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Hwa Hong Corporation Limited

2006 annual report

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The Pier at Robertson

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Hans Hugh Miller
Non-Executive Chairman

Ong Choo Eng
Group Managing Director

Ong Mui Eng

Ong Hian Eng

Guan Meng Kuan

Chew Loy Kiat

Goh Kian Hwee

Boon Suan Lee

Ma Kah Woh, Paul

Wee Sin Tho

Ong Eng Loke
Alternate Director to Ong Mui Eng

PRINCIPAL SUBSIDIARY COMPANIES

Singapore Warehouse Company (Private) Ltd.
400 Orchard Road
#11-09/10 Orchard Towers
Singapore 238875
tel: 6734 8355
fax: 6733 4288
email: property@hwahongcorp.com

Tenet Insurance Company Ltd
11 Collyer Quay
#09-00 The Arcade
Singapore 049317
tel: 6221 2211
fax: 6221 3302
email: mail@tenetinsurance.com
website: 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

COMPANY SECRETARIES

Ong Bee Leem

Tan Mee Choo

REGISTRAR/ SHARE REGISTRATION OFFICE

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483
tel: 6536 5355
fax: 6536 1360

AUDITORS

Ernst & Young
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In-Charge: Mak Keat Meng
(with effect from financial year ended 31 December 2005)

AUDIT COMMITTEE

Ma Kah Woh, Paul
Chairman (with effect from 1 January 2007)

Chew Loy Kiat

Goh Kian Hwee

NOMINATING COMMITTEE

Wee Sin Tho
Chairman (with effect from 1 January 2007)

Chew Loy Kiat

Guan Meng Kuan

REMUNERATION COMMITTEE

Hans Hugh Miller
Chairman

Goh Kian Hwee

Guan Meng Kuan

MANAGEMENT

Ong Choo Eng

Ong Mui Eng

Ong Hian Eng

Chen Chee Kiew (Mrs)
General Manager
(Property & Investments)

Tan Yian Hua
Principal Officer/CEO
(General Insurance)

Ong Eng Hock Simon
Chief Financial Officer

Ong Eng Loke
Business Development Manager

Guan Tut Chuan
Business Development Manager
(China Operations)

REGISTERED OFFICE

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

FINANCE AND ADMINISTRATION

38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028
email: 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

Financial Calendar

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2006

Announcement of 2006 Unaudited Results

First Quarter ended 31 March 2006	28 April 2006
Second Quarter ended 30 June 2006	2 August 2006
Third Quarter ended 30 September 2006	8 November 2006
Financial Year ended 31 December 2006	26 February 2007

Annual General Meeting	25 April 2007 (11.00 a.m.)

Dividends

Interim dividend of 1.5 cents per share less 20% tax

Date of books closure	22 August 2006
Payment date	1 September 2006

Proposed final ordinary dividend of 1.25 cents per share less 18% tax

Last day for lodgement of transfers for dividend entitlements	Up to 5.00 p.m. on 14 May 2007
Date of books closure	15 May 2007
Payment date	25 May 2007

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2007

Tentative Dates for Announcement of 2007 Unaudited Results

First Quarter of 2007	27 April 2007
Second Quarter of 2007	2 August 2007
Third Quarter of 2007	7 November 2007
Financial Year 2007	28 February 2008

Chairman's Letter to Shareholders

Dear shareholders,

2006 was a year of sound execution, financial performance and strategic positioning at Hwa Hong. Our real estate businesses leveraged our UK capabilities and track record with transactions in 2006 and separately gained a window on the Chinese property market. Our partnerships in two important real estate projects, *The Pier* and *RiverGate*, both did well at their respective stages of development. Our securities investment portfolios were managed well to capitalise on strong financial markets. The insurance business performed exceptionally well, achieving outstanding returns while we continue to invest in new products and services.

Overall, our revenues grew over 30% in 2006 to $88.9 million. Gross profit rose nearly 26% to $34.1 million. Other income increased by $4.3 million over 2005, particularly from gains on sales of investments, to $14.7 million.

... our revenues grew over 30% in 2006 to $88.9 million. Gross profit rose nearly 26% to $34.1 million. Other income increased by $4.3 million over 2005, particularly from gains on sales of investments, to $14.7 million.

At the same time, our general and administrative costs and selling and distribution costs each grew at less than a 10% rate during the year.

Bottom line, profit before tax rose 59% and profit after tax at $23.3 million rose 46% in 2006. Earnings per share were 3.58 cents versus 2.45 cents in 2005. The total amount of gross dividends paid or proposed to be paid in respect of the year ended 31 December 2006 will be increased by 37.5%.

Although we are delighted with this performance it is important to remind ourselves that much of our business, especially the real estate activities, is characterised by relatively infrequent but large transactions which can create swings in reported financial performance from period to period. Our strong balance sheet is a key strategic asset to enable the Company both to seize opportunities as they are identified and to support our track record of increasing dividends to shareholders when appropriate.

RiverGate



The Group's 82% interest in The Bridge, Clerkenwell, London

The financial position of the Company, and our optimism regarding continued progress in 2007, lead us to propose a final dividend of 1.25 cents less 18% income tax in respect of the financial year ended 31 December 2006.

Hwa Hong's warehousing and property segment was highlighted by progress of construction and sales at our joint venture *RiverGate* project. This 545-unit luxury landmark is being built on a site purchased by Hwa Hong in 1984 at which time the Company's 50% interest was valued at approximately $50 million. Under Hwa Hong's management, the business carried out at this location evolved with the years. As part of Hwa Hong's long-time warehousing business, changes included innovative loading and storage facilities and later transforming the premises into a regional hub for the lifestyle business under the TradeMart brand. Over the years the property has been a revenue-and profit-generator for Hwa Hong until the latest adaptation to the times with the launch of *RiverGate*. As construction of the site moves toward TOP targeted for 2008, we expect to see further revenue and income as we are able to account for sales of the units.

Other key events in 2006 for the Group in the property business include the purchase of another two investment properties in the UK. Also in 2006 we sold two properties in the UK from the group of six investment properties purchased in one transaction in 2005. With that sale we have benefited from the strong UK property market and have now recovered through re-sale of three properties a substantial part of our investment in the whole group of six properties. And in 2006, Hwa Hong became the lead strategic investor of Pan Hong Property Group Limited, a developer of real estate in secondary Chinese cities, with a small investment of $7.6 million.

Competition in the general insurance industry was strong during the year, driven in our view from excess capacity in the industry and improving claims experience in certain lines of business. That improving claims experience not only drove solid performance in the current year's business at our subsidiary, Tenet Insurance Company Ltd ("Tenet"), but allowed Tenet to substantially reduce certain reserves which had been held for claims occurring prior to 2006. Although premiums written only grew $1.5 million in 2006 we believe Tenet gained some market share. Tenet's profit after taxation of $9.3 million represented almost a third of the earnings of the insurance and investment segment.

Chairman's Letter to Shareholders

Tenet's booth at NATAS Fair

The small manufacturing and trading segment primarily represents the Group's 49.5 % interest in a Chinese phosphate business. Performance of the unit which had been promising in 2005, did not match our expectations during the year, and management of the segment is focused on achieving sustainable performance in the business.

Our businesses, like many others, can be materially influenced by macroeconomic and global financial conditions. To the extent that conditions globally remain favorable, our outlook for 2007 is positive. The strong real estate market is encouraging for continued sales at the *RiverGate* project, and we expect to begin reporting earnings from the project on a percentage of completion basis as of the first quarter of 2007. Rental of existing properties is well positioned, and we continue to thoughtfully review new investment projects. Our securities investment strategies remain conservative with a view towards sustaining our ongoing businesses, earning satisfactory returns and maintaining the strength of our balance sheet. The insurance segment may not achieve the exceptional level of profitability in 2006, although the numerous initiatives at Tenet to differentiate its brand, product and service should continue to bear fruit into the future.

Your Company has worked during the year to sustain and improve governance. Among the key initiatives, the Board was strengthened with the addition of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho. Each brings new and complementary skills to the Board and each is an independent director. Risk management efforts include screening of key operational risks across our businesses and detailed planning within Tenet. This activity will be leveraged across the enterprise in 2007. The Board has discussed board performance and initiated self-assessment.

The Board would like to take this opportunity to thank the entire staff, shareholders and the Group's business partners for their dedication, performance and support in 2006. Together we look forward to the coming year.

Hans Hugh Miller
Chairman
2 March 2007

Five Year Group Financial Profile

	Note		2006	2005	2004	2003	2002
			Financial Year ("FY")				
Revenue	1	$'000	88,865	68,081	53,939	46,335	63,131
Profit before taxation	2	$'000	25,711	16,132	18,640	14,531	10,169
Profit after taxation		$'000	23,374	15,996	18,659	13,505	10,860
Number of ordinary shares		'000	653,504	653,504	653,504	653,020	652,960
Shareholders' funds		$'000	466,755	434,179	430,327	424,312	441,396
Total assets		$'000	564,567	531,205	510,954	525,427	700,605
Net tangible assets per share		cents	71.42	66.44	65.85	64.98	67.60
In respect of the financial year:							
(i) Gross dividend rate							
- interim		cent(s) per share	1.50	1.00	1.00	1.00	0.75
- final		cent per share	1.25	1.00	1.00	1.00	0.75
- special		cent per share	–	–	–	–	0.75
(ii) Total net dividend		$'000	14,540	10,456	10,456	10,321	11,459
Dividend cover	3	times	1.61	1.53	1.78	1.31	0.95

Notes

1 The figures for FY 2002 and FY 2003 have been adjusted and restated from those previously reported in those years to take into account the change in the basis of recording revenue from sale of short term investments as disclosed in the notes to the financial statements for FY 2004. The figures for FY 2002 and FY 2003 have also been adjusted for the restatement of gross premium income to be consistent with current presentation and to comply with revised requirements of the Monetary Authority of Singapore.

2 The figures for 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 FY 2003, the Group has adopted the allowed alternative treatment and recognised an exchange gain of $1.75 million prospectively. The figure for FY 2004 has been restated due to the adoption of FRS 28 (revised), Investment in Associates. Profit before tax for FY 2002, FY 2003 and FY 2005 have been restated as the share of results of associates are shown net of tax to conform to current presentation.

3 Dividend cover is arrived at by dividing profit after taxation by the net dividend amount.

Board of Directors

HANS HUGH MILLER

Chairman; Independent and Non-Executive
B.A. ECONOMICS

Mr Hans Hugh Miller was appointed a Director and the Chairman of the Board of Directors on 3 January 2005 and 20 April 2005 respectively. He was last re-elected on 20 April 2005. He is also the Chairman of the Company's Remuneration Committee.

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, LLC (NY, USA); is chairman of The Harriett Beecher Stowe Center (CT, USA) and is a trustee and board member 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.

ONG CHOO ENG

Group Managing Director; Non-Independent
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 also sits on the boards of three public listed companies in Singapore. He is also a member of audit committee and remuneration committee of MTQ Corporation Limited, member of remuneration committee of BBR Holdings (S) Ltd, and a member of executive committee and investment committee of Singapore Reinsurance Corporation Limited.

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

Executive Director; Non-Independent

Mr Ong Mui Eng was appointed a Director on 1 February 1983. He was last re-appointed on 26 April 2006. 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 25 April 2007.

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

Executive Director; Non-Independent
B. SC., D.I.C., PH. D., C. ENG., F.I. CHEM.E.

Dr Ong Hian Eng was appointed a Director on 24 February 1981. He was last re-elected on 26 April 2006.

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 Sichuan Trade & Investment Committee and honorary council member of the Singapore Chinese Chamber of Commerce & Industry.

GUAN MENG KUAN

Non-Executive Director; Non-Independent
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 and last re-appointed on 26 April 2006. He is also a member of the Company's Nominating Committee and Remuneration 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 25 April 2007.

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

Non-Executive Director; Independent
P.B.M., F.S.I.I. (HON.), A.C.I.I., CHARTERED INSURER, F.S.I.D., ACIArb

Mr Chew Loy Kiat was appointed a Director on 1 February 1989. He was last re-appointed on 26 April 2006. He is also a member of the Company's Audit Committee and 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 25 April 2007.

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

GOH KIAN HWEE

Non-Executive Director; Independent
LL.B. (HONS)

Mr Goh Kian Hwee was appointed a Director on 1 September 1989. He was last re-elected on 20 April 2005. He is also a member of the Company's 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 25 April 2007.

He also sits on the boards of Hong Leong Asia Ltd, Achieva Limited and Japan Land Ltd. During the past three years, he was a director of Hotel Negara Limited, MAE Engineering Ltd and AsiaMedic Limited.

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.

BOON SUAN LEE

Non-Executive Director; Non-Independent
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. Mr Boon 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 25 April 2007.

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.

MA KAH WOH, PAUL

Non-Executive Director; Independent
C.P.A., F.C.A. (England and Wales)

Mr Ma Kah Woh, Paul was appointed a Director on 31 March 2006 and last re-elected on 26 April 2006. He was appointed Chairman of the Company's Audit Committee with effect from 1 January 2007.

Mr Ma was a senior partner of KPMG Singapore in charge of the Audit & Risk Advisory Practice and Risk Management function until his retirement in September 2003. He was also a past director and audit committee member of Asia General Holdings Limited, The Asia Insurance Company Limited and The Asia Life Assurance Society Limited.

He also sits on the boards and audit committees of two public listed companies, SMRT Corporation Ltd, a company listed in Singapore, and Golden Harvest Entertainment (Holdings) Limited, a company listed in Hong Kong. In addition, he serves as a director and a member of the audit committee and the executive resource and compensation committee of Mapletree Investments Pte Ltd, a Temasek subsidiary involved in real estate investment and management. He also serves as chairman of the board and a member of the audit committee of Mapletree Logistics Trust Management Ltd., the manager of Mapletree Logistics Trust - a logistics real estate investment trust (REIT) listed in Singapore, and as a director and audit committee chairman of Ascott Residence Trust Management Limited. He is a director of CapitaLand China Development Fund Pte Ltd, a private equity fund and a Trustee on the Board of Trustees of the National University of Singapore.

Mr Ma is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Institute of Certified Public Accountants of Singapore.

WEE SIN THO

Non-Executive Director; Independent
B. SOC. SCI. (HONS)

Mr Wee Sin Tho was appointed a Director on 31 March 2006 and last re-elected on 26 April 2006. He was appointed Chairman of the Company's Nominating Committee on 1 January 2007.

Mr Wee is the Chief Investment Officer of the National University of Singapore. He also sits on the board of a public listed company, Keppel Telecommunications and Transportation Ltd.

