Distinguished By Our Values

HWA HONG CORPORATION LIMITED
ANNUAL REPORT 2008

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REGISTERED OFFICE

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

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

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

PRINCIPAL SUBSIDIARIES

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

MANAGEMENT

Ong Choo Eng *Group Managing Director*
Hwa Hong Corporation Limited

Ong Mui Eng *Executive Director*
Hwa Hong Corporation Limited

Ong Hian Eng (Dr) *Executive Director*
Hwa Hong Corporation Limited

Ong Eng Hock Simon *Chief Financial Officer*
Hwa Hong Corporation Limited

Ong Eng Yaw *Manager, Investments*
Singapore Warehouse Company (Private) Ltd.
(with effect from 1 August 2008)

Chen Chee Kiew (Mrs) *General Manager*
Singapore Warehouse Company (Private) Ltd.

Tan Yian Hua, Stella *Principal Officer/Chief Executive Officer*
Tenet Insurance Company Ltd

Sng Soon Hock Nelson *Chief Financial Officer*
Tenet Insurance Company Ltd

Ong Eng Loke *Business Development Manager*
Hwa Hong Edible Oil Industries Pte. Ltd.

Guan Tut Chuan *Business Development Manager (China Operations)*
Hwa Hong Corporation Limited

COMPANY SECRETARIES

Ong Bee Leem
Lim Keng San Shirley

REGISTRAR/SHARE REGISTRATION OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub Singapore 049483
tel: 6536 5355 fax: 6536 1360

AUDITORS

Ernst & Young LLP
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)*

BOARD OF DIRECTORS

Hans Hugh Miller *Non Executive Chairman*
Ong Choo Eng *Group Managing Director*
Ong Mui Eng
Ong Hian Eng (Dr)
Guan Meng Kuan
Goh Kian Hwee
Ma Kah Woh, Paul
Wee Sin Tho
Ong Eng Loke *Alternate Director to Ong Mui Eng*

AUDIT AND RISK COMMITTEE

Ma Kah Woh, Paul *Chairman*
Goh Kian Hwee
Wee Sin Tho

NOMINATING COMMITTEE

Goh Kian Hwee *Chairman*
(with effect from 5 May 2008)
Guan Meng Kuan
Hans Hugh Miller

REMUNERATION COMMITTEE

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

DIVESTMENT AND INVESTMENT COMMITTEE

Hans Hugh Miller *Chairman*
Ong Choo Eng
Ma Kah Woh, Paul

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2008

Announcement of 2008 Unaudited Results

First Quarter ended 31 March 2008	29 April 2008
Second Quarter ended 30 June 2008	31 July 2008
Third Quarter ended 30 September 2008	31 October 2008
Financial Year ended 31 December 2008	6 February 2009

Annual General Meeting

29 April 2009 (11.00 a.m.)

Dividends

One-tier tax exempt special dividend of 3 cents per share

Date of books closure	29 May 2008
Payment date	10 June 2008

One-tier tax exempt interim dividend of 1.5 cents per share

Date of books closure	15 August 2008
Payment date	8 September 2008

Proposed one-tier tax exempt final ordinary dividend of 1.25 cents per share

Last day for lodgement of transfers for dividend entitlement	Up to 5.00 p.m. on 12 May 2009
Date of books closure	13 May 2009
Payment date	22 May 2009

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2009

Tentative Dates for Announcement of 2009 Unaudited Results

First Quarter of 2009	28 April 2009
Second Quarter of 2009	30 July 2009
Third Quarter of 2009	30 October 2009
Financial Year 2009	12 February 2010

Dear Shareholders,

In this letter one year ago, we spoke about the economic downturn which was emerging at that time, and the possibility that the impact could be global, with broader systemic risks. That scenario, unfortunately, has played out not only in the financial markets, but in the broader economy.

In spite of the challenging environment, the Group continued to move forward strategically in 2008, while returning substantial capital to shareholders. These exceptional dividends were possible last year due to our cash position at the time and to unusually high earnings as the most significant project of the Group, the RiverGate development in association with CapitaLand, was 96% complete by year end. During the year, Hwa Hong Corporation paid dividends totaling $42.5 million. After payment of these dividends which amounted to 6.5 cents per share, book value ended 2008 at 48.6 cents.

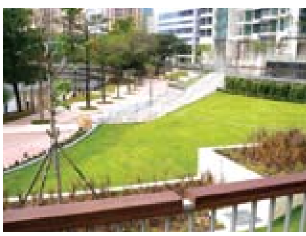
We are disappointed to note that Hwa Hong Corporation share price declined 47% during 2008, although this was roughly in line with the 49% decline in the STI and with declines of publicly traded real estate companies in Singapore. The share price closed the year at 35.5 cents.

Other important highlights of 2008:

- Hwa Hong exited the Chinese phosphate business in which we had held a 49.5% interest. Although there was a strong management team in place and it had made good progress at an operating level in what is a very cyclical industrial business, the associated company, Norwest Holdings Pte Ltd, had not been able to find sufficient new capital which would have been necessary to support the business. As a result, the business was put into liquidation and ultimately sold. Because of the sale, we expect to recover virtually all amounts previously due to Hwa Hong under a long-standing management agreement with the Chinese phosphate business and accordingly made a write back of the allowance of doubtful receivable of approximately $3.7 million.

- Hwa Hong participated with Dubai Investment Group LLC and KOP Capital Pte Ltd in the development of Singapore's first transitional office project at Scotts Spazio. The 168,628 square feet (maximum permissible gross floor area) project was completed in less than 12 months using an innovative modular construction system, and the property is now fully let for the remaining 14 year duration of the site's land tenure.

- The insurance market, in particular the motor and workmen's compensation market, deteriorated and impacted the results of Tenet Insurance Company Ltd.






- The sharp declines in investment markets, and the volatility of exchange rates materially affected 2008 results. Including gain/loss on disposal and impairments which have been recorded, total investment and exchange losses were $17.7 million and $4.3 million in 2008, respectively. Of the investment losses, approximately $4.8 million were attributable to Tenet, $8.6 million in the rental and investments segment, and $4.3 million in the trading and investments segment. These losses arose in equity and bond investments and were primarily as a result of impairment allowances which are required by the accounting standard FRS 39. The Group had no exposure to the many esoteric investment products in the headlines, or troubled investment managers which have come to light over recent months. Nonetheless, we believe we have further reduced our investment exposure in 2009 by limiting equity investments as well as material foreign currency holdings where we do not have an operating business.

All in all, revenues in the Group rose 6% in 2008. The insurance segment, growing 33% to $41 million of revenues, became our largest revenue segment. The real estate segment slipped 6% to $31 million of revenues. The trading and investments segment with $9 million of revenues fell by 31%.

Profit after tax of about $49 million was attributed to the rental and investments segment: primarily to the RiverGate project. It should be noted that the decline of the pound did adversely impact results in this segment.

Both the insurance and trading segments slipped to an operating loss in 2008. Negative market trends in motor and workmen's compensation did not spare Tenet, where 2008 year results were poor in these lines, and the deterioration coincided with the absence of favorable prior year loss development, which we had seen in recent years. Other lines of business at Tenet continue to grow well at what we believe to be acceptable rates of return. Significant underwriting and pricing actions have been taken in motor and workmen's compensation which we hope will bear fruit in 2009 and 2010. The loss in the trading segment primarily relates to loss on disposal and impairment allowance on investments.

In the light of these results and the global macroeconomic situation, management and the board are actively engaged in risk management and governance of the Group as we build and execute strategies to preserve the financial strength and competitive assets of the Group while investing in businesses we know, and which have the potential to achieve strong returns over time.

Because of the substantial dividends paid in 2008, and the dividend declared earlier this year, a significant portion of the cash which would have been available for future investment has instead been returned to shareholders. Further cash distributions from the RiverGate development will be received over time and a portion will need to be used to reduce existing bank borrowings. Also, capital carried within our Tenet subsidiary is in support of the regulated insurance business and is not freely available for dividend or investment outside the insurance business.

