was no significant concentration of credit risks.

##### (d) 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.

#### (ii) 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 carrying value of \$4,217,027 (2003 : \$2,769,351). 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.

**40. COMPARATIVES**

Comparatives in the financial statements have been changed from the previous year due to the recognition of the full amount of gross premium from long term insurance contracts and the reversal of the unearned portion to “Provision for Unearned Premiums” account.

	2003	
	\$	
Provision for unearned premiums		
Provision for unearned premiums before the reclassification		7,162,268
Reclassification from deferred premium		2,488,161
Amount reclassified to advance premium		(982,559)
Provision for unearned premiums after the reclassification		<u>8,667,870</u>
	As reclassified 2003 \$	As previously reported 2003 \$
Revenue	46,334,951	40,452,600
Cost of sales	<u>(24,229,691)</u>	<u>(18,347,340)</u>

The Group had accounted for disposal of short term investments as profit or loss on disposal of short term investments in its revenue. During the year under review, such disposal of short term investments had been included in revenue as proceeds from disposal of short term investments and a corresponding adjustment was also included in cost of sales. The change would provide a better indication of the level of trading activities of the Group. There is no impact on gross profit and operating results of the Group. The comparative figures for the previous year had been restated to conform with the current year’s presentation.

# Shareholding Statistics

as at 7 March 2005

Authorised share capital	:	\$300,000,000
Issued and fully paid share capital	:	\$163,376,000
Number of shareholders	:	4,766
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	175	3.67	64,790	0.01
1,000 - 10,000	2,449	51.38	14,305,020	2.19
10,001 - 1,000,000	2,113	44.34	99,115,886	15.17
1,000,001 and above	29	0.61	540,018,304	82.63
Total	4,766	100.00	653,504,000	100.00

## TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. HSBC (Singapore) Nominees Pte Ltd	133,701,776	20.46
2. Oversea-Chinese Bank Nominees Pte Ltd	73,144,000	11.19
3. Ong Holdings (Private) Limited	49,786,000	7.62
4. Hong Leong Enterprises Pte. Ltd.	45,664,000	6.99
5. United Overseas Bank Nominees Pte Ltd	44,130,700	6.75
6. Tudor Court Gallery Pte Ltd	29,940,000	4.58
7. DBS Nominees Pte Ltd	27,969,248	4.28
8. Starich Investments Pte. Ltd.	24,942,000	3.82
9. Welkin Investments Pte Ltd	21,296,000	3.26
10. Ely Investments (Pte) Ltd.	13,642,000	2.09
11. City Developments Realty Limited	13,329,000	2.04
12. Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
13. OCBC Nominees Singapore Pte Ltd	10,147,000	1.55
14. Citibank Nominees Singapore Pte Ltd	9,732,000	1.49
15. UOB Kay Hian Pte Ltd	7,264,548	1.11
16. Guan Meng Kuan	5,550,860	0.85
17. Chew Cheng Hoi Investments Pte Ltd	2,153,584	0.33
18. Hong Leong Finance Nominees Pte Ltd	1,871,000	0.29
19. Phillip Securities Pte Ltd	1,709,028	0.26
20. Goodland Private Limited	1,600,000	0.24
	529,058,240	80.96

**EXTRACT FROM REGISTER OF SUBSTANTIAL SHAREHOLDERS**

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%
Ong Holdings (Private) Limited	227,081,676	36,176,844	263,258,520	40.284%
Ong Choo Eng	100,000	276,900,520	277,000,520	42.387%
Ong Mui Eng	4,547,248	263,580,268	268,127,516	41.029%
Ong Hian Eng	3,062,604	263,643,520	266,706,124	40.812%
Ong Kwee Eng	—	264,859,020	264,859,020	40.529%
Ong Eng Loke	406,500	264,142,520	264,549,020	40.482%
Ong Eng Yaw	25,000	263,258,520	263,283,520	40.288%
Hong Leong Enterprises Pte. Ltd.	45,664,000	24,942,000	70,606,000	10.804%
Hong Leong Investment Holdings Pte. Ltd.	—	132,177,248	132,177,248	20.226%
Kwek Holdings Pte Ltd	—	132,177,248	132,177,248	20.226%
Davos Investment Holdings Private Limited	—	132,177,248	132,177,248	20.226%