ONG ENG LOKE

Alternate Director To Ong Mui Eng;
Non-Independent
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. Prior to the appointment, he was a fund manager in Tokio Marine Asset Management International Pte Ltd, UOB Asset Management and OUB Asset Management. He is currently responsible for investment opportunities in Asia particularly in the North Asian region of China, Hong Kong and Korea.

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

Key Executives

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 was appointed a Director of Tenet Insurance Company Ltd ("Tenet Insurance") on 1 June 2005. She has been the Principal Officer/Chief Executive Officer of 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 a member of the Management Committee of the General Insurance Association of Singapore and the Financial Industry Competency Steering Committee.

ONG ENG HOCK SIMON

Chief Financial Officer

Mr Ong Eng Hock Simon is the Chief Financial Officer since 1 July 2004. He joined the Company as Group Finance Manager on 1 October 2002. He manages the accounting functions in the Group and is responsible for the consolidation of the Group's financial statements and the preparation of the financial statements for inclusion in the Annual Report of the Company and its subsidiaries.

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.

GUAN TUT CHUAN

Business Development Manager (China Operations)

Mr Guan Tut Chuan joined the Company as Business Development Manager, China Operations, on 16 October 2006. He is responsible for business development in China, evaluating new opportunities and handling the risk management aspects of the Group's businesses in China. Prior to joining the Company, he worked in the software development and education industry.

Tut Chuan graduated with a Bachelor of Arts and Master of Science from the University of Cambridge and with a Master of Business Administration from Peking University.

Tenet Insurance Celebrates 50 Great Years & More...

2007 marks a significant milestone in the history of Tenet Insurance. Tenet celebrates its 50th anniversary this year. Indeed Tenet has come a long way since its incorporation in 1957.

While the shareholders of Hwa Hong may be familiar with the name Tenet Insurance, not everyone is aware of its rich background. What better time to do so than on this joyous occasion.

Founded as The People's Insurance Company of Singapore, it became a wholly owned subsidiary of Hwa Hong Corporation in the mid 80s. In 1997, the opportunity for People's Insurance to make a quantum leap in knowledge acquisition and service enhancement arose when American insurance giant Hartford International Financial Services Group acquired a major stake in it.

In March 2000, People's Insurance was re-named The Hartford Insurance Company and with it, advanced exponentially from the knowledge transfer in the key areas of operations. However, when the Hartford Group exited the international general insurance arena, it provided an opportunity for Hwa Hong Corporation to re-acquire a company that has benefited from the expertise and guidance of Hartford International.

Thus, the birth of Tenet Insurance in March 2002.

Despite the several name changes, Tenet's foundation remains firm as ever today. Its rich history and resilience has equipped it with a progressive outlook to support the fast changing needs of its customers and business partners. And because of its strong local roots, Tenet is very much in tune with the heartbeat of local businesses to excel in its chosen market segments.

All of which makes Tenet well poised to contribute to the fast growing general insurance industry in Singapore... for the next 50 years to come.

Corporate Governance Report

Hwa Hong Corporation Limited (the "Company") recognises the importance of good corporate governance practices. This report describes the Company's corporate governance practices with reference to the principles of the Code of Corporate Governance issued by the Ministry of Finance on 14 July 2005 (the "Code").

(A) BOARD MATTERS

The Board's Conduct Of Its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The board of directors of the Company (the "Board") is primarily responsible for setting corporate policy and overall strategy for the Group. The Board has direct responsibility for decision making in respect of the following:

- 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 systems;
- reviewing the operational and financial performance of the Company and the Group, including but not limited to, approving announcements for the quarterly and full year financial results;
- approving annual reports, circulars and audited financial statements;
- approving the nominations of directors; and
- assuming responsibility for corporate governance processes and practices within the Group.

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 functions of the Board are either carried out by the Board or delegated to various Committees established by the Board, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee. Each Committee has the authority to examine issues relevant to their terms of reference and to make recommendations to the Board for action. The ultimate responsibility and decision on major policies and matters lie with the Board.

The Board conducts regular scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Articles of Association of the Company allows directors to participate in Board meetings by any form of audio or audio-visual communication. The directors are free to discuss any information or views presented by any member of the Board and Senior Management.

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 attendance record of each director at meetings of the Board and Board Committees during the year 2006 is disclosed below:

	Number of meetings attended in 2006			
NAME OF DIRECTOR	BOARD OF DIRECTORS	AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
Hans Hugh Miller	4	Not applicable	Not applicable	2
Ong Choo Eng	4	Not applicable	Not applicable	Not applicable
Ong Mui Eng	4	Not applicable	Not applicable	Not applicable
Ong Hian Eng	4	Not applicable	Not applicable	Not applicable
Guan Meng Kuan	4	4	1	2
Chew Loy Kiat	4	4	1	Not applicable
Goh Kian Hwee	4	4	1	2
Boon Suan Lee	4	Not applicable	Not applicable	Not applicable
Ma Kah Woh, Paul [1]	2	Not applicable	Not applicable	Not applicable
Wee Sin Tho [1]	2	Not applicable	Not applicable	Not applicable
Number of meetings held in 2006	**4**	**4**	**1**	**2**

[1] Appointed on 31 March 2006

Any incoming director will be given briefings and orientation by the Executive Directors and the Senior Management 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 can access the websites of various agencies to obtain information and updates of any laws, regulations and issues.

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

Board Composition And Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises ten directors and one alternate director. Out of the ten directors, three are full-time Executive Directors, and therefore, non-independent. The alternate director is also a full-time management executive in the Company. The Nominating Committee determines on an annual basis whether or not a director is independent, bearing in mind the Code's definition of an 'independent' director and guidance as to relationships the existence of which would deem a director not to be independent. In respect of the review of the independence of each director for this financial year, the Nominating Committee considered that, of the seven non-executive directors, save for Mr Boon Suan Lee and Mr Guan Meng Kuan, all the other non-executive directors are independent. Each member of the Nominating Committee has abstained from deliberations in respect of his own assessment.

The Nominating Committee also considered, and is of the view that, the size and composition of the Board are appropriate for effective decision making, taking into account factors such as 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, accounting, chemical engineering, insurance, law, finance, taxation and banking.

Chairman And Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and Group Managing Director in the Company are separate. Mr Hans Hugh Miller is the Chairman of the Board and is an independent non-executive director. Mr Ong Choo Eng is the Group Managing Director. The Chairman and the Group Managing Director are not related.

The Group Managing Director has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides leadership to the Board. The Chairman ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the Group Managing Director and fellow directors and other executives, and if warranted, with professional advisors. He also ensures that any information and materials to be discussed at Board Meetings are circulated timely to directors so as to enable them to be updated and prepared, thereby enhancing the effectiveness of the non-executive directors and the Board as a whole. The Chairman assumes the lead role in promoting corporate governance processes.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee currently comprises the following three non-executive directors, a majority of whom, including the Chairman, are independent:

Mr Wee Sin Tho	Chairman (with effect from 1 January 2007)
Mr Guan Meng Kuan	
Mr Chew Loy Kiat	

Prior to 1 January 2007, Mr Goh Kian Hwee was the Chairman of the Nominating Committee.

The key duties and responsibilities of the Nominating Committee under its terms of reference include the following:

- 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
- 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 Articles of Association of the Company requires one-third of the directors (excluding a Managing Director) for the time being, or if their number is not three or a multiple of three, the number nearest to one-third, to retire from office at the annual general meeting ("AGM") of the Company in each year.

Directors of or over 70 years of age are required to be re-appointed every year at the AGM pursuant to Section 153 of the Companies Act, Chapter 50 (the "Act"), before they can continue to act as a director.

The retiring directors submit themselves for re-nomination and re-election. The Nominating Committee, with Mr Goh Kian Hwee abstaining, has recommended that Mr Goh Kian Hwee and Mr Boon Suan Lee, who retire by rotation, be nominated for re-election at the forthcoming AGM. The Nominating Committee, with Mr Guan Meng Kuan and Mr Chew Loy Kiat abstaining from deliberations in respect of his own nomination, has also recommended that Mr Ong Mui Eng, Mr Guan Meng Kuan and Mr Chew Loy Kiat who are over 70 years of age, be nominated for re-appointment at the forthcoming AGM.

In assessing and recommending a candidate for appointment to the Board, the Nominating Committee takes into consideration the background, experience and knowledge that the candidate brings and which could benefit the Board. New directors are appointed by way of a board resolution after the Nominating Committee recommends the appointment for approval of the Board. The newly appointed directors are required to retire from office at the close of the next AGM under the Company's Articles of Association.

An alternate director is not required to submit for retirement but his appointment shall *ipso facto* cease when his appointor ceases for whatever reason to be a director.

The Nominating Committee also considered, and is of the opinion, that the multiple board representations held by directors of the Company do not impede their performance in carrying out their duties to the Company.

Further information regarding directors can be found in the section "Board of Directors" on pages 8 and 9. Details of directors' shareholdings in the Company and related corporations are set out in the "Directors' Report" on pages 23 to 25.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Nominating Committee 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 Nominating Committee takes into account the director's attendance at meetings and his contribution and performance at such meetings. The Nominating Committee has implemented an evaluation process for the assessment of the performance of the Board. The Nominating Committee is of the view that the overall performance of the Board as a whole is satisfactory.

Access To Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Senior Management including the Executive Directors 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. On an ongoing basis, all Board members have separate and independent access to Senior Management should they have any queries or require additional information on the affairs of the Company and the Group.

The Board members also have access to the Company Secretary. The Company Secretary attends all Board Meetings.

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.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee comprises entirely of non-executive directors, majority of whom, including the Chairman are independent. The Remuneration Committee members are:

Hans Hugh Miller	Chairman
Goh Kian Hwee	
Guan Meng Kuan	

The roles, duties and responsibilities of the Remuneration Committee cover the functions described in the Code including but not limited to, ensuring a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of directors and Senior Management. As and when deemed appropriate by the Remuneration Committee, expert advice is or will be sought. The Remuneration Committee also administers the Share Option Scheme of the Company.

Level And Mix Of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Remuneration Committee recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation for shareholders' approval at AGM. Directors' fees are payable to the non-executive directors and take into account the non-executive director's attendance and responsibilities on the respective Committees of the Board. For the Executive Directors, each of their service contracts and compensation packages is reviewed privately by the Remuneration Committee.

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 Remuneration Committee who shall take into account, *inter alia*, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the employee. 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.

Disclosure On Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The breakdown (in percentage terms) of the remuneration of directors of the Company for the financial year ended 31 December 2006 ("FY 2006") is set out below:

Remuneration Band & Name Of Director	Based/ Fixed Salary*	Variable Or Performance Related Income/ Bonus	Fees**	Benefits In Kind	Other Long Term Incentives	Total
	%	%	%	%	%	%
(i) $750,001 to $1,000,000						
Ong Choo Eng[1]	51	43	–	6	–	100
(ii) $250,001 to $500,000						
Ong Hian Eng[1]	56	33	–	11	–	100
(iii) $250,000 and below						
Ong Mui Eng[1]	79	13	–	8	–	100
Ong Eng Loke[2] (Alternate director to Ong Mui Eng)	67	26	–	7	–	100
Hans Hugh Miller	–	–	100	–	–	100
Guan Meng Kuan	–	–	100	–	–	100
Chew Loy Kiat	–	–	100	–	–	100
Goh Kian Hwee	–	–	100	–	–	100
Boon Suan Lee	–	–	100	–	–	100
Ma Kah Woh, Paul[3]	–	–	100	–	–	100
Wee Sin Tho[3]	–	–	100	–	–	100

* Inclusive of employer's central provident fund contributions.

** The fees payable by the Company to the non-executive directors for FY 2006 are subject to approval by shareholders as a lump sum at the forthcoming AGM.

1 Mr Ong Choo Eng, Mr Ong Mui Eng and Dr Ong Hian Eng are brothers and also Executive Directors of the Group, and each of their all-in remuneration exceeded S$150,000 for FY 2006.

2 Mr Ong Eng Loke is the alternate director to Mr Ong Mui Eng. He is also the son of Mr Ong Mui Eng and his all-in remuneration exceeded S$150,000 (but below S$250,000) for FY 2006.

3 Appointed on 31 March 2006.

The remuneration of top five key executives (who are not also directors) of the Group is categorised into the respective remuneration bands as follows:

Top 5 Key Executives In Remuneration Bands	Number
(i) $250,001 to $500,000	3
(ii) $250,000 and below	2
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.

The Company employed the son of Mr Guan Meng Kuan during the year and his all-in remuneration did not exceed $150,000 in the year 2006. Save as disclosed, none of the employees of the Company and its subsidiaries was an immediate family of any director or the Chief Executive Officer, and whose remuneration exceeded $150,000 in the year 2006.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public reports and reports to regulators (if required). Management provides directors on a quarterly basis, with management accounts and reports on the Groups' financial performance and commentary of the competitive conditions of the industry in which the Group operates, which are reviewed by the Board at quarterly Board Meetings. Further, the Company adopts 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 Senior Management.

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.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee currently comprises three members, all of whom are independent non-executive directors. The current members of the Audit Committee are:

Mr Ma Kah Woh, Paul	Chairman (with effect from 1 January 2007)
Mr Chew Loy Kiat	
Mr Goh Kian Hwee	

Prior to 1 January 2007, members of the Audit Committee were:

Mr Chew Loy Kiat	Chairman
Mr Goh Kian Hwee	
Mr Guan Meng Kuan	

The Board believes that the Audit Committee is appropriately qualified to discharge their duties and responsibilities.

The Audit Committee has explicit authority to investigate any matter within its terms of reference. It has full access to Management and full discretion to invite any director or executive officer to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly.

The duties and functions of the Audit Committee include the following:

- reviewing the overall scope of the external audit and its cost effectiveness;
- 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 including the significant financial reporting issues and judgments and (if any) auditors' report 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 financial controls, operational and compliance controls, and risk management policies and systems;
- nominating external auditors for appointment; and
- reviewing interested person transactions.

During the year, the Audit Committee met up with the internal auditors without the presence of Management. The external auditors were invited to meet with the Audit Committee but confirmed that there were no matters which would require a meeting in the absence of Management. The Group Managing Director and the Group Chief Financial Officer were invited to be present at the Audit Committee meetings to report and brief Audit Committee members on the financial and operating performance of the Group and to answer any queries from the Audit Committee members on any aspect of the operations of the Group. The external auditors were also invited to be present at all the Audit Committee meetings held during the year to, *inter alia*, deliberate on accounting and auditing matters.