Last year, I wrote that market uncertainty had the potential to bring new opportunities to Hwa Hong – this is all the more true with continuing economic and financial instability. In spite of the fact our new investment capability is somewhat diminished because of the dividends we have distributed, nonetheless we are optimistic that the Group is well positioned to take advantage of situations that may emerge in coming months and years.

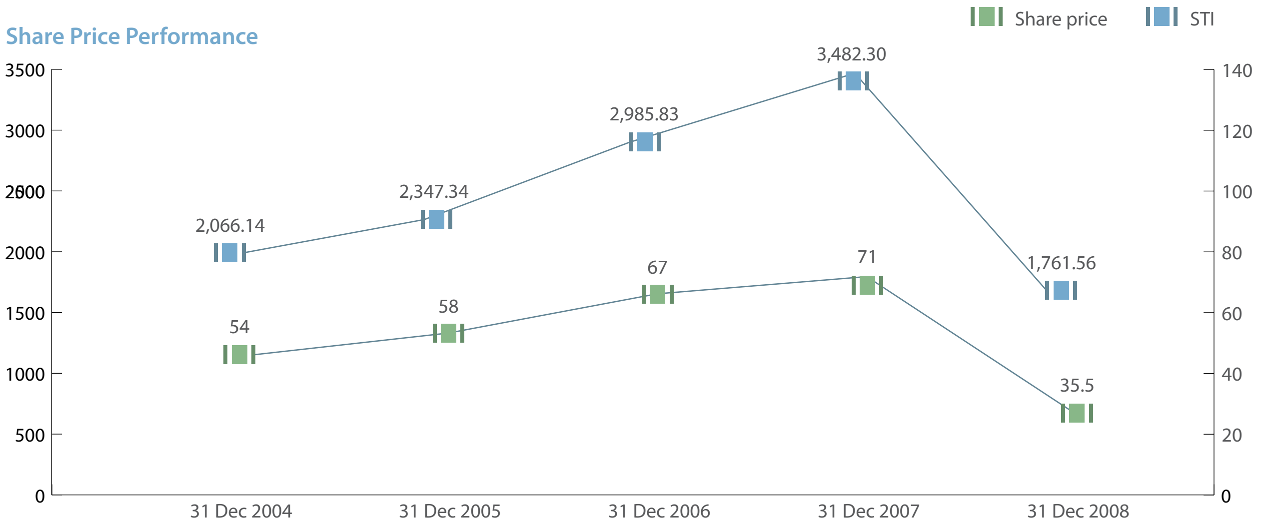
Across the enterprise we are attentive to our costs and will be broadly holding the line on compensation and other expenses.

As 2009 unfolds, we are focused on managing existing real estate investments and projects to optimise their value and returns, while continuing to evaluate new projects where the Group can actively add value. We look to the management of Tenet to return motor and workers' compensation to a profitable track and to continue their success in product and service innovation.

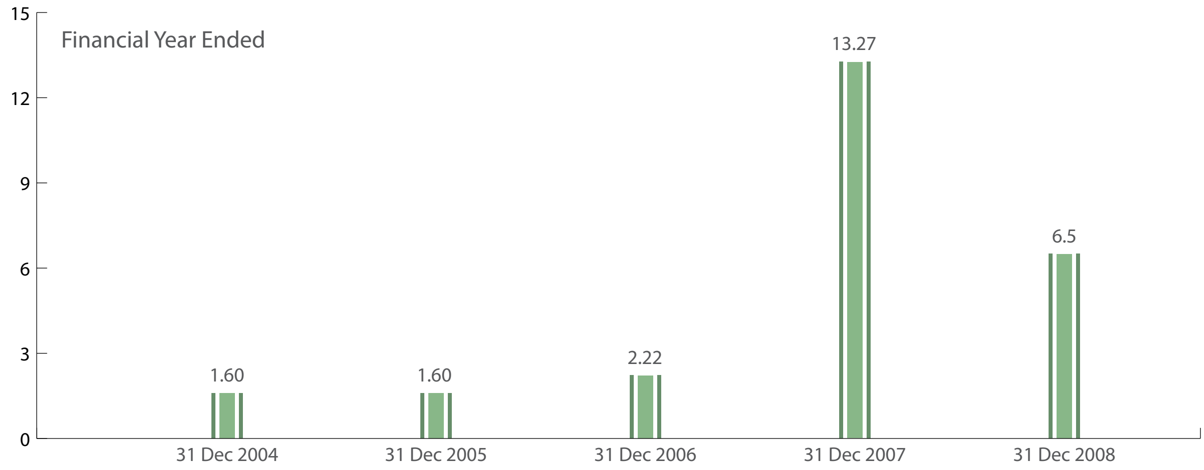
More than ever, we thank our staff for their hard work in challenging times, and our business partners and shareholders for their confidence.

Sincerely,
Hans Hugh Miller
Chairman

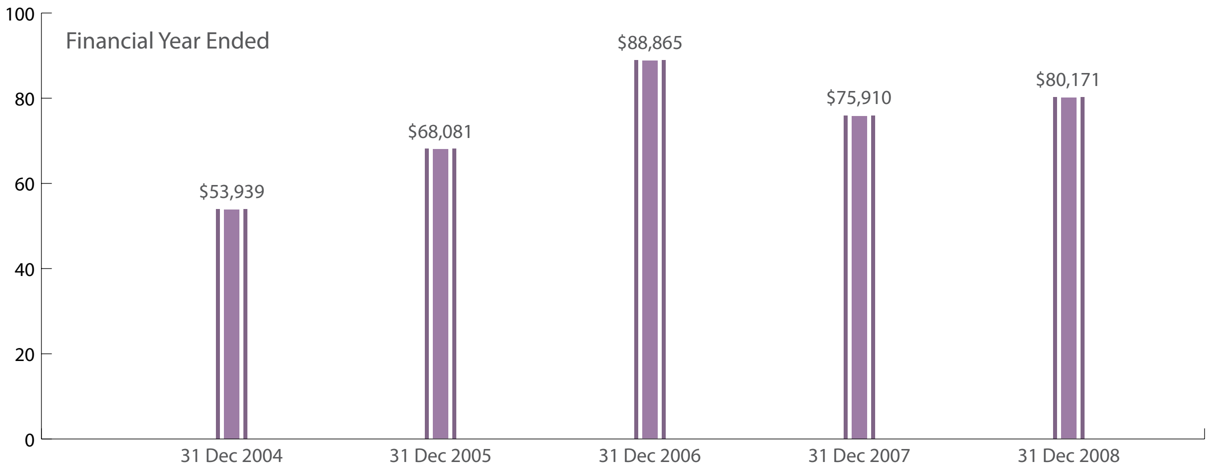
Share Price Performance



Dividends per share (cents)



Revenue ($'000)



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 25 April 2008. He is also the Chairman of the Remuneration Committee and Divestment and Investment Committee of the Company and a member of the Nominating Committee of the Company.

Mr Miller holds a BA degree in economics, Carleton College (Minnesota, USA). Mr Miller is an advisor and consultant to financial and non-financial institutions particularly in the area of mergers, acquisitions and strategy. Mr Miller formerly was Managing Director and Senior Advisor with the investment bank of Bank of America in New York City. Previously he was President & CEO of The Hartford International Financial Services Group, LLC (CT, USA), and 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. He is also a member of the Divestment and Investment Committee of the Company.

Mr Ong also sits on the boards of two public listed companies in Singapore. He is a member of the audit committee and remuneration committee of MTQ Corporation Limited. In addition, he is a member of the executive committee, audit committee, remuneration committee and nominating 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 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 25 April 2008. Mr Ong 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 29 April 2009.

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 (DR)

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 25 April 2008.

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 25 April 2008. He is also a member of the Nominating Committee and Remuneration Committee of the Company. 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 29 April 2009.

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).