**Notes:**

- Ong Holdings (Private) Limited (“OH”) is deemed under Section 7 of the Companies Act, Chapter 50 (the “Act”) to have an interest in the shares held by its wholly owned subsidiaries, Bee Tong Trading Company Private Limited (“Bee Tong”) and International Foundation Engineering Pte. Ltd. (“IFE”).
- Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong, IFE and Ely Investments (Pte) Ltd., in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Mui Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, Bee Tong and IFE, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Hian Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong, IFE and Fica (Pte) Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, Bee Tong and IFE, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong, IFE and OME Investment Holding Pte Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by OH, Bee Tong and IFE, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Hong Leong Enterprises Pte. Ltd. (“HLE”) is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd. (“Starich”), in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Hong Leong Investment Holdings Pte. Ltd. is deemed under Section 7 of the Act to have an interest in the shares held by HLE, Starich, Tudor Court Gallery Pte Ltd, Millennium Securities Pte Ltd, Welkin Investments Pte Ltd and City Developments Realty Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Kwek Holdings Pte Ltd is deemed under Section 7 of the Act to have an interest in the shares referred to in Note 9 above, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- Davos Investment Holdings Private Limited is deemed under Section 7 of the Act to have an interest in the shares referred to in Note 9 above, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

**PERCENTAGE OF PUBLIC FLOAT**

Based primarily on the Register of Substantial Shareholders, the percentage of the Company’s public float as at 7 March 2005 was about 32.244% 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.

# HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 195200130C)

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Second Annual General Meeting of the Company will be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on Wednesday, 20 April 2005 at 11.00 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 2004. **Resolution 1**
2. To declare a final ordinary dividend of 1 cent per share or 4%, less 20% income tax, in respect of the financial year ended 31 December 2004. **Resolution 2**
3. To approve the payment of fees amounting to \$211,000 to the non-executive Directors of the Company for the financial year ended 31 December 2004 (2003: \$198,000). **Resolution 3**
4. To re-elect Mr Goh Kian Hwee who is retiring by rotation in accordance with Article 105 of the Articles of Association of the Company. **Resolution 4**  
*(Note: Mr Goh Kian Hwee, if re-elected, will remain as Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee. He is considered an independent non-executive Director.)*
5. To re-elect Mr Hans Miller who is retiring in accordance with Article 96 of the Articles of Association of the Company. **Resolution 5**  
*(Note: Mr Hans Miller was appointed on 3 January 2005. He is considered an independent non-executive Director.)*
6. To consider and, if thought fit, to pass the following resolutions:
  - (a) "That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Ong Mui Eng be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 6**  
*(Note: Mr Ong Mui Eng is an executive and non-independent Director.)*
  - (b) "That pursuant to Section 153(6) of the Companies Act, Chapter 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." **Resolution 7**  
*(Note: Mr Guan Meng Kuan, if re-elected, will remain as a member of the Nominating Committee. He is considered an independent non-executive Director.)*
  - (c) "That pursuant to Section 153(6) of the Companies Act, Chapter 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." **Resolution 8**  
*(Note: Mr Chew Loy Kiat, if re-elected, will remain as Chairman of the Audit Committee and a member of the Nominating Committee. He is considered an independent non-executive Director.)*
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:

**Resolution 10**

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (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 (“SGX-ST”)) 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 or vesting of share awards 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 SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

## Notice of Annual General Meeting

(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, Chapter 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 11

9C. “That pursuant to Section 161 of the Companies Act, Chapter 50, approval be and is hereby given to the Directors of the Company to allot and issue shares in the Company as may be required to be allotted and issued pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme approved by shareholders in general meeting on 7 November 2003, and to do all acts and things which they may consider necessary or expedient to carry the same into effect.”

### Resolution 12

9D. “That:

### Resolution 13

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the “Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the Company (the “Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) market purchases (each a “Market Purchase”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”); and/or
- (ii) off-market purchases (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Purchase Mandate”);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held; or
- (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

(c) in this Resolution:

“Prescribed Limit” means, subject to the Companies Act, 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

“Maximum Price”, in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined hereinafter),

where:

“Average Closing Price” means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

“Closing Market Price” means the last dealt price for a Share transacted through the SGX-ST’s Central Limit Order Book (CLOB) trading system as shown in any publication of the SGX-ST or other sources;

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“Market Day” means a day on which the SGX-ST is open for trading in securities; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.”

**BY ORDER OF THE BOARD**

TAN MEE CHOO  
SECRETARY

Singapore, 4 April 2005

# Notice of Annual General Meeting

## 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 this Resolution is passed, after adjusting for:

- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (ii) 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 grant options and to issue shares in connection with the Hwa Hong Corporation Limited (2001) Share Option Scheme (notwithstanding that such issue of shares may take place after the expiration of this approval).