The external auditors have confirmed to the Audit Committee 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 Audit Committee, 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.

The Audit Committee will be reviewing arrangements which will be put in place in 2007 by which staff of the Group and outside parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investments and the assets of the Group. It should be noted, however that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system 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.

The Audit Committee, with the assistance of internal and external auditors, has reviewed the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems. The Board is of the opinion that such existing internal controls of the Company and its subsidiaries are not inadequate.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

Our internal audit function was outsourced to KPMG.

The Internal Auditors report primarily to the Audit Committee. The internal audit plans were submitted to our Audit Committee for approval. Our Audit Committee reviewed and approved the internal audit plan and the scope and results of the internal audit procedures.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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. 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. 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 Senior Management questions regarding the Company and the Group. The chairman of the Audit Committee, Nominating Committee, Remuneration Committee and the external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

Under the existing Articles of Association of the Company, 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. The Company has provided for absentia voting methods under the new Articles and Association to be adopted by the Company.

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.

INTERESTED PERSON TRANSACTIONS

Transactions entered into with interested persons during FY 2006 were 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 Corporation Limited Group by firms in which he has an interest	$139,320	Not applicable*
Hong Leong Investment Holdings Pte. Ltd. Group - interest charged on shareholders loan to Hong Property Investment Pte Ltd	$316,601	Not applicable*

* There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The above transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Risk Management and Control Environment

Risk Management

The main objective of risk management in the Hwa Hong Group is to protect, in so far as it is practicable, the Group against material losses that may result from taking on risks for which it has not been adequately compensated. The Board of Directors' philosophy on risk management is that all significant risks should be identified, understood, monitored and managed. Furthermore, risk management processes must be closely aligned to the Group's vision and strategy.

The Group believes that effective risk management is the responsibility of all directors and managers, with the Board of Directors providing general oversight. The Audit Committee supports the Board in the oversight of financial and other operational risks.

A sound system of internal control is essential and in this regard, the responsibilities of managers and staff are designed such that there is adequate segregation of duties so that there is a system of checks and balances for key areas of operations.

The Group's financial risk management objectives and policies are discussed further in note 38 to the financial statements.

Risk Processes and Activities

During the year under review, as part of the effort to further strengthen the Group's risk management processes, the Group embarked on the implementation of a work program with the following objectives in mind:

(i) Increase risk and governance awareness within the Group;
(ii) Identification and assessment of strategic and business process risks;
(iii) Developing a risk response to the risks identified;
(iv) Implementation of risk reporting and monitoring system; and
(v) Setting up requirement for independent testing of controls.

A common methodology was developed and introduced so that documentation of risks and controls can be standardised to facilitate review and monitoring of the status of the work program.

As at the date of this report, Tenet Insurance Company Ltd ("Tenet Insurance"), a wholly owned subsidiary, has completed the work program. As part of the program, the Group has engaged KPMG to develop an internal audit plan to test the effectiveness of the various internal control procedures. The internal audit plan was drawn up using the risk assessment prepared by the Management of Tenet Insurance as a basis.

The work program will be carried out by the rest of the companies in the Group in the coming months.

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 2006 and balance sheet of the Company as at 31 December 2006.

Directors

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

Hans Hugh Miller	*(Chairman)*
Ong Choo Eng	*(Group Managing Director)*
Ong Hian Eng	
Ong Mui Eng	
Guan Meng Kuan	
Chew Loy Kiat	
Goh Kian Hwee	
Boon Suan Lee	
Ma Kah Woh, Paul	*(Appointed on 31 March 2006)*
Wee Sin Tho	*(Appointed on 31 March 2006)*
Ong Eng Loke	*(Alternate director to Ong Mui Eng)*

Arrangements To Enable Directors To Acquire Shares Or Debentures

At an extraordinary general meeting of the Company held on 7 November 2003, shareholders of the Company had approved, *inter alia*, a scrip dividend scheme known as Hwa Hong Corporation Limited Scrip Dividend Scheme (the "Scrip Dividend Scheme"), which, if applied, provides an opportunity for shareholders of the Company to make an election to receive dividends in the form of ordinary shares in the Company, instead of cash. Pursuant to the Scrip Dividend Scheme, directors who are also shareholders of the Company may elect to receive their dividend entitlements in the form of ordinary shares in the Company if the directors of the Company have determined that the Scrip Dividend Scheme is to apply to a particular dividend.

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

Directors' Interests In Shares Or Debentures

According to the register kept by the Company 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 director		Shareholdings in which director are deemed to have an interest	
	At 1.1.2006	At 31.12.2006	At 1.1.2006	At 31.12.2006
Ong Choo Eng	100,000	517,000	177,277,896	188,763,392
Ong Mui Eng	4,547,248	4,547,248	163,957,644	175,443,140
Ong Hian Eng	3,062,604	3,062,604	164,020,896	175,506,392
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	164,519,896	164,519,896

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 of the Company or of related corporations, either at the beginning of the financial year or date of appointment (in the case of Mr Ma Kah Woh, Paul and Mr Wee Sin Tho who were appointed on 31 March 2006), 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 2007 were the same as those as at 31 December 2006.

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, except as disclosed in this report and the accompanying financial statements.

Share Options

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") and the adoption of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme"). The ESOS is no longer in operation.

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 years' Directors' Reports.

The share option scheme of the Company is administered by the Remuneration Committee which comprises the following directors who are not entitled to participate in the scheme:-

Hans Hugh Miller *(Chairman)*
Goh Kian Hwee
Guan Meng Kuan

Other Information Required To Be Disclosed

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

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 subsist at the end of the financial year, except for Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly owned subsidiary, 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 SWC 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
2 March 2007

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 2006 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
2 March 2007

Independent 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 subsidiaries (the Group) set out on pages 29 to 93, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, and the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility For The Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditors' Report

To the members of Hwa Hong Corporation Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity 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 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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

Mak Keat Meng
Partner
2 March 2007

Consolidated Profit and Loss Accounts
for the financial year ended 31 December 2006

	Note	Group 2006 $	Group 2005 $ (Restated)
Revenue	3	88,864,666	68,081,166
Cost of sales	4	(54,798,009)	(40,991,366)
Gross profit		34,066,657	27,089,800
Other income	5	14,608,143	10,333,922
General and administrative costs	6	(17,265,419)	(17,052,825)
Selling and distribution costs		(4,093,161)	(3,841,583)
Other operating (costs)/income	7	(1,610,218)	986,861
Finance costs	8	(1,881,869)	(1,753,930)
Share of results of associates and unincorporated joint venture		1,887,653	370,280
Profit before taxation		25,711,786	16,132,525
Tax expense	9	(2,337,926)	(136,731)
Profit after taxation		**23,373,860**	**15,995,794**
Attributable to equity holders of the Company		23,373,860	16,003,456
Minority interests		–	(7,662)
		23,373,860	15,995,794
Earnings per share:	10		
Basic		3.58¢	2.45¢
Fully diluted		3.58¢	2.45¢

The accounting policies and explanatory notes on pages 36 through 93 form an integral part of the financial statements.

Balance Sheets
as at 31 December 2006

	Note	Group 2006	Group 2005	Company 2006	Company 2005
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	11	172,153,626	163,376,000	172,153,626	163,376,000
Reserves	12	294,600,808	270,802,378	294,600,808	270,788,345
Share capital and reserves		466,754,434	434,178,378	466,754,434	434,164,345
Non-Current Liabilities					
Bank loans (secured)	13	33,482,266	25,527,219	–	–
Deferred tax liabilities	14	5,788,900	4,255,189	49,500	49,500
Other payables	16	114,734	38,108	–	–
		39,385,900	29,820,516	49,500	49,500
Technical provisions					
Provision for outstanding claims	17	23,394,891	34,024,987	–	–
Provision for unearned premiums	18	12,804,379	11,777,387	–	–
Provision for premium deficiency	18	1,839,000	2,245,000	–	–
		38,038,270	48,047,374	–	–
		544,178,604	512,046,268	466,803,934	434,213,845
ASSETS LESS LIABILITIES					
Non-Current Assets					
Property, plant and equipment	19	14,250,314	14,030,806	4,800,488	4,527,447
Investment properties	20	126,557,115	108,089,585	–	–
Investment in subsidiaries	21	–	–	512,827,662	471,043,093
Investment in associates	15	61,088,763	61,605,730	613,782	642,799
Investment securities	22	72,556,469	78,992,604	30,910	3,038,510
Other receivables	23	42,660	414,373	–	–
Reinsurers' share of technical provisions					
Provision for unearned premiums	18	3,036,988	2,695,287	–	–
Provision for outstanding claims	17	2,848,200	6,473,731	–	–
Balance carried forward		280,380,509	272,302,116	518,272,842	479,251,849

Balance Sheets
as at 31 December 2006

	Note	Group 2006	Group 2005	Company 2006	Company 2005
		$	$	$	$
Balance brought forward		280,380,509	272,302,116	518,272,842	479,251,849
Current Assets					
Inventories	24	58,622	144,297	–	–
Trade receivables	25	4,852,947	4,243,430	–	–
Deferred acquisition costs	18	2,469,355	2,267,430	–	–
Tax recoverable		516,523	2,495,635	–	–
Other receivables	23	7,799,350	8,360,717	56,721	74,646
Amounts due from subsidiaries (non-trade)	21	–	–	3,457,873	2,589,655
Amounts due from associates	15	119,074,698	114,071,834	119,336	123,981
Investment securities	26	82,808,325	63,875,320	–	–
Cash and cash equivalents	27	66,606,549	63,444,275	522,392	86,029
		284,186,369	258,902,938	4,156,322	2,874,311
Current Liabilities					
Trade payables	28	1,390,479	1,377,673	–	–
Advance premiums		1,166,444	1,195,024	–	–
Other payables	16	5,326,016	7,065,961	240,516	289,889
Accrued operating expenses		4,104,684	2,805,422	479,490	538,179
Amounts due to associates	15	600,860	446,333	413,113	446,333
Amounts due to subsidiaries (non-trade)	21	–	–	54,454,910	46,577,914
Bank overdraft, secured	29	1,342,753	457,380	–	–
Bank loans (secured)	13	4,794,435	4,952,064	–	–
Tax payable		1,662,603	858,929	37,201	60,000
		20,388,274	19,158,786	55,625,230	47,912,315
Net Current Assets/ (Liabilities)		263,798,095	239,744,152	(51,468,908)	(45,038,004)
		544,178,604	512,046,268	466,803,934	434,213,845

The accounting policies and explanatory notes on pages 36 through 93 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2006

2005	**Share Capital** $	**Share Premium** $	**Revenue Reserve** $
At 1 January 2005	163,376,000	8,777,626	127,637,126
Exchange difference arising on consolidation	–	–	–
Surplus on revaluation of investment properties	–	–	–
Adjustment on disposal of investment properties	–	–	–
Net gain on fair value changes	–	–	–
Deferred tax liabilities	–	–	–
Exchange difference arising from translation of monetary items that form part of net investment in foreign subsidiary	–	–	–
Net income recognised directly in equity	–	–	–
Profit for the year	–	–	16,003,456
Total recognised income and expenses for the year	–	–	16,003,456
Dividends paid(Note 30)	–	–	(10,456,063)
At 31 December 2005	163,376,000	8,777,626	133,184,519

2006	**Share Capital** $	**Share Premium** $	**Revenue Reserve** $
At 1 January 2006	163,376,000	8,777,626	133,184,519
Exchange difference arising on consolidation	–	–	–
Adjustment on disposal of investment properties	–	–	–
Net gain on fair value changes	–	–	–
Deferred tax liabilities	–	–	–
Exchange difference arising from revaluation of net investment in foreign operations	–	–	–
Surplus on revaluation of investment properties	–	–	
Net income recognised directly in equity	–	–	–
Profit for the year	–	–	23,373,860
Total recognised income and expenses for the year	–	–	23,373,860
Transfer of share premium to share capital (Note 11)	8,777,626	(8,777,626)	–
Dividends paid (Note 30)	–	–	(13,070,080)
As at 31 December 2006	172,153,626	–	143,488,299

The accounting policies and explanatory notes on pages 36 through 93 form an integral part of the financial statements.

Attributable to equity holders of the Company			Minority Interests	Total
Capital Reserve	Fair Value Reserve	Currency Translation Adjustment Reserve		
$	$	$	$	$
125,865,203	6,439,561	4,576,865	7,662	436,680,043
–	–	(3,036,849)	–	(3,036,849)
2,472,637	–	–	–	2,472,637
(10,528,589)	–	–	–	(10,528,589)
–	4,889,344	–	–	4,889,344
(90,935)	(1,410,229)	–	–	(1,501,164)
–	–	(336,775)	–	(336,775)
(8,146,887)	3,479,115	(3,373,624)	–	(8,041,396)
–	–	–	(7,662)	15,995,794
(8,146,887)	3,479,115	(3,373,624)	(7,662)	7,954,398
–	–	–	–	(10,456,063)
117,718,316	9,918,676	1,203,241	–	434,178,378

Attributable to equity holders of the Company			Minority Interests	Total
Capital Reserve	Fair Value Reserve	Currency Translation Adjustment Reserve		
$	$	$	$	$
117,718,316	9,918,676	1,203,241	–	434,178,378
15,799	–	704,498	–	720,297
(1,226,405)	–	–	–	(1,226,405)
–	17,313,097	–	–	17,313,097
(90,899)	(1,460,099)	–	–	(1,550,998)
–	–	248,377	–	248,377
6,767,908	–	–	–	6,767,908
5,466,403	15,852,998	952,875	–	22,272,276
–	–	–	–	23,373,860
5,466,403	15,852,998	952,875	–	45,646,136
–	–	–	–	–
–	–	–	–	(13,070,080)
123,184,719	25,771,674	2,156,116	–	466,754,434

Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	Note	Group 2006 $	Group 2005 $
Cash flow from operating activities:			
Profit before taxation		25,711,786	16,132,525
Adjustments for:			
Interest income		(9,858,757)	(8,502,920)
Interest expense	8	1,881,869	1,753,930
Depreciation	6	1,105,035	1,191,381
Currency realignment		(337,841)	(266,667)
Gain on sale of investment properties	5	(2,416,970)	(6,722,667)
(Gain)/loss on sale of property, plant and equipment	5	(355,413)	16,485
Share of results in associates and unincorporated joint ventures		(1,887,653)	(370,280)
Allowance for doubtful receivable from associates	7	537,141	190,816
Write-back for doubtful receivable	6	(15,563)	(56,099)
Provision for outstanding claims		1,029,105	4,715,246
Write-back of provision for obligation and warranties	7	–	(799,500)
Impairment loss/(write-back) on non-current investment securities	7	104,494	(141,127)
Impairment loss/(write-back) on current investment securities	7	1,098,583	(9,901)
Provision for unexpired risks		21,444	572,180
Write-back impairment loss in investment properties		–	(382,369)
Reversal of revaluation deficit in property, plant and equipment	7	(130,000)	–
Fixed assets written off	7	–	155,220
		(9,224,526)	(8,656,272)
Operating profit before reinvestment in working capital		16,487,260	7,476,253
Increase in receivables, short term investments		(13,329,487)	(15,480,310)
Decrease in inventories		85,675	223,629
(Decrease)/increase in payables		(150,532)	480,900
		(13,394,344)	(14,775,781)
Cash flows generated from/(used in) operations carried forward		3,092,916	(7,299,528)

The accounting policies and explanatory notes on pages 36 through 93 form an integral part of the financial statements.