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 25 April 2007. He is also the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee of the Company.

He also sits on the boards of Hong Leong Asia Ltd and Achieva Limited. 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 LLP. He holds a LLB (Honours) Degree from the University of Singapore and has been a practising lawyer since 1980.

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. Mr Ma 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 29 April 2009. He is also the Chairman of the Audit and Risk Committee of the Company and a member of the Divestment and Investment Committee of the Company.

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 also serves as a director and audit committee of SMRT Corporation Ltd, and of Ascott Residence Trust Management Limited, the manager of Ascott Residence Trust. In addition, he sits on the board and audit committee of Mapletree Investments Pte Ltd, a Temasek subsidiary involved in real estate investment and management and also as chairman of Mapletree Logistics Trust Management Ltd., the manager of Mapletree Logistics Trust. He is a director of CapitaLand China Development Fund Pte Ltd and CapitaLand China Development Fund II Ltd, both private equity funds 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. Mr Wee 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 29 April 2009. He is also a member of the Audit and Risk Committee of the Company.

Mr Wee is the Vice President, Endowment and Institutional Development, National University of Singapore. He also sits on the board of 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.

CHEN CHEE KIEW (MRS)

General Manager

Singapore Warehouse Company (Private) Ltd.

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

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

ONG ENG YAW

Manager, Investments

Singapore Warehouse Company (Private) Ltd.

Mr Ong Eng Yaw joined the Company as Manager for Investments on 1 August 2008. He is responsible for the Group's business development and investment activities in the real estate sector. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas, DBS Bank, CIMB Group and Parkway Life Real Estate Investment Trust. Mr Ong's career has primarily been in corporate finance. His primary experience has been in advising companies on various equity capital market transactions including initial public offerings, secondary equity offerings as well as mergers and acquisitions. In addition, he has had experience in corporate strategy and planning as well as venture capital investment.

Mr Ong graduated with a Bachelor of Laws (second class upper division) from University College London, an MSc (Investment Management) from Cass Business School and an MBA from INSEAD.

TAN YIAN HUA, STELLA

Principal Officer/Chief Executive Officer

Tenet Insurance Company Ltd

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 promoted as Chief Operating Officer.

Prior to this, Ms Tan 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.

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

Ms Tan is a Management Committee member of the General Insurance Association of Singapore and a Member of the Financial Industry Competency Steering Committee.

SNG SOON HOCK NELSON
Chief Financial Officer
Tenet Insurance Company Ltd

Mr Sng Soon Hock Nelson joined Tenet Insurance as an accountant in June 1998 and was promoted to Chief Financial Officer in late 2000. He oversees the operations of the Finance department, which covers accounting, treasury, tax, financial control, reporting and investment. In 2008, he assumed overall responsibility for the risk management function for the Hwa Hong Group.

Mr Sng's career began in a big four accounting firm. He specialised in the audit of insurance companies and, to a lesser extent, was also involved in the audit of stock-broking and manufacturing companies.

Mr Sng is a member of the Chartered Insurance Institute and a non-practising member of the Institute of Certified Public Accountants of Singapore.

ONG ENG HOCK SIMON
Chief Financial Officer
Hwa Hong Corporation Limited

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 oversees the financial management of the Group, which covers accounting, treasury, tax, financial control and reporting.

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

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

ONG ENG LOKE
Business Development Manager
Hwa Hong Edible Oil Industries Pte. Ltd.

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)
Hwa Hong Corporation Limited

Mr Guan Tut Chuan joined the Company as a 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 aspect of the Group's businesses in China. Prior to joining the Company, he worked in the software development and education industry.

Mr Guan 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.

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 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") oversees the corporate policy and overall strategy for the Group. The principal role and responsibilities of the Board include:-

- providing the overall strategic plans, overall policies and financial objectives of the Group;
- reviewing the operational and financial performance of the Company and the Group;
- overseeing the business and affairs of the Group, including reviewing the performance of management;
- approving annual reports, circulars and audited financial statements;
- dealing 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;
- approving the appointment of directors;
- overseeing the Group's system of internal controls, risk management, financial reporting and compliance; and
- overseeing the corporate governance processes and practices within the Group.

The functions of the Board are either carried out by the Board or delegated to various Committees established by the Board, namely, the Audit and Risk Committee, the Nominating Committee, the Remuneration Committee and the Divestment and Investment 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 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 allow Board meetings to be conducted via 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 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.

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

The attendance record of each director at meetings of the Board and Board Committees during the year 2008 is disclosed below:

	Number of meetings attended in 2008				
Name Of Director	**Board Of Directors**	**Audit And Risk Committee**	**Nominating Committee**	**Remuneration Committee**	**Divestment And Investment Committee**
Hans Hugh Miller	5	Not applicable	2	2	1
Ong Choo Eng	5	Not applicable	Not applicable	Not applicable	1
Ong Mui Eng	5	Not applicable	Not applicable	Not applicable	Not applicable
Ong Hian Eng	5	Not applicable	Not applicable	Not applicable	Not applicable
Guan Meng Kuan	5	Not applicable	2	2	Not applicable
Goh Kian Hwee [1]	5	4	2	2	Not applicable
Ma Kah Woh, Paul	5	4	Not applicable	Not applicable	1
Wee Sin Tho [2]	3	3	1	1	1
Number of meetings held in 2008	**5**	**4**	**2**	**2**	**1**

1 Appointed as Chairman of the Nominating Committee on 5 May 2008.

2 Resigned as Chairman of the Nominating Committee, a member of the Remuneration Committee and a member of the Divestment and Investment Committee on 5 May 2008.

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them 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.

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 eight directors and one alternate director. Out of the eight directors, three are full-time Executive Directors, and therefore, non-independent. The alternate director is also a full-time management executive in the Group. 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 five non-executive directors, save for 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 and banking. The non-executive directors are encouraged to participate in developing proposals on the Group's strategy and plans, and in reviewing and monitoring the management's performance against set targets.

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.

Nominating Committee

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

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

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.

At each Annual General Meeting ("AGM") of the Company, the Articles of Association of the Company requires one-third of the directors (excluding a Managing Director) to retire from office, being one-third of those who have been longest in office since their last re-election. The retiring directors submit themselves for re-nomination and re-election. A newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. In addition, 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. 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.

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 what he can contribute to 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 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 9 to 10. Details of directors' shareholdings in the Company and related corporations are set out in the "**Directors' Report**" on pages 25 to 27.

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 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 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.

Remuneration Committee

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 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 2008 ("FY 2008") 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) $1,250,000 to $1,499,999						
Ong Choo Eng[1]	30	65	–	5	–	100
(ii) $250,000 to $499,999						
Ong Hian Eng[1]	56	33	–	11	–	100

Remuneration Band & Name Of Director	Based/ Fixed Salary* %	Variable Or Performance Related Income/ Bonus* %	Fees ** %	Benefits In Kind %	Other Long Term Incentives %	Total %
(iii) $249,999 and below						
Ong Mui Eng[1]	80	13	–	7	–	100
Ong Eng Loke[2]	77	12	–	11	–	100
Hans Hugh Miller	–	–	100	–	–	100
Guan Meng Kuan	–	–	100	–	–	100
Goh Kian Hwee	–	–	100	–	–	100
Ma Kah Woh, Paul	–	–	100	–	–	100
Wee Sin Tho	–	–	100	–	–	100

* Inclusive of employer's central provident fund contributions.

** The fees payable by the Company to the non-executive directors for FY 2008 were approved by shareholders at the AGM held on 25 April 2008.

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 2008.

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 for FY 2008.

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) $750,000 to $999,999		1
(ii) $500,000 to $749,999		1
(iii) $250,000 to $499,999		1
(iv) $249,999 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.

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 2008.