Resolution 12, if passed, gives authority to the Directors to issue shares in the capital of the Company pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme approved at the Extraordinary General Meeting of the Company held on 7 November 2003.

Resolution 13, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) issued and fully paid ordinary shares of the Company on the terms of the mandate set out in the attached Appendix to the Notice of Annual General Meeting (the "Share Purchase Mandate"). 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.

As mentioned in paragraph 3.4 of the attached Appendix to the Notice of Annual General Meeting, the Company intends to use the Group's internal resources to finance its purchases or acquisitions of shares under the Share Purchase Mandate. For illustrative purposes only, the financial effects of purchases or acquisitions of shares under the Share Purchase Mandate on the audited financial statements of the Company and the Group for the financial year ended 31 December 2004, based on certain stated assumptions, are set out in paragraph 3.6 of the Appendix to the Notice of Annual General Meeting.

# HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 195200130C)

## Proxy Form

### IMPORTANT:

1. For investors who have used their CPF monies to buy shares in Hwa Hong Corporation Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent 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.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

\*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/them, 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 **Fifty-Second Annual General Meeting** of the Company ("AGM") to be held at the Conference Room, Level 2, 38 South Bridge Road, Singapore 058672 on 20 April 2005 at 11.00 a.m. and at any adjournment thereof.

(\*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion, as \*he/she/they will on any other matter arising at the AGM and at any adjournment thereof.)

Resolution No.	Ordinary Business	To be used on a show of hands <sup>(a)</sup>		To be used in the event of a poll <sup>(b)</sup>	
		For	Against	No. of Votes For	No. of Votes Against
1	Adoption of reports and financial statements				
2	Declaration of final ordinary dividend				
3	Approval of payment of fees to non-executive Directors				
4	Re-election of Mr Goh Kian Hwee				
5	Re-election of Mr Hans Miller				
6	Re-appointment of Mr Ong Mui 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				
<b>Special Business</b>					
10	Authority to issue shares and to make or grant Instruments up to stipulated limits				
11	Authority to grant options and to issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme				
12	Authority to issue shares under the Hwa Hong Corporation Limited Scrip Dividend Scheme				
13	Renewal of Share Purchase Mandate				

(a) Please indicate your vote "For" or "Against" with a ✓ within the box provided.

(b) If you wish to exercise your votes "For" or "Against", please indicate your vote with a ✓ within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Total Number of Shares Held	
CDP Register	
Members' Register	

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

\* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

## Notes

1. Please insert in the box at the bottom right hand corner on the reverse of this form, 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 and the number of shares registered in your name in the Register of Members in respect of share certificates held by you. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint 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 shareholding to be represented by each proxy.
4. This instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney. Where this instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
5. A body corporate which is a Member may also appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50, to attend and vote for and on behalf of such body corporate.
6. This instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 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

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Affix  
Postage  
Stamp

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

Fold 1

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## General

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

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# Financial Calendar

Financial year-end

31 December

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## ■ IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2004

### Announcement of 2004 unaudited results

First Quarter ended 31 March 2004	14 May 2004
Second Quarter ended 30 June 2004	12 August 2004
Third Quarter ended 30 September 2004	8 November 2004
Full year ended 31 December 2004	23 February 2005

### Annual General Meeting

20 April 2005 (11.00 a.m.)

### Dividends

Interim dividend of 1 cent per share (4%) less 20% tax

Date of books closure	1 September 2004
Payment date	10 September 2004

Proposed final ordinary dividend of 1 cent per share (4%) less 20% tax

Last day for lodgement of transfers for dividend entitlements	Up to 5.00 p.m. on 6 May 2005
Date of books closure	9 May 2005
Payment date	20 May 2005

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## ■ IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2005

### Tentative Dates for Announcement of 2005 unaudited results

First Quarter ended 31 March 2005	11 May 2005
Second Quarter ending 30 June 2005	3 August 2005
Third Quarter ending 30 September 2005	9 November 2005
Full year ending 31 December 2005	22 February 2006

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**HWA HONG CORPORATION LIMITED**

38 South Bridge Road Singapore 058672    website: [www.hwahongcorp.com](http://www.hwahongcorp.com)    email: [secretariat@hwahongcorp.com](mailto:secretariat@hwahongcorp.com)

*Company Registration No. 195200130C*

# Hwa Hons Corporation Limited

## Annual Report 2004