Consolidated Cash Flow Statement
for the financial year ended 31 December 2006

	2006	2005
	$	$
Cash flows generated from/(used in) operations brought forward	3,092,916	(7,299,528)
Net claims paid	(8,033,670)	(8,507,698)
Interest received	9,858,757	8,502,920
Interest paid	(1,881,869)	(1,753,930)
Income tax recovered/(paid)	433,029	(1,303,637)
	376,247	(3,062,345)
Net cash flows from/(used in) operating activities	3,469,163	(10,361,873)
Cash flows from investing activities:		
Purchase of investment properties	(30,278,645)	(54,166,510)
Purchase of fixed assets	(1,343,764)	(410,325)
Decrease in other investments	19,158,450	17,355,126
Proceeds from sale of investment properties	21,976,061	51,401,020
Amounts due from associated companies	(5,385,347)	(8,220,568)
Proceeds from disposal of fixed assets	520,663	122,760
Net cash flows from investing activities	4,647,418	6,081,503
Cash flows from financing activities:		
Increase in term loans	7,230,400	20,700,744
Increase/(decrease) in overdraft	885,373	(1,101)
Dividends paid	(13,070,080)	(10,456,063)
Repayment of hire purchase creditors	–	(36,729)
Net cash flows (used in)/from financing activities	(4,954,307)	10,206,851
Net increase in cash and cash equivalents	3,162,274	5,926,481
Cash and cash equivalents at the beginning of the year	63,444,275	57,517,794
Cash and cash equivalents at the end of the year (note 27)	66,606,549	63,444,275

The accounting policies and explanatory notes on pages 36 through 93 form an integral part of the financial statements.

Notes to the Financial Statements
31 December 2006

The financial statements for the financial year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 2 March 2007.

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 subsidiaries are primarily engaged in property rental, investment and development, general insurance and manufacturers and trading of chemicals.

The Group operates in Singapore, Malaysia, United Kingdom and China.

The subsidiaries and associates at 31 December 2006 are:

(a) *Subsidiaries*

	Name of company	Percentage of interest held 2006 %	Percentage of interest held 2005 %	Place of incorporation	Cost of investment 2006 $'000	Cost of investment 2005 $'000	Principal activities
	Held by the Company						
	Singapore Warehouse Company (Private) Ltd.	100.0	100.0	Singapore	139,425	139,425	Owner of warehouse for rental and storage and investment holding.
*	Phratra Sdn. Bhd.	100.0	100.0	Malaysia	6,985	6,985	Property investment and development.
	Hwa Hong Capital (Pte) Limited	100.0	100.0	Singapore	41,890	41,890	Investment holding.
	Tenet Insurance Company Ltd	15.7	15.7	Singapore	7,010	7,010	General insurance.
					195,310	195,310	

1. Corporate Information (cont'd)

(a) *Subsidiaries (cont'd)*

	Name of company	Percentage of interest held 2006 %	Percentage of interest held 2005 %	Place of incorporation	Principal activities
	Held by Singapore Warehouse Company (Private) Ltd.				
*	Thackeray Properties Limited	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
*	Pumbledon Limited	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
	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.
***	Filedoor Limited	70.0	70.0	United Kingdom	Acting as nominee company for investment holding.
***	Vantagepro Investment Limited	100.0	100.0	British Virgin Islands	Investment holding.
	Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
****	Jining Ningfeng Chemical Industry Co., Limited	94.0	94.0	The People's Republic of China	Feed chemical manufacturer.
	Held by Hwa Hong Capital (Pte) Limited				
	Tenet Insurance Company Ltd	84.3	84.3	Singapore	General insurance.
	Held by Paco Industries Pte. Ltd.				
*****	Jining Paco Chemical Industry Co., Ltd	100.0	100.0	The People's Republic of China	Dormant.

1. Corporate information (cont'd)

(a) *Subsidiaries (cont'd)*

	Name of company	Percentage of interest held 2006 %	Percentage of interest held 2005 %	Place of incorporation	Principal activities
	Held by Vantagepro Investment Limited				
***	Capital Ely Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital East Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital Fitzroy Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital Hatton Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital 18 Vestry Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital 20 Vestry Limited	82.0	82.0	United Kingdom	Acting as nominee company for investment holding.
***	Capital New Mount Limited	82.0	–	United Kingdom	Acting as nominee company for investment holding.

Collectively known as Capital Group

(b) Associates

Name of company	Percentage of interest held 2006 %	Percentage of interest held 2005 %	Place of incorporation	Principal activities
Held by the Company				
Singamet Trading Pte. Ltd.	20	20	Singapore	Property investment

1. Corporate Information (cont'd)

(b) *Associates (cont'd)*

	Name of company	Percentage of interest held 2006 %	2005 %	Place of incorporation	Principal activities
	Held by Singapore Warehouse Company (Private) Ltd				
**	Riverwalk Promenade Pte Ltd	50.0	50.0	Singapore	Property development.
**	Hong Property Investments Pte Ltd	30.0	30.0	Singapore	Property investment.
***	Aronbrook Limited	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
***	Vistawell Limited	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
	Held by Thackeray Properties Limited				
***	Matahari 461 Ltd	50.0	50.0	United Kingdom	Property management
	Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
	Norwest Holdings Pte Ltd	49.5	49.5	Singapore	Investment holding

All subsidiaries 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
**** 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

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except that certain property, plant and equipment, investment properties and available-for sale financial assets have been measured at their fair values.

The financial statements are presented in Singapore Dollars.

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

2. Significant Accounting Policies (cont'd)

2.2 Changes In Accounting Policies

FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRSs and INT FRSs that have been issued but are only effective for annual financial periods beginning on or after 1 January 2007:

		Effective date (Annual periods beginning on or after)
FRS 1	: Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	: Investment Property	1 January 2007
FRS 107	: Financial Instruments: Disclosures	1 January 2007
INT FRS 108	: Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 110	: Interim Financial Reporting and Impairment	1 November 2006

The directors expect that the adoption of INT FRS 108 and INT FRS 110 will have no material impact to the financial statements in the period of initial application.

(i) FRS 40, Investment Property

This Standard is effective for annual financial periods beginning on or after 1 January 2007 and permits entities to choose either:

(a) a fair value model, under which an investment property is measured, after initial measurement, at fair value with changes in fair value recognised in profit and loss; or

(b) at cost model. The cost model is specified in FRS 16 and requires an investment property to be measured after initial measurement at depreciated cost (less any accumulated impairment losses). An entity that chooses the cost model discloses the fair value of its investment property. FRS 8 applies to any change in accounting policies that is made when an entity choose to use cost model. The effect of the change in accounting policies includes the reclassification of any amount held in revaluation surplus for investment property.

The directors will consider the two models above and choose the method which is most appropriate, taking into account the circumstances, when the Standard comes into effect from 1 January 2007.

(ii) FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2007.

2. Significant Accounting Policies (cont'd)

2.3 Significant Accounting Estimates And Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Insurance contract liabilities - Assumptions and sensitivities

The major classes of general insurance written by a subsidiary of the Group include motor, workmen's compensation, property, personal accident, travel and marine. For general insurance contracts, claim provisions (comprising provision for claims reported by policyholders and claims incurred but not reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date.

The provisions are reviewed quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claim provisions are discounted using the yields available on Singapore Government bonds of durations matched to the expected term of the claim payments.

The measurement process primarily includes projection of future claim costs through a combination of actuarial and statistical projection techniques like the Chain Ladder and Bornheutter-Ferguson method. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar businesses are used in developing claim estimates. Claim provisions are set by loss adjustors and are separately projected by the actuaries. The claim projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes factors in respect of initial expected loss ratios used, first year incurred loss development factors used, claims handling costs and the assumed provision for adverse deviation ("PAD") factor used for each accident year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process etc is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision, although certified by an independent actuary, is not known with certainty at the balance sheet date.

2. Significant Accounting Policies (cont'd)

2.3 Significant Accounting Estimates And Judgements (cont'd)

(i) Insurance contract liabilities - Assumptions and sensitivities (cont'd)

Sensitivities (cont'd)

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

The table below indicates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process. The table demonstrates the effect of changes in key assumptions in a given year whilst other factors remain unchanged. In practice, the correlation of all the factors may significantly affect the ultimate claims liabilities. However for the purpose of illustration, the table below isolates the impact of certain individual factors on the claims liabilities.

	Percentage Change in Assumption	2006 Increase / (Decrease) in net claims outstanding	2006 Increase / (Decrease) in profit before tax	2005 Increase / (Decrease) in net claims outstanding	2005 Increase / (Decrease) in profit before tax
		S$'000	S$'000	S$'000	S$'000
Initial expected loss ratio	+ 5%	72	(72)	111	(111)
Initial expected loss ratio	- 5%	(72)	72	(111)	111
Incurred development tail factor	+ 5%	502	(502)	495	(495)
Incurred development tail factor	- 5%	(549)	549	(547)	547
Claim handling expenses	+ 5%	953	(953)	1,269	(1,269)
Claim handling expenses	- 5%	(953)	953	(1,269)	1,269
Provision for adverse deviation	+ 5%	686	(686)	915	(915)
Provision for adverse deviation	- 5%	(686)	686	(915)	915

The carrying value of the Group's insurance contract liabilities as at December 2006 was $23,394,891 (2005 : $34,024,987).

2. Significant Accounting Policies (cont'd)

2.3 Significant Accounting Estimates And Judgements (cont'd)

(ii) Reinsurance - Assumption and methods

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurers' share of technical provisions.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The carrying value of reinsurers' share of outstanding claims as at 31 December 2006 was $2,848,200 (2005 : $6,473,731).

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2006 was $1,662,603 (2005 : $858,929) and $5,788,900 (2005 : $4,255,189) respectively.

(iv) Fair value of investment in subsidiaries

The investment in subsidiaries has been valued based on the estimated market value of the underlying investment equities and investment properties and the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the investment in subsidiaries at 31 December 2006 was $512,827,662 (2005 : $471,043,093).

2.4 Principles Of Consolidation

The consolidated financial statements comprised the financial statements of Hwa Hong Corporation Limited and its controlled subsidiaries as at the balance sheet date.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the Company using uniform accounting policies for like transactions and other events in similar circumstances.

2. Significant Accounting Policies (cont'd)

2.4 Principles Of Consolidation (cont'd)

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

Assets, liabilities and results of the foreign subsidiaries are translated into Singapore Dollars on the basis outlined in Note 2.18 below.

2.5 Intangible Assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

* represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
* is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit including the goodwill with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Significant Accounting Policies (cont'd)

2.5 Intangible Assets (cont'd)

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

2.6 Revenue Recognition

Interest income

Interest income is taken into account on the accrual basis.

Premium income from general insurance

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 one 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".

Premium for policy that is issued prior to the date of commencement of the risk is classified as "Advance Premiums".

Rental income

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

Sale of goods

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

Rendering of service

Revenue from rendering of consulting services is recognised by reference to the stage of completion of the contract.

Dividend income

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

Sale/redemption of investments

Sales proceeds from sale/redemption of equity and non equity investments are recognised as revenue on trade date.

2. Significant accounting policies (cont'd)

2.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The investments in subsidiaries are stated in the financial statements of the Company at fair values. Any surplus or deficit arising from this revaluation is taken direct to fair value reserve.

2.8 Associates

An associate is defined as a company, not being a subsidiary or a joint venture, 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 associates is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is included in the investment in associates in the consolidated balance sheet. The results of the associates 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.

In the Company's separate financial statements, investment in associates is accounted for at cost less impairment losses.

2.9 Property, Plant And Equipment And Depreciation

All items of property, plant and equipment are initially recorded at cost. Except for freehold office property which is carried at valuation, subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold office property is carried at fair value which is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made annually to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the capital reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is deducted against the capital reserve to the extent of any balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the capital reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

*	Leasehold land and buildings and freehold office property	-	43 to 50 years
*	Plant and equipment	-	7 %
*	Furniture, motor vehicles, computers and other equipment	-	7% to 33⅓%

Assets under construction included in plant and equipment are not depreciated as these assets are not available for use.

2. Significant Accounting Policies (cont'd)

2.9 Property, Plant And Equipment And Depreciation (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.10 Investment Properties

Investment properties are stated in the balance sheet at directors' valuation based on annual independent professional valuations at open market values.

When an investment property is revalued, any increase in the carrying amount is credited directly to the capital reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is deducted against the capital reserve to the extent of any balance existing in the reserve in respect of that asset.

Any surplus held in capital reserve arising from previous revaluations of investments properties sold during the financial year is regarded as having become realised and is transferred to the profit and loss account.

2.11 Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

(a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial asset not held for trading as financial assets at fair value through profit or loss.

2. Significant Accounting Policies (cont'd)

2.11 Financial Assets (cont'd)

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group and the Company classifies the following financial assets as loans and receivables:

* cash and short term deposits
* trade and other receivables, including amounts due from subsidiaries and associates

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously included in fair value reserve is recognised in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

2. Significant Accounting Policies (cont'd)

2.12 Investment Securities

Investment securities are classified as held-to-maturity investments or available-for-sale financial assets, as appropriate.

The accounting policies for the aforementioned categories of financial assets are stated in Note 2.11.

2.13 Impairment

(a) Impairment of financial assets

As at each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from fair value reserve to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2. Significant Accounting Policies (cont'd)

2.13 Impairment (cont'd)

(b) Impairment of non financial assets

The carrying amounts of the Group's non financial assets, other than investment properties are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.14 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.