(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 Group's 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 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 And Risk Committee

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

The Board has re-established the Audit Committee as the Audit and Risk Committee to include risk management functions and duties. The Audit and Risk Committee comprises three members, all of whom are independent directors. The members of the Audit and Risk Committee are:

Ma Kah Woh, Paul — *Chairman*
Goh Kian Hwee
Wee Sin Tho

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

The Audit and Risk 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 and Risk Committee include the following:

– reviewing the overall scope of the internal and external audit and its cost effectiveness;

– reviewing the assistance given by the Group's officers to the internal and external auditors;

- reviewing the Group's periodic 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 internal and external auditors the results of their examination of the Group's system of internal accounting controls;
- reviewing non-audit services provided by the external 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;
- reviewing interested person transactions;
- reviewing and monitoring the key risks and overseeing their management;
- approving risk management policies that establish the approval levels for decisions and other checks and balances to manage risks; and
- reporting to the Board on critical risks and its recommendations thereon.

The Audit and Risk Committee met up with the external and internal auditors without the presence of Management. The Group Managing Director and the Chief Financial Officer were invited to be present at the Audit and Risk Committee meetings to report and brief Audit and Risk Committee members on the financial and operating performance of the Group and to answer any queries from the Audit and Risk Committee members on any aspect of the operations of the Group. The external auditors were also invited to be present at all the Audit and Risk Committee meetings held during the year to, *inter alia*, deliberate on accounting and auditing matters.

The external auditors have confirmed to the Audit and Risk 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. Accordingly, the Audit and Risk Committee is of the opinion that the independence and objectivity of the external auditors have not been affected.

The Company implemented a whistle-blowing policy whereby staff of the Group and relevant external 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 and Risk Committee, with the assistance of internal and external auditors, has reviewed the adequacy of the internal controls and risk management systems in the significant risk areas. 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.

The internal audit function was outsourced to KPMG LLP.

The Internal Auditors report primarily to the Audit and Risk Committee. The internal audit plans were submitted to the Audit and Risk Committee for approval. The Audit and Risk 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 Management questions regarding the Company and the Group. The chairman of the Audit and Risk Committee, Nominating Committee, Remuneration Committee, Divestment and Investment 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's Articles and Association also provides for absentia voting methods.

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all employees within the Group. The Code provides guidelines on dealing in the Company's securities during the period before the announcement of the Company's quarterly and full-year results and ending on the day of the announcement or, in possession of price-sensitive information. Employees are also reminded to be mindful of insider trading prohibitions under the Securities and Futures Act.

INTERESTED PERSON TRANSACTIONS

Transactions entered into with interested persons during FY 2008 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)
Goh Kian Hwee - professional fees for services rendered by Rajah & Tann LLP	$73,669	Not applicable**
Hong Leong Investment Holdings Pte. Ltd. Group - interest charged on shareholder loan to Hong Property Investment Pte Ltd	$343,727	Not applicable**
Dr Ong Hian Eng - proceeds received by the Group from sale of Norwest Chemicals Pte Ltd and related debts in connection with the liquidation of Norwest Holdings Pte Ltd	$4,000,000	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

Since 2006, the Group has implemented a formalised Risk Management Framework for the identification, monitoring and reporting of risks. This framework is an important part of the management and governance structure.

Effective risk management is the responsibility of all directors and management, with the Board of Directors providing general oversight.

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

The Group's financial risk management objectives and policies are discussed further in note 39 to the financial statements.

Risk Management Practices and Activities

During the year, the Risk Management Framework was enhanced with

(i) the formation of a Risk Management Committee, comprising of the Chief Risk Officer (CFO of Tenet Insurance), Group CFO, and an external consultant, to facilitate the updates of the risk journals; and

(ii) the introduction of a risk rating guide that is used to assess the impact of a risk to the Group. This reduced the subjectivity of risk assessment.

A meeting was held with the management of all significant subsidiaries to identify new risks that may impact the Group. These risks were added to the risk journals of the relevant subsidiaries for the purpose of monitoring and reporting.

At the date of this report, all significant subsidiaries in the Group have updated their risk journals and the key findings have been presented to the Audit and Risk Committee.

The updated risk journals serve as a basis for the Audit and Risk Committee to direct the Group's appointed Internal Auditors, KPMG LLP, to draw up its internal audit plan and carry out work to independently test and report on the effectiveness of the established internal controls in the significant risk areas.

In August 2008, Tenet Insurance participated in the industry-wide business continuity exercise for financial institutions. The objective of the exercise is to familiarise the organisation with processes to manage possible emergency situations arising from a flu pandemic.

Having reviewed the risk management practices and activities of the Group, the Board of Directors has not found anything to suggest that risks are not being satisfactorily managed.

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 2008 and balance sheet of the Company as at 31 December 2008.

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 Mui Eng	
Ong Hian Eng	
Guan Meng Kuan	
Goh Kian Hwee	
Ma Kah Woh, Paul	
Wee Sin Tho	
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 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, Cap. 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 is deemed to have an interest	
	At 1.1.2008	At 31.12.2008	At 1.1.2008	At 31.12.2008
Ong Choo Eng	587,000	587,000	188,763,392	188,763,392
Ong Mui Eng	4,547,248	4,547,248	175,443,140	175,443,140
Ong Hian Eng	3,062,604	3,062,604	175,506,392	175,506,392
Guan Meng Kuan	5,534,860	5,534,860	–	–
Ong Eng Loke (Alternate Director to Ong Mui Eng)	406,500	406,500	164,519,896	164,519,896

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in shares of the Company or of related corporations, either at the beginning or at the end of the financial year.

The directors' interests in the shares of the Company as recorded in the Register of Directors' Shareholdings of the Company as at 21 January 2009 were the same as those as at 31 December 2008.

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

<u>Hwa Hong Corporation Limited Executives' Share Option Scheme</u>
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").

<u>Hwa Hong Corporation Limited (2001) Share Option Scheme</u>
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 and Risk Committee

The Audit and Risk Committee performed, *inter alia*, the functions specified in the Companies Act, Cap. 50. The functions performed are set out in the Corporate Governance Report.

The Audit and Risk Committee has nominated Ernst & Young LLP 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 except as disclosed in the accompanying notes, the Company and its subsidiaries did not enter into any material contracts involving the interests of the Chief Executive Officer, each director or controlling shareholder (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 that 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 a residential development known as *The Pier at Robertson* in which SWC has an interest of 30% and 20% respectively.

Auditors

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

On behalf of the directors,

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
20 February 2009

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 income statement, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company 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
20 February 2009

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 (collectively the Group) set out on pages 31 to 113, which comprise the balance sheets of the Group, and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company, and the consolidated income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is 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 devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; 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 management, as well as evaluating the overall presentation of the financial statements.

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 2008 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 LLP
Public Accountants and
Certified Public Accountants

Singapore
20 February 2009

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Group 2008 $	Group 2007 $ (Restated)
Revenue	4	80,171,456	75,910,303
Cost of sales	5	(52,984,773)	(41,901,190)
Gross profit		27,186,683	34,009,113
Other income	6	6,809,874	19,329,966
General and administrative costs	7	(23,856,945)	(23,188,843)
Selling and distribution costs		(7,989,926)	(4,948,545)
Other operating costs	8	(18,244,450)	(547,542)
Finance costs	9	(4,423,761)	(3,910,800)
Share of results of associates and unincorporated joint venture		66,579,859	84,116,714
Profit before taxation		46,061,334	104,860,063
Taxation	10	2,919,438	(1,425,839)
Profit after taxation		**48,980,772**	**103,434,224**
Attributable to equity holders of the Company		48,980,772	103,434,224
Minority interests		–	–
		48,980,772	103,434,224
Earnings per share:	11		
Basic		7.49¢	15.83¢
Fully diluted		7.49¢	15.83¢