2.15 Loans And Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2. Significant Accounting Policies (cont'd)

2.16 Financial Liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other payables, payables to subsidiaries, associates and interest-bearing borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.17 Income Taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided, using the liability method, on 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 liabilities are recognised for all taxable temporary differences, except:

* where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

* in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2. Significant Accounting Policies (cont'd)

2.17 Income Taxes (cont'd)

(b) Deferred tax (cont'd)

Income tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

* where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

* receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.18 Functional and foreign currency

(a) Functional currency transactions

The directors have determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollar. Sales prices and major costs of providing goods and services including major operating expenses are transacted mainly in Singapore Dollar.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Company's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as currency translation adjustment reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the currency translation adjustment reserve until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the currency translation reserve.

2. Significant Accounting Policies (cont'd)

2.18 Functional And Foreign Currency (cont'd)

(c) Foreign currency translation

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 currency translation adjustment reserve.

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.

2.19 Cash And Cash Equivalents

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

2.20 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.

2.21 Provision For Unearned Premiums And Premium Deficiency

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

The provision for unearned premiums at the end of the period is calculated based on the 1/24th method on the amount of premiums 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 premiums written during the period after deducting local reinsurance premiums and overseas reinsurance premiums, to the extent of reinsurance deposits withheld from those overseas reinsurers.

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of unearned premiums. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any inadequacy is immediately charged to the profit and loss account by establishing a provision premium deficiency.

The sum of these provisions is known as premium liabilities and the concentration of the premium liabilities (in percentage terms) at balance sheet date is disclosed in Note 38(b).

2. Significant Accounting Policies (cont'd)

2.22 Product Classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependant on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Any contract not considered insurance contracts are classified as investment contracts.

2.23 Deferred Acquisition Costs

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs ("DAC") is capitalised and amortised over the life of the contract. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and the carrying value is written down to the recoverable amount.

2.24 Employee Benefits

Defined contribution plan

The Group participates in 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.

Employees leave entitlement

Employees entitlement 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.

Employee share option plans

Employees (including senior executives) of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

* *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

2. Significant Accounting Policies (cont'd)

2.24 Employee Benefits (cont'd)

Defined contribution plan (cont'd)

* *Equity-settled transactions (cont'd)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charged or credited for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. The share option reserve is transferred to revenue upon expiry of the options.

2.25 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.

The Group's interest in the unincorporated joint venture is accounted for using equity accounting method which is similar to the accounting policy for investment in associates which is stated in note 2.8.

2.26 Derecognition Of Financial Assets And Liabilities

(a) Financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2. Significant Accounting Policies (cont'd)

2.27 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.

2.28 Leases

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3. Revenue

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

	Group	
	2006	2005
	$	$
Dividend income from other investments	3,302,507	2,198,172
Gross written premiums	25,401,970	23,941,370
Rental and storage income	4,514,995	4,904,732
Trading sales	1,204,034	2,266,716
Interest income		
- associates	4,756,674	3,195,715
- financial institutions	948,460	1,068,050
- others	632,197	674,139
	6,337,331	4,937,904
Proceeds from sale of investment securities	48,103,829	29,779,922
Consultancy service income	–	52,350
	88,864,666	68,081,166

4. Cost Of Sales

Included in cost of sales are:

	Group	
	2006	2005
	$	$
Cost of sale of investment securities	46,819,946	28,100,332
Reinsurance premiums	5,969,504	5,872,857
Provision for unexpired risks	21,444	572,180
Provision for outstanding claims	1,029,105	4,715,246

5. Other Income

	Group 2006 $	Group 2005 $
Amortisation of premium	(50,288)	(72,743)
Interest income		
- quoted bonds	1,953,942	2,069,353
- financial institutions	1,445,412	961,696
- others	77,326	496,147
- associates	44,746	37,819
	3,521,426	3,565,015
Dividend income from		
- quoted investments	2,247,155	1,378,571
- unquoted investments	18,340	50,368
	2,265,495	1,428,939
Gain from sale of investments		
- gain on redemption of bonds, stocks and government securities	255,193	22,028
- gain on sale of investment properties	2,416,970	6,722,667
- gain on sale of other investments	3,893,244	40,579
	6,565,407	6,785,274
Foreign exchange gain/(loss)	163,992	(2,028,799)
Management fee income from an associate	300,000	300,000
Gain/(loss) on disposal of property, plant and equipment	355,413	(16,485)
Gain on commutations	60,132	47,613
Writeback of other payables	488,220	–
Compensation received from tenants	539,140	–
Sundry income	399,206	325,108
	14,608,143	10,333,922

6. General And Administrative Costs

	Group 2006 $	Group 2005 $
Directors' fees		
- directors of the Company	(370,000)	(311,000)
- other directors of a subsidiary	(5,222)	(5,675)
Directors' remuneration		
- directors of the Company	(1,797,127)	(1,722,628)
- other directors of subsidiaries	(451,362)	(493,500)
	(2,248,489)	(2,216,128)
Auditors' remuneration		
- auditors of the Company		
- current year	(189,950)	(198,950)
- underprovision in respect of prior year	(10,318)	(10,818)
	(200,268)	(209,768)
- other auditors of subsidiaries		
- current year	(123,471)	(52,390)
- underprovision in respect of prior year	(81,416)	–
	(204,887)	(52,390)
	(405,155)	(262,158)
* *There were no non-audit fees paid to auditors of the Company.*		
Depreciation on property, plant and equipment	(1,105,035)	(1,191,381)
Fees paid to firms in which certain directors are members	(170,450)	(221,856)
Write-back of doubtful debt		
- trade	15,563	56,099
- non-trade	–	180,671
Staff cost (including executive directors)	(8,337,993)	(8,121,471)
CPF contribution	(505,482)	(499,815)

7. Other Operating (Costs)/income

	Group 2006 $	Group 2005 $
Write-back of allowance for obligations and warranties	–	799,500
Write-back of impairment loss on investment property	–	382,369
Property, plant and equipment written off	–	(155,220)
Reversal of revaluation deficit on property, plant and equipment	130,000	–
Allowance for doubtful receivables from associates	(537,141)	(190,816)
(Allowance)/write-back of impairment losses on investment securities, non-current		
- unquoted non-equity investment	(104,494)	–
- unquoted bonds	–	141,127
(Allowance)/write-back of impairment losses on investment securities, current		
- quoted equity investments	(1,098,583)	–
- quoted government securities	–	9,901
	(1,610,218)	986,861

8. Finance Costs

	Group 2006 $	Group 2005 $
Interest expense		
Bank loans and overdrafts	(1,881,869)	(1,753,930)

9. Tax Expense

(a) Major components of income tax expense

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

	Group 2006 $	Group 2005 $ (Restated)
(i) Profit and loss account		
Current income tax		
Current taxation in respect of profit for the year	2,867,656	1,450,835
Overprovision in respect of prior years	(517,900)	(1,437,290)
	2,349,756	13,545
Deferred taxation in respect of current year	(11,830)	123,186
Income tax expense recognised in profit and loss account	2,337,926	136,731

(ii) Statements of changes in equity

Deferred income tax related to items charged or credited directly to equity	Group 2006 $	Group 2005 $
Net change in fair value reserve for available-for-sale financial assets	1,460,099	1,410,229
Net surplus on revaluation of investment properties	90,899	90,935
Income tax expense reported in equity	1,550,998	1,501,164

(b) Relationship between tax expense and accounting profit

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 2006 %	Group 2005 %
Domestic statutory tax rates	20.0	20.0
Adjustments :		
Income not subject to tax	(10.9)	(14.5)
Non-deductible expenses	3.0	4.3
Overprovision of tax	(2.0)	(8.9)
Deferred tax not recognised	1.2	1.2
Share of results of associates and unincorporated joint venture	(1.5)	(0.4)
Others	(0.7)	(0.9)
Effective tax rate	9.1	0.8

9. Tax Expense (cont'd)

(b) Relationship between tax expense and accounting profit (cont'd)

The Group has estimated tax losses of $8,300,000 (2005 : $7,145,000) 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

Basic earnings per share ("EPS") is calculated by dividing the Group profit attributable to equity holders of $23,373,860 (2005 : $16,003,456) by the weighted average number of ordinary shares in issue during the year of 653,504,000 (2005 : 653,504,000). There is no dilutive EPS as there are no options granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

11. Share Capital

	Group and Company			
	2006		2005	
	No. of shares	$	No. of shares	$
Issued and fully paid				
Balance at the beginning of the year	653,504,000	163,376,000	653,504,000	163,376,000
Transfer from share premium	–	8,777,626	–	–
Balance at the end of the year	653,504,000	172,153,626	653,504,000	163,376,000

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium account became part of the Company's share capital.

Share repurchase

At the Extraordinary General Meeting of the Company held on 7 November 2003, shareholders of the Company 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 26 April 2006. The Company did not repurchase any shares during the financial year.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

12. Reserves

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Share premium	–	8,777,626	–	8,777,626
Revenue reserve	143,488,299	133,184,519	7,406,083	16,592,963
Capital reserve	123,184,719	117,718,316	–	–
Fair value reserve	25,771,674	9,918,676	287,194,725	245,417,756
Currency translation adjustment reserve	2,156,116	1,203,241	–	–
	294,600,808	270,802,378	294,600,808	270,788,345

Capital reserve is made up of $20,890,484 (2005 : $15,424,081) relating to asset revaluation surplus from revaluation of investment properties and an amount of $102,294,235 (2005 : $102,294,235) relating to revaluation gain on a property in an associate which is under development.

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	
	2006	2005
	$	$
Share premium		
Balance at the beginning of the year	8,777,626	8,777,626
Transfer to share capital	(8,777,626)	–
Balance at the end of the year	–	8,777,626

	Company	
	2006	2005
	$	$
Revenue reserve		
Balance at the beginning of the year	16,592,963	23,497,198
Profit for the year	3,883,200	3,551,828
Dividends paid	(13,070,080)	(10,456,063)
Balance at the end of the year	7,406,083	16,592,963

12. Reserves (cont'd)

	Company	
	2006	2005
	$	$
Capital reserve		
Balance at the beginning of the year	–	234,593,403
Adoption of FRS 39	–	(234,593,403)
Balance at the end of the year	–	–

Fair value reserve

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

Balance at the beginning of the year	245,417,756	–
Adoption of FRS 39	–	234,593,403
Balance at the beginning of the year	245,417,756	234,593,403
Net gain/(loss) on fair value changes during the year		
- Subsidiaries	41,784,569	10,824,353
- Investments securities	(7,600)	–
Balance at the end of the year	287,194,725	245,417,756

13. Bank Loans (secured)

	Group	
	2006	2005
	$	$
Non current		
- Long term Sterling Pound bank loans	33,482,266	25,527,219
Current		
- Long term Sterling Pound bank loans	309,909	485,276
- Short term Sterling Pound bank loans	831,453	813,715
- Short term Singapore Dollar bank loans	3,653,073	3,653,073
	4,794,435	4,952,064
Total bank loans	38,276,701	30,479,283
Amount repayable within one year	4,794,435	4,952,064
Amount repayable between two and five years	33,482,266	25,527,219
	38,276,701	30,479,283

Long term Sterling Pound bank loans of $33,792,175 (2005: $26,012,495) and short term Sterling Pound bank loan of $831,453 (2005 : $813,715) are secured by a fixed charge over subsidiaries' investment properties. Repayments are made quarterly. Interest is charged at 1.5% and 0.755% (2005 : 1.5% and 1.25%) per annum over LIBOR.

Short term bank loans of $3,653,073 (2005 : $3,653,073) are guaranteed by a subsidiary. Interest is charged at 1.375% per annum over SGD bank loan at swap cost.

14. Deferred Tax Liabilities

Deferred tax liabilities is due to temporary difference associated with:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Revaluations of available-for-sale financial assets to fair value	2,870,328	1,410,229	–	–
Revaluation of investment properties	2,709,315	2,618,416	–	–
Differences in depreciation and capital allowances	144,252	154,711	–	–
Others	65,005	71,833	49,500	49,500
	5,788,900	4,255,189	49,500	49,500

15. Associates

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Investment in Associates				
Unquoted shares, at cost	58,750,156	58,750,288	800,000	800,000
Less impairment losses	–	–	(186,218)	(157,201)
Share of post-acquisition reserves	2,338,607	2,855,442	–	–
	61,088,763	61,605,730	613,782	642,799

15. Associates (cont'd)

	Group 2006	Group 2005	Company 2006	Company 2005
	$	$	$	$
The share of reserves is made up as follows:				
Capital Reserve	907,285	907,285	–	–
Revenue Reserve	1,016,686	1,177,059	–	–
Currency realignment adjustment reserve	414,636	771,098	–	–
	2,338,607	2,855,442	–	–
Loans due from associates	118,955,362	113,763,688	–	–
Trade amount due from an associate	–	53,194	–	–
Non trade amounts due from associates	4,615,774	4,214,249	261,962	266,607
Less : Allowance for doubtful debts	(4,496,438)	(3,959,297)	(142,626)	(142,626)
	119,336	254,952	119,336	123,981
Amounts due from associates	119,074,698	114,071,834	119,336	123,981
Analysis of allowance for doubtful debts				
Balance at the beginning of the year	(3,959,297)	(3,782,493)	(142,626)	(156,638)
Amount utilised	–	14,012	–	–
Charge to profit and loss account	(537,141)	(190,816)	–	14,012
Balance at the end of the year	(4,496,438)	(3,959,297)	142,626	(142,626)
Amounts due to associates	600,860	446,333	413,113	446,333

Loans due from associates of $13,062,885 (2005 : $12,311,283) and $105,892,477 (2005 : $101,452,405) bear interest at 2.5% (2005 : 2.5%) and 4.24462% - 4.56952% (2005 : 2.5% - 3.995%) per annum respectively. All loans due from associates are repayable on demand and are to be settled in cash.

Included in loans due from associates is an amount of $13,062,885 (2005 : $12,311,283) that is due from a company which is a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.

Loans due from associates include an amount of $105,892,477 (2005 : $101,452,405) which is subordinated to the borrowings on an associate.

15. Associates (cont'd)

The non-trade amounts due from associates are unsecured, repayable on demand and are to be settled in cash. Except for an amount of $724,087 (2005 : $541,245) which bears interest at 5.5% - 9.39% per annum (2005 : 5.5% - 8.44% per annum) the balance of the non-trade amounts due from associates are non- interest bearing.

Amounts due to associate are non-trade, non-interest bearing, repayable on demand and are to be settled in cash.

Impairment losses

As at 31 December 2006, an impairment loss of $29,017 (2005 : $73,761) was recognised in the profit and loss account at the Company level.

Included in the non-trade amounts due from associates for the Group and the Company is an amount of $1,216,094 (2005 : $1,234,644) and $224,502 (2005 : $231,139) respectively denominated in US Dollars.

Included in the amounts due to associates for the Group and the Company are amounts denominated in the following foreign currencies.

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Chinese Renminbi	187,747	–	–	–
US Dollars	413,113	446,333	413,113	446,333

The summarised financial information of the associates are as follows:

	2006	2005
	$	$
Assets and liabilities:		
Non-current assets	18,183,417	23,236,506
Current assets	694,878,735	600,216,619
Total assets	713,062,152	623,453,125
Non-current liabilities	(46,291,349)	(543,019,091)
Current liabilities	(564,079,742)	(55,123,517)
Total liabilities	(610,371,091)	(598,142,608)
Results		
Revenue	14,984,320	24,900,498
Loss for the year	(2,766,456)	(668,037)

16. Other Payables

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Current				
Deposits	96,915	195,552	–	–
Unclaimed dividends	76,677	70,198	76,677	70,198
Deferred reinsurance commissions	55,949	111,871	–	–
Cash collateral received from insurer's customers	2,700,024	3,075,467	–	–
Deferred income	252,225	588,021	81,877	93,078
Sundry payables	2,144,226	3,024,852	81,962	126,613
	5,326,016	7,065,961	240,516	289,889
Non-current				
Tenancy deposits	114,734	38,108	–	–

Sundry payables are non interest bearing and are settled on 60 days term.

Included in the sundry payables for the Group are amounts denominated in foreign currencies as follows:

	Group 2006 $	Group 2005 $
Sterling Pound	322,440	919,529
Chinese Renminbi	1,053,585	1,019,966

17. Provision for outstanding claims

	Group 2006 $	Group 2005 $
Gross outstanding claims	23,394,891	34,024,987
Reinsurers' share of outstanding claims	(2,848,200)	(6,473,731)
Net outstanding claims	20,546,691	27,551,256
Movement in provision:-		
Balance at the beginning of the year	27,551,256	31,343,708
Net claims paid	(8,033,670)	(8,507,698)
Net claims incurred	1,029,105	4,715,246
Balance at the end of the year	20,546,691	27,551,256

17. Provision For Outstanding Claims (cont'd)

Loss development triangles

Reproduced below is an exhibit that shows the development of claims over a period of time:

	Net Claims Paid in each Year of Development							
Accident Year	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
	$000	$000	$000	$000	$000	$000	$000	$000
Prior years	14,294	7,046	4,796	2,555	1,103	427	45	28
1999	6,919	7,039	2,660	1,423	312	501	188	40
2000		7,339	6,262	2,040	422	445	190	(10)
2001			6,518	4,203	1,586	845	258	161
2002				7,000	5,270	1,317	1,171	448
2003					3,480	2,612	630	152
2004						3,977	2,805	632
2005							3,220	2,790
2006								3,792
Total	21,213	21,424	20,236	17,221	12,173	10,124	8,507	8,033

	Net Claim Outstanding at the End of each Year of Development							
Accident Year	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
	$000	$000	$000	$000	$000	$000	$000	$000
Prior years	31,196	19,947	11,663	6,531	4,082	1,810	1,036	358
1999	18,346	11,162	6,986	3,595	2,925	1,377	588	241
2000		16,017	7,797	3,716	2,636	1,809	717	327
2001			11,341	5,791	4,354	2,339	1,331	437
2002				20,668	10,151	6,246	3,091	985
2003					12,405	4,792	2,148	642
2004						12,969	5,900	2,074
2005							12,740	4,945
2006								10,561
Total	49,542	47,126	37,787	40,301	36,553	31,342	27,551	20,570

Incurred claims development experience during 2006 for prior years' claims has been favourable for all lines of business. In line with the recommendation of its actuary, the insurance subsidiary adjusted its prior years' provision for outstanding claims and recognised a write back of $10.8 million (2005 : $9.4 million) of provision for outstanding claims in the profit and loss account for the year ended 31 December 2006. These amounts have been netted off from the net claims incurred figures above.

18. Provision For Unexpired Risks

	Group 2006	Group 2005
	$	$
Gross unearned premium	12,804,379	11,777,387
Reinsurers' share of unearned premium	(3,036,988)	(2,695,287)
Gross deferred acquisition costs	(2,469,355)	(2,267,430)
Provision for premium deficiency	1,839,000	2,245,000
Deferred reinsurance commissions (Note 16)	55,949	111,871
	9,192,985	9,171,541
Movement in provision:-		
Balance at the beginning of the year	9,171,541	8,599,361
Provision during the year	21,444	572,180
Balance at the end of the year	9,192,985	9,171,541

19. Property, Plant And Equipment

Group Cost or valuation	Freehold office property At valuation $	Leasehold land and buildings At cost $	Plant and machinery At cost $	Furniture, motor, vehicles, computers and other equipment At cost $	Total $
At 1 January 2005	1,450,000	13,277,448	309,712	6,274,427	21,311,587
Currency realignment	–	21,897	38,304	6,924	67,125
Additions	–	–	–	410,325	410,325
Revaluation	79,000	–	–	–	79,000
Disposals	–	(330,097)	–	(440,266)	(770,363)
Elimination of accumulated depreciation on revaluation	(29,000)	–	–	–	(29,000)
Reclassification	–	359,763	805,105	(1,164,868)	–
At 31 December 2005 and 1 January 2006	1,500,000	13,329,011	1,153,121	5,086,542	21,068,674
Currency realignment	–	(28,320)	(22,368)	(36,336)	(87,024)
Additions	–	–	–	1,343,764	1,343,764
Revaluation	130,000	–	–	–	130,000
Elimination of accumulated depreciation on revaluation	(30,000)	–	–	–	(30,000)
Disposals	–	–	–	(1,386,338)	(1,386,338)
At 31 December 2006	1,600,000	13,300,691	1,130,753	5,007,632	21,039,076
Accumulated depreciation and impairment					
At 1 January 2005	–	1,157,932	288,656	4,865,189	6,311,777
Currency realignment	–	4,416	33,395	1,797	39,608
Depreciation charge for the year	29,000	283,338	23,826	855,217	1,191,381
Disposals	–	(35,631)	–	(440,267)	(475,898)
Elimination of accumulated depreciation on revaluation	(29,000)	–	–	–	(29,000)
Reclassification	–	47,974	731,479	(779,453)	–
At 31 December 2005 and 1 January 2006	–	1,458,029	1,077,356	4,502,483	7,037,868
Currency realignment	–	(16,541)	(67,016)	(19,496)	(103,053)
Depreciation charge for the year	30,000	281,662	120,413	672,960	1,105,035
Elimination of accumulated depreciation on revaluation	(30,000)	–	–	–	(30,000)
Disposals	–	–	–	(1,221,088)	(1,221,088)
At 31 December 2006	–	1,723,150	1,130,753	3,934,859	6,788,762
Net carrying amount					
At 31 December 2005	1,500,000	11,870,982	75,765	584,059	14,030,806
At 31 December 2006	1,600,000	11,577,541	–	1,072,773	14,250,314

19. Property, Plant And Equipment (cont'd)

Company **Cost**	**Leasehold buildings**	**Furniture, motor, vehicles, computers and other equipment**	**Total**
	$	$	$
At 1 January 2005	5,165,495	798,520	5,964,015
Disposals	–	(13,120)	(13,120)
At 31 December 2005 and 1 January 2006	5,165,495	785,400	5,950,895
Additions	–	495,704	495,704
Disposals	–	(551,204)	(551,204)
At 31 December 2006	5,165,495	729,900	5,895,395
Accumulated depreciation			
At 1 January 2005	600,641	632,722	1,233,363
Charge for year 2005	120,128	83,077	203,205
Disposals	–	(13,120)	(13,120)
At 31 December 2005 and 1 January 2006	720,769	702,679	1,423,448
Depreciation for the year	120,128	88,914	209,042
Disposals	–	(537,583)	(537,583)
At 31 December 2006	840,897	254,010	1,094,907
Net carrying amount			
At 31 December 2005	4,444,726	82,721	4,527,447
At 31 December 2006	4,324,598	475,890	4,800,488

Revaluation of freehold office property

The Group has engaged Allied Appraisal Consultants Pte Ltd, an independent valuer, to determine the fair value of its freehold commercial building at Orchard Towers. The fair value is determined by reference to open market values on an existing use basis. The date of valuation was 26 December 2006.

If the freehold office property was measured using the cost model, the carrying amount would be as follows:

	Group	
	2006	**2005**
	$	$
At 31 December		
Cost	2,299,292	2,299,292
Accumulated depreciation	(275,915)	(229,929)
Net carrying value	2,023,377	2,069,363

20. Investment Properties

	Group 2006 $	Group 2005 $
Investment properties, at valuation	126,557,115	108,089,585
Balance at the beginning of the year	108,089,585	109,855,747
Currency realignment	2,206,472	(3,580,736)
Additions during the year	30,278,645	54,166,510
Disposals during the year	(20,785,495)	(55,206,942)
Writeback of impairment loss	–	382,369
Net surplus arising on revaluation of investment properties	6,767,908	2,472,637
Balance at the end of the year	126,557,115	108,089,585

These are freehold properties in Singapore, Malaysia and the United Kingdom which are stated at directors' valuation based on professional valuation carried out by Allied Appraisal Consultants Pte Ltd (December 2006), Param and Associates (January 2005) and Meredith & Co Chartered Surveyors (December 2006) respectively. The valuations have been done on the basis of open market valuation.

The net revaluation surplus of $6,767,908 (2005 : $2,472,637) is taken to the capital reserve.

The Group's investment properties are listed in note 37 to the financial statements.

An investment property in Singapore, amounting to $33,000,000 (2005 : $33,514,000) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary. The banking facilities were not utilised during the financial year.

Investment properties in the United Kingdom, amounting to $68,301,633 (2005 : $14,309,057) are mortgaged to a bank to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2006 amounted to $34,623,628 (2005 : $26,826,210).

21. Subsidiaries

	Company 2006 $	Company 2005 $
Investment in subsidiaries		
Unquoted shares, at directors' valuation	512,827,662	471,043,093
Amounts due to subsidiaries, non-trade	(54,454,910)	(46,577,914)
Amounts due from subsidiaries, non-trade	3,457,873	2,589,655
	461,830,625	427,054,834

Balances with subsidiaries are unsecured, interest free and repayable on demand and are to be settled in cash.

22. Investment Securities - Non Current

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Held to maturity				
- Quoted bonds	19,153,569	25,834,613	10	1,000,010
- Unquoted bonds	19,114,408	35,499,738	–	2,000,000
Available-for-Sale				
- Quoted bonds, at fair value	6,067,835	–		
- Quoted equity, at fair value	14,510,700	4,485,250	–	–
- Unquoted equity, at fair value	2,697,461	2,328,038	–	–
- Unquoted equity, at cost	599,259	599,259		
- Unquoted non-equity, at cost	836,553	941,047	30,900	38,500
- Unincorporated joint venture, at cost	9,576,684	9,304,659	–	–
	72,556,469	78,992,604	30,910	3,038,510

Unincorporated joint venture relates to the Group's interest in a joint venture residential development with a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte Ltd. The Group's interest in the joint venture is 20%. Included in unincorporated joint venture is an amount of $3,220,426 (2005 : $1,172,401) relating to the Group's share of its revenue reserve.

Included in the held to maturity investment, unquoted bonds, is an amount of $6,858,397 (2005 : $10,687,322) denominated in Australian Dollar.

As at 31 December 2006, an impairment loss on unquoted non-equity at cost of $104,494 (2005 : nil) was recognised in the profit and loss account, reflecting the write down in the carrying value of non-equity securities of an entity which is loss making.

Unquoted equity, non-equity and unincorporated joint venture which are stated at cost, have no market prices and the fair value cannot be reliably measured using valuation techniques.

The summarised financial information of the unincorporated joint venture is as follows:

	2006 $'000	2005 $'000
Assets and liabilities		
Current assets	60,479	110,927
Total assets	60,479	110,927
Current liabilities	(9,651)	(63,532)
Non-current liabilities	–	(487)
Total liabilities	(9,651)	(64,019)
Results		
Revenue	45,388	52,671
Profit for the year	12,800	4,008

23. Other Receivables

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Current				
Prepayments and deposits	5,751,111	5,279,304	40,433	47,945
Sundry receivables	623,872	1,555,081	–	–
Dividend receivable	195,280	344,014	–	–
Interest receivable	1,158,577	1,125,458	–	23,167
Staff loans	45,453	44,554	–	–
Staff advances	1,771	1,771	–	–
Other recoverables	23,286	10,535	16,288	3,534
	7,799,350	8,360,717	56,721	74,646

Included in prepayment and deposit is an amount of $5,386,564 (2005 : $4,870,764) being deposit paid for the purchase of 15 residential units and 4 retail units in The Rivergate residential development.

	Group 2006 $	Group 2005 $
Staff loans	88,113	132,667
Due within 12 months	(45,453)	(44,554)
Due after 12 months	42,660	88,113
Non current		
Staff loans due after 12 months	42,660	88,113
Other loan receivable	–	1,096,845
Less : Allowance for doubtful receivables		
Balance at the beginning of the year	(770,585)	(936,395)
Write-back to profit and loss account	–	180,671
Amount utilised	770,585	–
Exchange differences arising on translation	–	(14,861)
Balance at the end of the year	–	(770,585)
Total other receivables included in non-current assets	42,660	414,373

The staff loans are unsecured and interest is charged at 2% (2005 : 2%) per annum on reducing balance basis. The staff loans have remaining loan period of between 1½ (2005 : 2½) and 3½ (2005 : 4½) years and are repayable by monthly instalments.

Included in sundry receivables of the Group is an amount of $663,825 (2005 : $1,491,108) which is denominated in Sterling Pound.

24. Inventories

	Group	
	2006	2005
	$	$
Raw materials	39,360	112,242
Finished goods	19,262	32,055
Total inventories at lower of cost and net realisable value	58,622	144,297

25. Trade Receivables

	Group	
	2006	2005
	$	$
Trade receivables	5,033,236	4,706,190
Less : Allowance for doubtful receivables	(180,289)	(462,760)
	4,852,947	4,243,430
Analysis of allowance for doubtful debts:		
Balance at the beginning of the year	(462,760)	(528,594)
Amount utilised	266,811	2,474
Write-back of allowance	15,563	56,099
Exchange differences arising from translation	97	7,261
Balance at the end of the year	(180,289)	(462,760)

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Included in trade receivables for the Group is an amount of $772,169 (2005 : $530,968), which is denominated in Sterling Pound.