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	Group 2008 $	Group 2007 $ (Restated)	Company 2008 $	Company 2007 $
Equity Attributable to Equity Holders of the Company					
Share capital	12	172,153,626	172,153,626	172,153,626	172,153,626
Reserves	13	145,595,855	217,786,079	32,863,823	32,573,465
Total equity		**317,749,481**	**389,939,705**	**205,017,449**	**204,727,091**
Non-Current Assets					
Property, plant and equipment	14	13,290,096	13,828,216	4,049,082	4,143,315
Investment properties	15	72,094,355	89,668,801	–	–
Investment in subsidiaries	16	–	–	191,460,274	191,460,274
Investment in associates	17	105,921,810	82,133,028	787,000	693,000
Investment securities	18	90,354,915	93,661,079	39,290	45,010
Amount due from associate	17	15,000,000	–	–	–
Other receivables	20	3,301,240	15,928	–	–
Reinsurers' share of provision for outstanding claims	26	1,856,514	1,596,598	–	–
Deferred tax assets	30	1,648,544	–	–	–
		303,467,474	280,903,650	196,335,646	196,341,599
Current Assets					
Inventories	21	28,022	19,529	–	–
Trade receivables	22	5,861,851	5,036,730	–	–
Reinsurers' share of provision of:					
– Outstanding claims	26	618,838	450,323	–	–
– Unearned premium	27	3,337,614	3,051,783	–	–
Deferred acquisition costs	27	5,168,864	2,982,323	–	–
Tax recoverable		786,143	1,465,803	472,168	504,934
Prepayments and deposits	19	5,566,422	5,565,071	58,908	49,280
Other receivables	20	4,878,916	7,376,750	162	–
Amounts due from subsidiaries	16	–	–	12,929,388	13,395,272
Amounts due from associates	17	19,932,296	30,386,229	–	–
Investment securities	18	52,831,999	104,574,990	–	–
Cash and bank balances	23	79,929,207	121,225,342	81,736	199,633
		178,940,172	282,134,873	13,542,362	14,149,119
Total Assets		482,407,646	563,038,523	209,878,008	210,490,718

	Note	Group 2008 $	Group 2007 $ (Restated)	Company 2008 $	Company 2007 $
Current Liabilities					
Trade payables	24	2,130,544	1,427,695	42,397	–
Advance premiums		990,747	1,263,859	–	–
Other payables	25	6,412,891	6,023,264	196,080	326,673
Accrued operating expenses		3,373,401	9,421,513	283,025	1,442,885
Provision for					
– Outstanding claims	26	6,870,903	4,410,958	–	–
– Unearned premium	27	21,738,692	15,718,711	–	–
– Premium deficiency	27	1,183,000	1,639,000	–	–
Amounts due to associates	17	23,714,456	24,123,185	399,288	389,805
Amounts due to subsidiaries	16	–	–	3,544,214	3,560,264
Bank overdrafts	28	3,699,732	2,688,860	394,899	–
Bank loans (secured)	29	39,753,955	51,235,835	–	–
Tax payable		181,703	1,079,728	656	–
		110,050,024	119,032,608	4,860,559	5,719,627
Net Current Assets		68,890,148	163,102,265	8,681,803	8,429,492
Non-Current Liabilities					
Deferred tax liabilities	30	994,361	6,627,857	–	44,000
Bank loans (secured)	29	30,160,996	28,089,247	–	–
Other payables	25	2,694,576	3,608,427	–	–
Provision for outstanding claims	26	20,758,208	15,740,679	–	–
		54,608,141	54,066,210	–	44,000
Total Liabilities		164,658,165	173,098,818	4,860,559	5,763,627
Net Assets		**317,749,481**	**389,939,705**	**205,017,449**	**204,727,091**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Attributable to Equity	
2008	**Share Capital $**	**Revenue Reserve $**
At 1 January 2008, as previously reported	172,153,626	151,282,082
Adjustment due to change in accounting policy on property, plant and equipment (Note 2.2 (c))	–	(321,900)
Adjustment due to reclassification of reserves (Note 2.2 (d))	–	(1,018,488)
At 1 January 2008, restated	172,153,626	149,941,694
Exchange difference arising on consolidation	–	–
Net loss on fair value changes	–	–
Recognised in income statement on disposal of investment securities	–	–
Impairment loss transferred to income statement	–	–
Reversal of deferred tax liabilities arising from fair value changes	–	–
Exchange difference arising from revaluation of net investment in foreign operations	–	–
Net income recognised directly in equity	–	–
Profit for the year	–	48,980,772
Share of revaluation gain realised by an associate	–	–
Total recognised income and expenses for the year	–	48,980,772
Dividends paid (Note 31)	–	(42,477,760)
At 31 December 2008	172,153,626	156,444,706

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Holders of The Company				
Capital Reserve	Fair Value Reserve	Currency Translation Reserve	Minority Interests	Total
$	$	$	$	$
44,379,412	27,076,233	(4,629,748)	–	390,261,605
–	–	–	–	(321,900)
3,608,230	–	(2,589,742)	–	–
47,987,642	27,076,233	(7,219,490)	–	389,939,705
–	–	(3,939,055)	–	(3,939,055)
–	(51,527,905)	–	–	(51,527,905)
–	(2,025,462)	–	–	(2,025,462)
–	19,684,108	–	–	19,684,108
–	4,640,946	–	–	4,640,946
–	–	(4,054,293)	–	(4,054,293)
–	(29,228,313)	(7,993,348)	–	(37,221,661)
–	–	–	–	48,980,772
(41,471,575)	–	–	–	(41,471,575)
(41,471,575)	(29,228,313)	(7,993,348)	–	(29,712,464)
–	–	–	–	(42,477,760)
6,516,067	(2,152,080)	(15,212,838)	–	317,749,481

2007	Attributable to Equity: Share Capital $	Revenue Reserve $
At 1 January 2007, as previously reported	172,153,626	127,457,306
Adjustment due to change in accounting policy on property, plant and equipment (Note 2.2 (c))	–	423,378
Adjustment due to reclassification of reserves (Note 2.2 (d))	–	(1,018,488)
At 1 January 2007, restated	172,153,626	126,862,196
Exchange difference arising on consolidation	–	–
Net gain on fair value changes	–	–
Recognised in income statement on disposal of investment securities	–	–
Impairment loss transferred to income statement	–	–
Deferred tax liabilities arising from fair value changes	–	–
Exchange difference arising from revaluation of net investment in foreign operations	–	–
Net income recognised directly in equity	–	–
Profit for the year	–	103,434,224
Share of revaluation gain realised by an associate	–	–
Total recognised income and expenses for the year	–	103,434,224
Dividends paid (Note 31)	–	(80,354,726)
At 31 December 2007	172,153,626	149,941,694

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Holders of The Company				
Capital Reserve $	Fair Value Reserve $	Currency Translation Reserve $	Minority Interests $	Total $
98,686,005	25,771,674	(4,633,457)	–	419,435,154
–	–	–	–	423,378
3,608,230	–	(2,589,742)	–	–
102,294,235	25,771,674	(7,223,199)	–	419,858,532
–	–	(303,839)	–	(303,839)
–	17,208,121	–	–	17,208,121
–	(13,881,788)	–	–	(13,881,788)
–	7,600	–	–	7,600
–	(2,029,374)	–	–	(2,029,374)
–	–	307,548	–	307,548
–	1,304,559	3,709	–	1,308,268
–	–	–	–	103,434,224
(54,306,593)	–	–	–	(54,306,593)
(54,306,593)	1,304,559	3,709	–	50,435,899
–	–	–	–	(80,354,726)
47,987,642	27,076,233	(7,219,490)	–	389,939,705

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Company	
	2008	**2007**
	$	**$**
Share capital		
Balance at the beginning and end of the year	172,153,626	172,153,626
Revenue reserve		
Balance at the beginning of the year	32,573,465	(22,908,980)
Profit for the year	42,768,118	135,837,171
Dividends paid (Note 31)	(42,477,760)	(80,354,726)
Balance at the end of the year	32,863,823	32,573,465
Fair value reserve		
Balance at the beginning of the year	–	(7,600)
Impairment loss transferred to income statement	–	7,600
Balance at the end of the year	–	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008	2007
		$	$
			(Restated)
Cash flows from operating activities			
Profit before taxation		46,061,334	104,860,063
Adjustments for:			
Interest income		(13,771,082)	(10,855,462)
Finance costs	9	4,423,761	3,910,800
Depreciation expense of property, plant and equipment and investment properties		2,437,378	2,251,824
Gain on sale of investment property	6	(644,668)	(96,852)
Gain on disposal of property, plant and equipment	6	(893)	(88,497)
Share of results in associates and unincorporated joint venture		(66,579,859)	(84,116,714)
(Write-back)/allowance made for doubtful receivable from associates	8	(3,733,418)	597,288
Net claims incurred	5	19,110,115	6,143,526
Allowance for impairment loss on non-current investment securities	8	46,428	8,977
Allowance for impairment loss on current investment securities	8	19,684,108	511,914
Loss on liquidation of associate		–	12,147
Provision for unexpired risks	5	3,070,513	2,210,317
Reversal of revaluation deficit in property, plant and equipment	8	–	(1,042,860)
Allowance for impairment loss on property, plant and equipment	8	–	434,504
Allowance for impairment loss on investment properties	8	2,223,532	–
Operating profit before reinvestment in working capital		12,327,249	24,740,975
Increase in receivables, current investment securities		(1,615,068)	(23,791,742)
(Increase)/decrease in inventories		(8,493)	39,093
(Decrease)/increase in payables		(6,322,539)	9,959,407
Net claims paid	26	(12,061,072)	(8,585,501)
Interest received		5,505,668	10,855,462
Interest paid		(3,452,014)	(3,910,800)
Income tax received/(paid)		60,042	(2,856,641)
Cash flows (used in)/generated from operating activities carried forward		(5,566,227)	6,450,253

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	2008 $	2007 $ (Restated)
Cash flows (used in)/generated from operating activities brought forward	(5,566,227)	6,450,253
Cash flows from investing activities		
Purchase of investment properties	(4,452,001)	(10,475,127)
Purchase of property, plant and equipment	(730,833)	(138,263)
Increase/(decrease) in investment securities	6,332,866	(30,608,667)
Proceeds from sale of investment properties	644,668	1,129,284
Decrease in amounts due from associates	676,060	111,613,506
Proceeds from disposal of property, plant and equipment	893	658,472
Investment in associates	–	(500,227)
Dividends received from associate	878,600	805,850
Cash distribution received from unincorporated joint venture	70,000	12,250,001
Net cash flows generated from investing activities	3,420,253	84,734,829
Cash flows from financing activities		
Increase in bank loans	16,874,320	48,971,268
Repayment of bank loans	(10,901,172)	(6,113,585)
Increase in bank overdrafts	1,793,575	1,357,172
Dividends paid	(42,477,760)	(80,354,726)
Increase in pledged fixed deposits	(11,753,556)	(26,910,595)
Net cash flows used in financing activities	(46,464,593)	(63,050,466)
Net (decrease)/increase in cash and cash equivalents	(48,610,567)	28,134,616
Cash and cash equivalents at the beginning of year	88,393,573	60,685,375
Effects of exchange rate changes on cash and cash equivalents	(4,439,124)	(426,418)
Cash and cash equivalents at the end of the year	35,343,882	88,393,573

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

Cash and bank balances (Note 23)	79,929,207	121,225,342
Less: Fixed deposits pledged	(44,585,325)	(32,831,769)
Cash and cash equivalents at the end of the year	35,343,882	88,393,573

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Hwa Hong Corporation Limited (the "Company") is a limited liability company 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 trading of chemicals.

The Group operates in Singapore, Malaysia and United Kingdom.

The subsidiaries and associates at 31 December 2008 are:

	Name of company	Percentage of interest held 2008 %	2007 %	Place of incorporation	Cost of investment 2008 $'000	2007 $'000	Principal activities
(a)	***Subsidiaries***						
	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)

	Name of company	Percentage of interest held 2008 %	2007 %	Place of incorporation	Principal activities
(a)	***Subsidiaries (cont'd)***				
	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.
****	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	People's Republic of China	Dormant.
	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	People's Republic of China	Dormant.

1. Corporate information (cont'd)

	Name of company	Percentage of interest held 2008 %	Percentage of interest held 2007 %	Place of incorporation	Principal activities
(a)	***Subsidiaries (cont'd)***				
	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 Liverpool Limited	60.0	60.0	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	82.0	United Kingdom	Acting as nominee company for investment holding.

Collectively known as Capital Group

	Name of company	2008 %	2007 %	Place of incorporation	Principal activities
(b)	***Associates***				
	Held by the Company				
	Singamet Trading Pte. Ltd.	20.0	20.0	Singapore	Property investment.

1. Corporate information (cont'd)

	Name of company	Percentage of interest held 2008 %	Percentage of interest held 2007 %	Place of incorporation	Principal activities
(b)	***Associates (cont'd)***				
	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.
***	Vistawell Limited	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
	Scotts Spazio Pte. Ltd.	50.0	50.0	Singapore	Property investment.
	Held by Thackeray Properties Limited				
*****	Matahari 461 Ltd	50.0	50.0	United Kingdom	Dormant.
***	Capital Willenhall Limited	50.0	50.0	United Kingdom	Property investment.
***	Capital Britton Street Limited	50.0	–	United Kingdom	Acting as nominee company for investment holding.
	Held by Pumbledon Limited				
***	Fieldfare Investments Limited	25.0	25.0	United Kingdom	Property investment.
	Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
******	Norwest Holdings Pte Ltd	49.5	49.5	Singapore	In liquidation.

All subsidiaries are audited by Ernst & Young LLP, Singapore except for:

*	Audited by affiliated firms of Ernst & Young LLP, Singapore
**	Audited by KPMG LLP, Singapore
***	Audited by BDO Stoy Hayward LLP, London
****	Not required to be audited in the country of incorporation
*****	Not required to be audited as the company is dormant
******	Not required to be audited as the company is in liquidation

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group, the balance sheet and statement of changes in equity 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 available-for-sale financial assets have been measured at their fair values.

The financial statements are presented in Singapore Dollar.

2.2 Changes in accounting policies

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

(a) Adoption of new FRS

On 1 January 2008, the Company adopted the following FRS and INT FRS mandatory for annual financial periods beginning on or after 1 January 2008.

INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above FRS and INT FRS did not have financial impact on the Group and the Company.

(b) Future changes in accounting policies

The Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	*Description*	*Effective for annual periods beginning on or after*
FRS 1	Presentation of Financial Statements – Revised presentation	1 January 2009
	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(b) Future changes in accounting policies (cont'd)

FRS 23	Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 101	First Time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	Share-based payment – Amendments relating to Vesting Conditions and Cancellations	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 as indicated below:

FRS 1 Presentation of Financial Statements – Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group and the Company are currently evaluating which format to adopt.

(c) Property, plant and equipment

Following the decision to adopt cost method for its investment properties in 2007, the directors reviewed the accounting policy of the Group's freehold office property occupied by a subsidiary. To align the basis for accounting for freehold office property and that of investment properties and other classes of property, plant and equipment, the directors have decided to change the accounting policy for its freehold office property from valuation to cost method and depreciate the property over fifty years.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

The impact of the change in accounting policy is taken retrospectively and is as follows:

	Group	
	2008	**2007**
	$	$
Results for the year ended 31 December		
Reversal of revaluation deficit	–	(731,292)
Reversal of depreciation expense	–	32,000
Increase in depreciation expense	(45,987)	(45,986)
	(45,987)	(745,278)
Net assets as at 1 January		
(Decrease)/increase in revenue reserve	(321,900)	423,378
(Decrease)/increase in property, plant and equipment	(321,900)	423,278

(d) Reserves

At 31 December 2008, the Group made a reclassification adjustment from capital reserve to currency translation reserve and revenue reserve. The reclassification was made to appropriately account for the exchange loss on translation of the net assets of a foreign subsidiary. The exchange loss on translation of the net assets of a foreign subsidiary was previously included in capital reserve and revenue reserve.