26. Investments Securities - Current

	Group 2006	Group 2005
	$	$
Held to maturity		
- Unquoted bonds	750,000	4,750,000
Available for sale		
- Quoted bonds, at fair value	1,001,700	–
- Quoted equity, at fair value	57,244,035	43,319,884
- Unquoted equity, at cost	–	50,000
- Unquoted bonds and FRN, at fair value	18,856,165	10,738,200
- Investment under fund management, at fair value	4,956,425	5,017,236
	82,808,325	63,875,320

Amounts placed under investment fund management can be analysed as follows:

	Group 2006	Group 2005
	$	$
Quoted investments	2,605,820	4,575,424
Cash held by fund manager	2,350,605	441,812
	4,956,425	5,017,236

The Group places fund with certain professional fund managers who are given discretionary powers within certain guidelines to invest the funds. The investment under fund management is denominated in US Dollar.

Quoted equity

During 2006, the Group recorded an impairment loss in the profit and loss account of $1,098,583 (2005 : nil), reflecting the write-down in the carrying value of equity securities of entities as their published market prices have declined for a period of time.

27. Cash And Cash Equivalents

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Fixed deposits	60,509,836	44,359,571	413,533	–
Cash and bank balances	6,096,713	19,084,704	108,859	86,029
	66,606,549	63,444,275	522,392	86,029
Included in above are:				
Fixed deposits held as cash collateral against performance bonds issued on behalf of customers	2,700,024	3,075,467	–	–
Cash collateral for banking facilities granted to subsidiaries	2,721,150	2,663,100	–	–
Fixed deposits pledged to the Monetary Authority of Singapore as statutory deposit required under Insurance Act	500,000	500,000	–	–
	5,921,174	6,238,567	–	–

28. Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms.

29. Bank Overdrafts, Secured

An amount of $434,485 (2005:- $457,380) is secured by a first charge over a subsidiary's fixed deposits and supported by a corporate guarantee given by the subsidiary. Interest is charged at 0.75% per annum over the Sterling Pound base rate.

The balance of $908,268 (2005:- nil) is secured by a corporate guarantee from the Company. Interest is charged at weighted average effective rate of 5.5% per annum.

30. Dividends

	Group 2006 $	Group 2005 $
In respect of financial year ended 31 December 2004:		
- final ordinary dividend of 1 cent per share less 20% tax	–	(5,228,031)
In respect of financial year ended 31 December 2005:		
- interim dividend of 1 cent per share less 20% tax	–	(5,228,032)
- final ordinary dividend of 1 cent per share less 20% tax	(5,228,032)	–
In respect of financial year ended 31 December 2006:		
- interim dividend of 1.5 cents per share less 20% tax	(7,842,048)	–
	(13,070,080)	(10,456,063)

The Directors of the Company have recommended a final ordinary dividend of 1.25 cents per share less 18% tax amounting to about $6,698,416 be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.

31. Interest In Joint Venture

The Group has a 50%, 70%, 50% and 82% interest in the assets, liabilities, revenue and expenses of Aronbrook Limited, Filedoor Limited, Vistawell Limited and Capital Group respectively. Aronbrook Limited, Filedoor Limited, Vistawell Limited and Capital Group are nominee companies which hold the United Kingdom properties in trust for the subsidiaries. The following has been accounted for in the consolidated financial statements using proportionate consolidation.

	Group 2006 $	Group 2005 $
Current assets	3,900,147	3,088,241
Non-current assets	50,792,543	37,810,001
Total assets	54,692,690	40,898,242
Current liabilities	(4,927,501)	(2,649,530)
Non-current liabilities	(33,482,266)	(25,527,219)
Net assets	16,282,923	12,721,493
Revenue	2,210,918	1,958,440
Other income	3,167,164	(6,801)
Expenses	(1,191,935)	(3,402,988)
Profit/(loss)	4,186,147	(1,451,349)

32. 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	
	2006	2005	2006	2005
	$	$	$	$
Management fees received and receivables from subsidiaries	–	–	(2,454,172)	(2,061,047)
Insurance premiums paid to a subsidiary	–	–	12,479	11,224
Group administrative income received from a subsidiary	–	–	(12,042)	(12,032)
Corporate bookkeeping and secretarial services fee received from subsidiaries	–	–	(24)	(5,472)
Interest received from an associate which is a related company of a substantial shareholder (note 15)	316,601	296,037	–	–
Interest received from subsidiary company	–	–	(14,695)	–

Other transactions with related parties are disclosed in notes 3, 5, and 6

33. Commitment And Contingencies

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
(a) Contingent liabilities				
Guarantees given to financial institutions in connection with facilities given to a subsidiary and an associate	–	–	15,000,000	15,000,000
(b) Commitments				
Capital expenditure commitments	22,552,256	22,883,056	–	–
Unquoted investment	7,356,594	7,356,594	–	–

34. Operating Lease Commitments

(a) As lessee

The Group has entered into office space and factory building leases for its subsidiaries. Operating lease payments recognised in the consolidated profit and loss account during the year amount to $5,588 (2005 : $5,897).

Future minimum lease payments payable under non-cancellable operating lease as at 31 December are as follows.

	Group	
	2006	**2005**
	$	$
Not later than one year	–	5,163
Later than one year but not later than five years	–	20,650
Later than five years	–	218,890
	–	244,703

(b) As lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2006	**2005**
	$	$
Not later than one year	1,224,494	911,412
Later than one year but not later than five years	592,415	281,259
	1,816,909	1,192,671

35. Directors' Remuneration

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

	2006	2005
$500,000 and above	1	1
$250,000 to $499,999	1	1
Below $250,000	8	7
	10	9

36. Group Segmental Information

At 31 December 2006, 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, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment 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.

36. Group Segmental Information (cont'd)

By Business Segments	Warehousing & Property		Insurance & Investment	
	2006	2005	2006	2005
	$	$	$	$ (Restated)
Segment Assets	149,976,619	135,324,088	884,868,226	863,724,121
Investment in Associated Companies	10	10	56,916,776	56,491,306
	149,976,629	135,324,098	941,785,002	920,215,427
Unallocated assets				
Total Assets				
Segment Liabilities	(33,698,760)	(36,696,699)	(105,322,074)	(110,895,761)
Unallocated Liabilities				
Total Liabilities				
Capital Expenditure	30,700,518	54,172,065	587,726	404,563
Depreciation	114,237	146,419	808,557	913,768
Allowance/(write back) of impairment loss	–	–	1,290,676	(151,028)
Other Non Cash Expenses	(20,000)	(369,806)	343,812	41,996

By Geographical Segments	Singapore		United Kingdom	
	2006	2005	2006	2005
	$	$	$	$
Segment Assets	1,061,751,479	1,039,720,493	113,840,983	98,687,211
Capital Expenditure	1,343,567	410,118	30,278,645	54,166,510

Manufacturing & Trading		Eliminations		Total	
2006	2005	2006	2005	2006	2005
$	$	$	$	$	$
	(Restated)				(Restated)
1,906,165	2,392,667	(615,027,937)	(611,475,852)	421,723,073	389,965,024
4,171,977	5,114,414	–	–	61,088,763	61,605,730
6,078,142	7,507,081	(615,027,937)	(611,475,852)	482,811,836	451,570,754
				81,755,042	79,634,300
				564,566,878	531,205,054
(13,002,635)	(11,173,819)	100,373,715	94,137,311	(51,649,754)	(64,628,968)
				(46,162,690)	(32,397,708)
				(97,812,444)	(97,026,676)
334,165	207	–	–	31,622,409	54,576,835
182,241	131,194	–	–	1,105,035	1,191,381
–	(3,500,000)	(87,599)	3,500,000	1,203,077	(151,028)
609,141	519,770	(620,375)	(1,264,563)	312,578	(1,072,603)

Others		Eliminations		Total	
2006	2005	2006	2005	2006	2005
$	$	$	$	$	$
4,002,353	4,273,202	(615,027,937)	(611,475,852)	564,566,878	531,205,054
197	207	–	–	31,622,409	54,576,835

36. Group Segmental Information (cont'd)

By Business Segments	Warehousing & Property		Insurance & Investment	
	2006	2005	2006	2005
	$	$	$	$ (Restated)
Segment Revenue				
External	4,514,995	4,904,732	83,145,637	60,909,719
Inter Segment	33,600	34,090	5,004,478	5,099,996
Total Revenue	4,548,595	4,938,822	88,150,115	66,009,715
Operating Profit/(loss)	4,455,762	7,443,751	27,227,015	15,184,466
Finance Costs				
Share of results of associates				
Profit before tax				
Tax				
Profit after tax				
Minority Interest				
Profit attributable to Shareholders				

By Geographical Segments	Singapore		United Kingdom	
	2006	2005	2006	2005
	$	$	$	$
Revenue				
External	85,164,327	64,030,674	3,547,732	3,910,518
Intersegment	5,286,656	6,094,352	–	–
Total Revenue	90,450,983	70,125,026	3,547,732	3,910,518

Manufacturing & Trading		Eliminations		Total	
2006	2005	2006	2005	2006	2005
$	$	$	$	$	$
	(Restated)				(Restated)
1,204,034	2,266,715	–	–	88,864,666	68,081,166
248,578	960,266	(5,286,656)	(6,094,352)	–	–
1,452,612	3,226,981	(5,286,656)	(6,094,352)	88,864,666	68,081,166
(1,704,314)	1,938,290	(4,272,461)	(7,050,332)	25,706,002	17,516,175
				(1,881,869)	(1,753,930)
				1,887,653	370,280
				25,711,786	16,132,525
				(2,337,926)	(136,731)
				23,373,860	15,995,794
				–	7,662
				23,373,860	16,003,456

Others		Eliminations		Total	
2006	2005	2006	2005	2006	2005
$	$	$	$	$	$
152,607	139,974	–	–	88,864,666	68,081,166
–	–	(5,286,656)	(6,094,352)	–	–
152,607	139,974	(5,286,656)	(6,094,352)	88,864,666	68,081,166

37. Major Properties Owned By The Group

Location	Company	Type/Usage	Area
Property, plant and equipment			
i) Leasehold land and buildings			
38 South Bridge Road Singapore 058672	Hwa Hong Corporation Limited	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.
11 Collyer Quay #09-00 The Arcade Singapore 049317	Tenet Insurance Company Ltd	99 years lease from 1980. Office.	Gross floor area of about 8,027 sq. feet. Net lettable area of 6,974 sq. feet.
ii) Freehold office property			
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Singapore Warehouse Company (Private) Ltd.	Freehold. Office.	Gross floor area of about 1,690 sq. feet.
Investment Properties			
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Singapore Warehouse Company (Private) Ltd.	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	Phrata Sdn. Bhd.	Freehold. Factory and ancillary office.	Land area of about 32,375 sq. metres. Gross floor area of about 5,205 sq. metres.
58 Queensgate London SW7, United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments.	–
115B Queensgate London SW7, United Kingdom	Thackeray Properties Limited	Freehold. 4 units of residential apartments.	–

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

Location	Company	Type/Usage	Area
Investment Properties (cont'd)			
15/17 Hornton Street London W8, United Kingdom	Pumbledon Limited	Freehold. 11 units of residential apartments.	–
82% interest in 10-18 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold office building	Floor area of 928.90 sq. metres (9,998 sq. feet)
82% interest in 20-22 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold office building	Floor area of 662.30 sq. metres (7,130 sq. feet)
82% interest in 65-69 East Road London N1 6AH United Kingdom	Vantagepro Investment Limited	Freehold office building	Floor area of 603.40 sq. metres (6,495 sq feet)
50% interest in Hollins Hall United Kingdom	Pumbledon Limited	Freehold. 4 units of retirement homes.	–
82% interest in 23 New Mount Street Manchester United Kingdom	Vantagepro Investment Limited	Freehold office building	Floor area of 3,248.11 sq. metres (34.963 sq. feet)
82% interest in The Bridge, Clerkenwell Road ECI, United Kingdom	Vantagepro Investment Limited	Freehold office building	Floor area of 1,453.40 sq. metres (15,644 sq. feet)
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 58,362 sq. feet.
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 7,328 sq. feet.
Development Property			
60, 60B, 60C Martin Road Singapore 239065/7/8	Riverwalk Promenade Pte Ltd	Freehold. Residential	Combined land area of about 29,683 sq. metres.

38. 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. 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) Underwriting risk

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Group seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, prudent estimation of the claims provisions, and high standards applied to the security of reinsurers. The Group adopted the independent actuary's view on its claims and premium liabilities at balance sheet date.

The table below sets out the concentration of the claims and premium liabilities (in percentage terms) at balance sheet date:

	2006		2005	
	Net Claims Liabilities	Net Premium Liabilities	Net Claims Liabilities	Net Premium Liabilities
	%	%	%	%
Motor	53	37	55	33
Workmen's Compensation	23	24	24	24
Fire	2	4	2	6
Marine Cargo	4	3	3	3
General Accident	18	32	16	34
	100	100	100	100

(c) Liquidity risk

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

(d) Credit risk

The carrying amount of trade and other receivables 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.

38. Financial Risk Management Objectives And Policies (cont'd)

(e) *Foreign currency risk*

The Group does not generally use derivative foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the US Dollar, Sterling Pounds and Chinese Renminbi. 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.

39. Financial Instruments

(i) *Credit risk*

There are no significant concentrations of credit risk within the Group or the Company.

(ii) *Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) Financial instruments carried at fair value

The Group and Company have carried all investment securities that are classified as available-for-sale financial assets, and all derivative financial instruments, at their fair value as required by FRS 39.

(b) Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and short term deposits, current trade and other receivables, bank overdrafts, current trade and other payables, amounts due from subsidiaries and associates and current bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

It is not practicable to determine the fair values of the unquoted equity and non-equity investments held as long-term investments and carried at carrying value of $11,012,496 (2005 : $10,844,965). The expected cash flows from these investments are believed to be in excess of their carrying amount.

(c) Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group and Company's financial instruments that are carried in the financial statements at other than fair values as at 31 December.

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2006	2005	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Non-current								
Quoted bonds	19,153	25,834	19,214	24,773	*	1,000	*	1,000
Unquoted bonds	19,114	35,999	19,110	33,841	–	2,000	–	2,000

* *Amounts less than $1,000*

39. Financial Instruments (cont'd)

(ii) Fair value (cont'd)

(d) Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follow:

Financial assets and liabilities	Methods and assumptions
* Investment securities (quoted shares)	Fair value has been determined by reference to published market prices or broker quotes at the balance sheet date without factoring in transaction costs.
* Investment securities (quoted and unquoted bonds)	The fair value of quoted bonds is their bid price at the balance sheet date. The fair value of unquoted bonds is the indicative market price obtained from various financial institutions. The directors consider these prices provide an appropriate approximation of the fair value of the unquoted bonds.

(iii) Interest rate risk

The following tables sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

Group 2006	Effective Interest rate	Total $'000	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000
Bonds	0.7% - 8.625%	64,943	25,359	36,819	2,765
Fixed deposits	2.5% - 6.19%	60,509	60,509	–	–
Bank loans	3.5% - 6.41%	38,277	38,277	–	–
Amounts due from associates	2.5% - 4.57%	119,679	119,679	–	–

Group 2005	Effective Interest rate	Total $'000	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000
Bonds	1.97% - 8.62%	76,822	39,390	33,656	3,776
Fixed deposits	0.52% - 4.82%	44,359	44,359	–	–
Bank loans	3.5% - 7.95%	30,479	30,479	–	–
Amounts due from associates	2.5% - 3.99%	114,305	114,305	–	–

40. Subsequent Events

On 15 February 2007, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 20% to 18% with effect from Year of Assessment 2008. In accordance with *FRS 12, Income Taxes*, and *FRS 10, Events After the Balance Sheet Date*, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 December 2007 financial year.

The Group's deferred tax provision has been computed on the year end prevailing tax rate of 20%. Applying the reduced tax rate of 18% would result in an approximately $480,000 reduction in deferred tax liability.

41. Comparatives

Certain comparatives figures for the year ended 31 December 2005 have been reclassified from the previous financial year to better reflect the nature of the transactions:

i) Share of results of associates and joint venture are now shown net of tax, and

ii) Investment securities under manufacturing & trading segment were previously classified under unallocated assets and these are now classified to the Insurance & Investment segment as the segment result includes proceeds and cost of sale of these investment securities.

The financial statements in 2005 were restated as follows:

	Group $
Consolidated profit and loss accounts	
Share of results of associates and joint venture as previously reported	365,274
Reclassified from tax expense	5,006
Share of results of associates and joint venture as restated	370,280
Tax expense as previously reported	(131,725)
Reclassified to share of results of associates and joint venture	(5,006)
Tax expense as restated	(136,731)

41. Comparatives (Cont'd)

By Business Segments	Warehousing & Property	Insurance & Investment	
	2005	2005	2005
	$	$	$
		(As restated)	(As previously reported)
Segment Assets	135,324,088	863,724,121	855,171,830
Investment in Associated Companies	10	56,491,306	56,491,306
	135,324,098	920,215,427	911,663,136
Unallocated assets			
Segment Revenue			
External	4,904,732	60,909,719	48,608,726
Inter Segment	34,090	5,099,996	5,099,996
Total Revenue	4,938,822	66,009,715	53,708,722
Operating Profit/(loss)	7,443,751	15,184,466	15,184,466
Finance Costs			
Share of results of associates			
Profit before tax			
Tax			
Profit after tax			
Minority Interest			
Profit attributable to Shareholders			

Manufacturing & Trading		Eliminations		Total	
2005	2005	2005	2005	2005	2005
$	$	$	$	$	$
(As restated)	(As previously reported)	(As restated)	(As previously reported)	(As restated)	(As previously reported)
2,392,667	2,392,667	(611,475,852)	(611,475,852)	389,965,024	381,412,733
5,114,414	8,614,414	–	(3,500,000)	61,605,730	61,605,730
7,507,081	11,007,081	(611,475,852)	(614,975,852)	451,570,754	443,018,463
				79,634,300	88,186,591
				531,205,054	531,205,054
2,266,715	14,567,708	–	–	68,081,166	68,081,166
960,266	960,266	(6,094,352)	(6,094,352)	–	–
3,226,981	15,527,974	(6,094,352)	(6,094,352)	68,081,166	68,081,166
1,938,290	1,938,290	(7,050,332)	(7,050,332)	17,516,175	17,516,175
				(1,753,930)	(1,753,930)
				370,280	365,274
				16,132,525	16,127,519
				(136,731)	(131,725)
				15,995,794	15,995,794
				7,662	7,662
				16,003,456	16,003,456

Shareholding Statistics
as at 5 March 2007

Class of equity security	:	Ordinary shares
Voting rights of ordinary shareholders	:	One vote per share

Distribution Of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	165	4.06	63,063	0.01
1,000 - 10,000	2,078	51.11	12,210,065	1.87
10,001 - 1,000,000	1,789	44.00	90,165,112	13.80
1,000,001 and above	34	0.83	551,068,760	84.32
Total	4,066	100.00	653,504,000	100.00

Twenty Largest Shareholders (As shown in the Register of Members and Depository Register)

	Name	No. of Shares	%
1.	HSBC (Singapore) Nominees Pte Ltd	85,438,152	13.07
2.	Oversea-Chinese Bank Nominees Private Limited	72,998,000	11.17
3.	Hong Leong Enterprises Pte. Ltd.	45,664,000	6.99
4.	United Overseas Bank Nominees (Private) Limited	35,945,700	5.50
5.	City Developments Realty Limited	33,355,000	5.10
6.	Ong Kay Eng	31,723,934	4.85
7.	Ong Hoo Eng	30,994,753	4.74
8.	Tudor Court Gallery Pte Ltd	29,940,000	4.58
9.	Starich Investments Pte. Ltd.	24,942,000	3.82
10.	DBS Nominees (Private) Limited	21,842,000	3.34
11.	Welkin Investments Pte Ltd	21,296,000	3.26
12.	Mayban Nominees (Singapore) Private Limited	17,009,000	2.60
13.	Ely Investments (Pte) Ltd.	13,642,000	2.09
14.	Ong Joo Gim	12,784,603	1.96
15.	Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
16.	Citibank Nominees Singapore Pte Ltd	10,358,000	1.58
17.	Ong Eng Hui David	8,780,634	1.34
18.	OCBC Nominees Singapore Private Limited	7,497,000	1.15
19.	UOB Kay Hian Private Limited	6,937,300	1.06
20.	Lee Yuen Shih	5,661,000	0.87
		528,294,572	80.83

Percentage Of Public Float

Based on information available to the Company as at 5 March 2007, approximately 28.727% of the issued ordinary shares of the Company is held by the public and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Shareholding Statistics
as at 5 March 2007

Extract From Register Of Substantial Shareholders

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%
Ong Holdings (Private) Limited	141,162,840	22,473,056	163,635,896	25.040
Ong Choo Eng	517,000	188,763,392	189,280,392	28.964
Ong Mui Eng	4,547,248	175,443,140	179,990,388	27.542
Ong Hian Eng	3,062,604	175,506,392	178,568,996	27.325
Ong Kwee Eng	–	176,721,892	176,721,892	27.042
Ong Eng Loke	406,500	164,519,896	164,926,396	25.237
Ong Eng Yaw	25,000	177,277,896	177,302,896	27.131
Hong Leong Enterprises Pte. Ltd.	45,664,000	24,942,000	70,606,000	10.804
City Developments Realty Limited	33,355,000	–	33,355,000	5.104
City Developments Limited	–	33,355,000	33,355,000	5.104
Hong Leong Investment Holdings Pte. Ltd.	–	150,342,248	150,342,248	23.006
Kwek Holdings Pte Ltd	–	150,342,248	150,342,248	23.006
Davos Investment Holdings Private Limited	–	150,342,248	150,342,248	23.006
Ong Kay Eng	31,723,934	10,381,378	42,105,312	6.443
Ong Hoo Eng	46,994,753	–	46,994,753	7.191

Notes:

1 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 ("BT") and International Foundation Engineering Pte. Ltd. ("IFE").

2 Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, IFE, Ely Investments (Pte) Ltd. ("Ely Investments") and Ong Chay Tong & Sons (Private) Limited ("OCTS"), 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.

3 Ong Mui Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, BT, IFE and OCTS, 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.

4 Ong Hian Eng is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, IFE, Fica (Pte) Ltd and OCTS, 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.

5 Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and OH, BT, IFE and OCTS, 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.

6 Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, 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.

7 Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by OH, BT, IFE and Ely Investments, 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.

8 The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on its last notification to the Company on 30 May 2003. HLE is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd., being a company 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.

9 The aggregate interest of City Developments Realty Limited ("CDRL") is based on its last notification to the Company on 13 February 2006.

10 The aggregate interest of City Developments Limited ("CDL") is based on its last notification to the Company on 13 February 2006. CDL is deemed under Section 7 of the Act to have an interest in the shares held by its wholly owned subsidiary, CDRL.

11 The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on its last notification to the Company on 13 July 2005. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Millennium Securities Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 70,606,000 shares held directly and indirectly by HLE, being companies 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.

12 The aggregate interest of each of Kwek Holdings Pte Ltd ("KH") and Davos Investment Holdings Private Limited ("Davos") is based on their last notification to the Company on 13 July 2005. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 150,342,248 shares held directly and indirectly by HLIH, in which each is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

13 Ong Kay Eng is deemed to have an interest in 1,600,000 shares held by Altrade Investments Pte Ltd, 744 shares registered in the name of his spouse and 8,780,634 shares registered in the name of Ong Eng Hui David pursuant to Section 7 of the Act.

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-Fourth Annual General Meeting of Hwa Hong Corporation Limited (the "Company") will be held at Amara Singapore Hotel, Ballroom 1, Level 3, 165 Tanjong Pagar Road, Singapore 088539 on Wednesday, 25 April 2007 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 2006. **Resolution 1**

2. To declare a final ordinary dividend of 1.25 cents per share, less 18% income tax, in respect of the financial year ended 31 December 2006. **Resolution 2**

3. To approve the payment of fees amounting to S$370,000 to the non-executive Directors of the Company for the financial year ended 31 December 2006 (2005: S$311,000). **Resolution 3**

4. To re-elect the following Directors who are retiring by rotation in accordance with Article 105 of the Articles of Association of the Company:

   (a) Mr Boon Suan Lee **Resolution 4**
   (Note: Mr Boon Suan Lee is considered a non-executive and non-independent Director.)

   (b) Mr Goh Kian Hwee **Resolution 5**
   (Note: Mr Goh Kian Hwee, if re-elected, will remain as a member of the Audit Committee and the Remuneration Committee. He is considered an independent non-executive Director.)

5. 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 and the Remuneration Committee. He is considered a non-executive and non-independent 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 a member of the Audit Committee and the Nominating Committee. He is considered an independent non-executive Director.)

6. To appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 9**

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

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolutions as Special Resolutions:

8A. "That the clauses contained in the new Memorandum of Association of the Company as contained in Annexure A in the Appendix to the Notice of Annual General Meeting dated 2 April 2007 issued by the Company to its shareholders and submitted to this Meeting and for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Memorandum of Association of the Company in substitution for, and to the exclusion of, the existing Memorandum of Association of the Company." **Resolution 10**

8B. "That the regulations of the Company contained in the new Articles of Association of the Company as contained in Annexure A in the Appendix to the Notice of Annual General Meeting dated 2 April 2007 issued by the Company to its shareholders and submitted to this Meeting and for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company." **Resolution 11**

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 12**

(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 number of issued shares of the Company (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company with registered addresses in Singapore are not given the opportunity to participate in the same on a *pro rata* basis, then the shares to be issued under such circumstances (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the number of issued shares of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments 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 the number of issued shares shall be based on the number of issued shares 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;

   (ii) new shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

   (iii) any subsequent consolidation or subdivision of shares;

   and, in relation to an Instrument, the number of shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument; and

(3) (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 offer and 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 of the Company in general meeting on 29 May 2001 and as may be amended from time to time and to allot and issue shares in the Company upon the exercise of any such options (notwithstanding that the exercise thereof or such allotment and issue 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, provided always that the aggregate number of shares to be issued pursuant to the Hwa Hong Corporation Limited (2001) Share Option Scheme shall not exceed 5 per cent. of the total number of issued shares of the Company from time to time." **Resolution 13**

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 of the Company 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 14**

9D. "That: **Resolution 15**

(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;

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

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of Shares of the Company (excluding any Shares which are held as treasury shares) 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 or acquisition 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, 2 April 2007

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, is to adopt new Memorandum of Association of the Company. Please refer to the Appendix to this Notice of Annual General Meeting for details.

Resolution 11, if passed, is to adopt new Articles of Association of the Company. Please refer to the Appendix to this Notice of Annual General Meeting for details.

Resolution 12, 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 total number of issued shares 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 exercise of share options or vesting of share awards which are outstanding or subsisting at the time of 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 13, 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 14, 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 15, 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 in the capital of the Company (the "Shares") on the terms of the mandate (the "Share Purchase Mandate") set out in the Appendix to this Notice of Annual General Meeting. 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.

The Company intends to use the Group's internal resources to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

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 2006, based on certain stated assumptions, are set out in paragraph 3.7 of the Appendix to this Notice of Annual General Meeting.

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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-Fourth Annual General Meeting** of the Company ("AGM") to be held at Amara Singapore Hotel, Ballroom 1, Level 3, 165 Tanjong Pagar Road, Singapore 088539 on **25 April 2007** 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 [(a)] For	To be used on a show of hands [(a)] Against	To be used in the event of a poll [(b)] No. of Votes For	To be used in the event of a poll [(b)] 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 Boon Suan Lee				
5	Re-election of Mr Goh Kian Hwee				
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 ordinary business				
	SPECIAL BUSINESS				
10	Approval and adoption of new Memorandum of Association				
11	Approval and adoption of new Articles of Association				
12	Authority to issue shares and to make or grant Instruments up to stipulated limits				
13	Authority to grant options and to issue shares under the Hwa Hong Corporation Limited (2001) Share Option Scheme				
14	Authority to issue shares under the Hwa Hong Corporation Limited Scrip Dividend Scheme				
15	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 all 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 ________ 2007

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

Fold this flap for sealing

Please
affix
postage
stamp

The Company Secretary
Hwa Hong Corporation Limited
38 South Bridge Road
Singapore 058672

2nd fold here

3rd fold here

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, or if the appointor is a body corporate, executed under its common seal or signed by its duly authorised officer or attorney.
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, together with the power of attorney (if any) under which it is signed or a certified copy thereof, 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. 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.

Hwa Hong Corporation Limited

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

Company Registration No. 195200130C