The impact of the reclassification is taken retrospectively. The reclassification has no impact on the Group's results and on its net tangible assets. The effect of the Group's balance sheet is as follows:

	Group	
	2008	**2007**
	$	$
Net assets as at 1 January		
Increase in capital reserve	3,608,230	3,608,230
Decrease in currency translation reserve	(2,589,742)	(2,589,742)
Decrease in revenue reserve	(1,018,488)	(1,018,488)
	–	–

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(e) Tenants' deposits

In the previous years, the Group had netted the tenants' deposits receivable from agents against tenants' deposits payable to tenants. The respective assets and liabilities had been presented at gross amounts to better reflect the gross assets and liabilities of the Group. Comparatives had been changed to conform to current year's presentation.

The reclassification has no impact on the Group's results and on its net tangible assets. The effect on the Group's balance sheet is as follows:

	Group	
	2008	**2007**
	$	$
Net assets as at 31 December		
Increase in current assets	2,533,786	3,487,029
Increase in non-current liabilities	(2,533,786)	(3,487,029)
	–	–

2.3 Functional and foreign currency

(a) 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 income statement 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 reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.3 Functional and foreign currency (cont'd)

(b) Foreign currency translation

The results and financial position of foreign operations are translated into Singapore Dollar using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and
- Income and expense for each income statement are translated at average exchange rates for the year which approximate the exchange rates at the date of the transactions.

All resulting exchange differences are recognised in a separate component of equity as currency translation reserve. On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the income statement as a component of the gain or loss on disposal.

2.4 Basis of consolidation

The consolidated financial statements comprised the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses arising from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Transactions with minority interests

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 amount attributable to equity holders of the Company, and are separately disclosed in the consolidated income statement.

Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interest is recognised directly in equity.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the property, plant and equipment to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement. When property, plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. 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:

Freehold buildings	–	50 years
Leasehold land and buildings	–	43 to 50 years
Plant and machinery	–	7%
Furniture, motor vehicles, computers and other equipment	–	7% to $33\frac{1}{3}$%

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 values, useful lives and depreciation methods 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. The effects of any revision are recognised in the income statement when the changes arise.

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

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 income statement in the year the asset is derecognised.

2.7 Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. No depreciation is charged on the freehold land component of the investment properties. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

2.8 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.

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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 in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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.

(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 accumulated amortisation and any accumulated impairment losses.

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 income statement.

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.

2.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and inventories, 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.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of non-financial assets (cont'd)

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 income statement 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 income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as a revaluation increase. After such a reversal, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

2.10 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 rights, or controls the composition of the board of directors.

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

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Company has significant influence. This generally coincides with the Company having 20% or more of the voting rights, or has representation on the board of directors.

2. Summary of significant accounting policies (cont'd)

2.11 Associates (cont'd)

The Group's investment in associates is accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of profit and loss of the associates is recognised in the consolidated income statement after adjustments to align the accounting policies with those of the Group. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.12 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. Proportionate consolidation commences from the date the Group obtains joint control and ceases on the date the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group's interest in 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 2.11.

2.13 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.

2. Summary of significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

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. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement. 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 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 income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing it in the near future. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit and loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(c) Held-to-maturity investments

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. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

(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. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences. The cumulative gain or loss previously recognised in fair value reserve is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.14 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.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost 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.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying the value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default of significant delay in payments.

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

(a) Assets carried at amortised cost (cont'd)

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

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 income statement, is transferred from fair value reserve to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement 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 income statement.

2.15 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, and cash collaterals held against performance bonds issued on behalf of customers.

2. Summary of significant accounting policies (cont'd)

2.16 Inventories and work-in-progress

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

Cost, incurred in bringing the inventories to their present location and condition, 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.

Net realisable value is based on estimated selling price in ordinary course of business less estimated costs of completion and selling expenses.

2.17 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.

2.18 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Reinsurance

The Group assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

2. Summary of significant accounting policies (cont'd)

2.20 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

Financial liabilities include trade payables, which are normally settled on 30 to 90 days' term, bank overdrafts, other payables, payables to subsidiaries, associates and interest-bearing borrowings.

2.21 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.22 Employee benefits

(a) 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.

(b) Employees leave entitlement

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

2. Summary of significant accounting policies (cont'd)

2.23 Provision for outstanding claims

A 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.

2.24 Provision for unearned premiums and premium deficiency

At the end of each year, a provision for unearned premium is retained by carrying forward a portion of the period's premium into the succeeding year. This amount arises because policies are not necessarily written on a calendar year basis, and do not necessarily have a duration of 12 months.

The provision for unearned premiums at the end of the period is calculated based on the 1/24th method on the amount of premium written during the period after deducting reinsurance premiums, and after taking into account a reduction for commission costs.

The provision for unearned premiums for marine cargo at the end of the period is calculated based on 25 per cent of the amount of premium written during the period after deducting local reinsurance premiums and overseas reinsurance premiums, to the extent of reinsurance deposits withheld from those overseas reinsurers.

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of provision for 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 revenue account by establishing a provision for 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 39(c).

2.25 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 basis as rental income. The accounting policy for rental income is set out in Note 2.26.

2. Summary of significant accounting policies (cont'd)

2.26 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Interest income

Interest income is recognised as interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

(b) Premium income from general insurance

Premium income is recognised at the time of commencement of the risks or, in the case of reinsurance, when the closing advices are received, and are earned over the term of the related policy coverage.

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

(c) Rental income

Rental income from investment properties is recognised upon commencement of lease period.

(d) 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 of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(e) Rendering of service

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

(f) Dividend income

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

(g) Sale/redemption of investment securities

Revenue from sale/redemption of investment securities is recognised on trade date.

2. Summary of significant accounting policies (cont'd)

2.27 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.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(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;

- in respect of 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 by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- in respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and 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 utilised.

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. Summary of significant accounting policies (cont'd)

2.27 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

2.28 Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent 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 under the FRS 104 Insurance Contracts are classified as investment contracts.

2. Summary of significant accounting policies (cont'd)

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group and the Company.

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.

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.

(a) 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.

3. Significant accounting estimates and judgements (cont'd)

(a) Insurance contract liabilities – assumptions and sensitivities (cont'd)

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, are not known with certainty at the balance sheet date.

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.

		2008		2007	
	Percentage Point Change in Assumption	Increase/ (decrease) in net claims outstanding $'000	Increase/ (decrease) in profit before taxation $'000	Increase/ (decrease) in net claims outstanding $'000	Increase/ (decrease) in profit before taxation $'000
1st year incurred development factor	+ 5%	833	(833)	641	(641)
1st year incurred development factor	- 5%	(834)	834	(644)	644
Claim handling expenses	+ 5%	1,163	(1,163)	853	(853)
Claim handling expenses	- 5%	(1,163)	1,163	(853)	853
Provision for adverse deviation	+ 5%	833	(833)	598	(598)
Provision for adverse deviation	- 5%	(833)	833	(598)	598

The carrying value of the Group's insurance contract liabilities as at 31 December 2008 was $27,629,111 (2007: $20,151,637).

The methods used for deriving sensitivity information and significant variables did not change from the previous year.

3. Significant accounting estimates and judgements (cont'd)

(b) *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 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 2008 was $2,475,352 (2007: $2,046,921).

(c) *Income taxes*

The Group has exposure to income taxes in several tax 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, deferred tax liabilities and deferred tax assets at 31 December 2008 was $181,703 (2007: $1,079,728), $994,361 (2007: $6,627,857) and $1,648,544 (2007: Nil) respectively.

(d) *Useful lives of property, plant and equipment and investment properties*

The costs of the property, plant and equipment and investment properties are depreciated on a straight-line basis over their useful lives. The Group reviews annually the estimated useful lives of property, plant and equipment and investment properties, based on the factors that include asset utilisation, anticipated use of the assets and related industry benchmark information. It is possible that further results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase depreciation expense and decrease non-current assets.

(e) *Valuation of investment properties*

External, independent valuations of the Group's investment properties portfolio are carried out once every three years. Directors' valuations are carried out annually. The fair values are based on market values, being the

3. Significant accounting estimates and judgements (cont'd)

(e) Valuation of investment properties (cont'd)

estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(f) Loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for the assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 38 to the financial statements.

(g) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognises changes in their fair value in equity. When the fair value declines, management exercises judgement based on the observable data relating to the possible events that may have caused the decline in value to determine whether the decline in value is an impairment that should be recognised in the income statement. In accordance with FRS 39 Financial Instrument Recognition and Measurement, the Group has recognised impairment losses of $19,730,536 (2007: $520,891) on its quoted investments classified as available-for-sale where their fair values had suffered a significant or prolonged decline below their cost.

4. Revenue

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

	Group	
	2008	2007
	$	$
Dividend income from investment securities	1,138,988	2,598,553
Gross written premiums	41,129,931	30,811,705
Rental and storage income	6,200,803	6,123,185
Trading sales	1,226,827	1,226,145
Interest income from		
– Associates	3,639,617	710,975
– Deposits with financial institutions	1,213,932	3,488,145
– Investment securities	6,582,212	3,490,630
– Others	542	1,347
	11,436,303	7,691,097
Proceeds from sale of investment securities	19,038,604	27,459,618
	80,171,456	75,910,303

5. Cost of sales

Included in cost of sales are:

	Group	
	2008	2007
	$	$
Cost of sale of investment securities	21,880,906	25,079,275
Reinsurance premiums	6,793,758	6,218,102
Provision for unexpired risks	3,070,513	2,210,317
Net claims incurred	19,110,115	6,143,526
Depreciation of investment properties	1,168,591	1,238,958

6. Other income

	Group 2008 $	Group 2007 $
Amortisation of premium	(4,837)	(22,593)
Interest income from		
– Quoted bonds	1,547,977	1,789,999
– Deposits with financial institutions	777,235	1,317,157
– Associates	9,567	57,209
	2,334,779	3,164,365
Dividend income from		
– Quoted equity investments	1,652,287	1,999,623
– Unquoted equity investments	–	79,200
	1,652,287	2,078,823
Gain/(loss) from		
– Redemption of bonds, stocks and government securities	(657)	(271)
– Sale of investment property	644,668	96,852
– Sale of equity investments	2,034,865	13,414,739
– Disposal of property, plant and equipment	893	88,497
	2,679,769	13,599,817
Foreign exchange gain	–	23,308
Management fee income from an associate	–	300,000
Gain on commutations	–	9,246
Sundry income	147,876	177,000
	6,809,874	19,329,966

7. General and administrative costs

	Group	
	2008	2007
	$	$
		(Restated)
Directors' fees		
– Directors of the Company	(420,000)	(395,000)
– Other directors of a subsidiary	(5,112)	(5,279)
	(425,112)	(400,279)
Directors' remuneration		
– Directors of the Company	(2,279,576)	(4,226,397)
– Other directors of subsidiaries	(593,025)	(516,621)
	(2,872,601)	(4,743,018)
Auditors' remuneration		
Auditors of the Company		
– Current year	(241,806)	(184,250)
– Under-provision in respect of prior year	(95,859)	(8,250)
	(337,665)	(192,500)
Other auditors of subsidiaries		
– Current year	(125,255)	(162,744)
– Over-provision in respect of prior year	–	5,726
	(125,255)	(157,018)
	(462,920)	(349,518)

* *There were no non-audit fees paid to auditors of the Company.*

Depreciation on property, plant and equipment before change in accounting policy	(1,222,800)	(966,880)
Change in accounting policy (Note 2.2 (c))	(45,987)	(45,986)
Depreciation on property, plant and equipment after change in accounting policy	(1,268,787)	(1,012,866)
Fees paid to firms in which certain directors are members	(73,669)	(183,967)
Allowance for doubtful debts (made)/reversed	(32,083)	72,686
Staff costs (including executive directors)	(9,327,624)	(13,485,599)
CPF contribution	(592,059)	(574,420)
Retrenchment benefits	(202,809)	–
Foreign currency loss	(4,369,804)	–

7. General and administrative costs (cont'd)

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The executive directors are key management personnel of the Group.

8. Other operating costs

	Group	
	2008	2007
	$	$
		(Restated)
Loss on liquidation of subsidiary	–	(275)
Loss on liquidation of an associate	–	(12,147)
Reversal of revaluation deficit on property, plant and equipment	–	1,042,860
Allowance for impairment loss on property, plant and equipment	–	(434,504)
Allowance for impairment loss on investment properties	(2,223,532)	–
Write-back/(allowance made) for doubtful receivables from associates	3,733,418	(597,288)
Allowance for impairment losses on investment securities		
– Unquoted non-equity investment (non-current)	(46,428)	(8,977)
– Quoted equity investments (current)	(19,184,108)	(511,914)
– Quoted bonds investments (current)	(500,000)	–
Others	(23,800)	(25,297)
	(18,244,450)	(547,542)

9. Finance costs

	Group	
	2008	2007
	$	$
Interest expense on		
– Bank loans and overdrafts	(3,545,533)	(3,104,558)
– Amounts due to associate	(878,228)	(806,242)
	(4,423,761)	(3,910,800)

10. Taxation

a. *Major components of taxation*

Major components of taxation for the years ended 31 December are:

	Group 2008 $	Group 2007 $
(i) Income statement		
Current income tax		
Current taxation in respect of profit for the year	35,045	1,045,051
(Over)/under-provision in respect of prior years	(313,388)	279,435
	(278,343)	1,324,486
Deferred tax		
Deferred taxation in respect of current year	(1,884,656)	(40,012)
(Over)/Under-provision in respect of prior years	(756,439)	141,365
	(2,641,095)	101,353
Taxation recognised in income statement	(2,919,438)	1,425,839
(ii) Statement of changes in equity		
Deferred income tax related to items charged or credited directly to equity		
Net change in fair value reserve for available-for-sale financial assets	(4,640,946)	2,029,374

10. Taxation (cont'd)

b. Relationship between taxation 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	
	2008	2007
	%	%
Domestic statutory tax rate	18.00	18.00
Adjustments:		
Income not subject to tax	(6.02)	(2.73)
Non-deductible expenses	7.90	0.49
Under/(over) provision of tax	0.40	0.40
Income tax at concessionary rate	(0.91)	(0.30)
Deferred tax not recognised	2.65	0.01
Exempt income	–	(0.17)
Income tax in foreign tax jurisdiction/difference in tax rate	0.06	(0.01)
Share of results of associates and unincorporated joint venture	(26.02)	(14.31)
Tax loss utilised during the year	(1.16)	(0.04)
Others	(1.24)	0.01
Effective tax rate	(6.34)	1.35

11. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the Group's profit attributable to equity holders of $48,980,772 (2007: $103,434,224) by the weighted average number of ordinary shares in issue during the year of 653,504,000 (2007: 653,504,000). There is no dilutive EPS as there were no options granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

12. Share capital

	Group and Company			
	2008		2007	
	No. of shares	$	No. of shares	$
Issued and fully paid				
Balance at the beginning and end of the year	653,504,000	172,153,626	653,504,000	172,153,626

12. Share capital (cont'd)

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 25 April 2008. 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.

13. Reserves

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
		(Restated)		
Revenue reserve	156,444,706	149,941,694	32,863,823	32,573,465
Capital reserve	6,516,067	47,987,642	–	–
Fair value reserve	(2,152,080)	27,076,233	–	–
Currency translation reserve	(15,212,838)	(7,219,490)	–	–
	145,595,855	217,786,079	32,863,823	32,573,465

Capital reserve relates to revaluation gain on a property which is under development in an associate.

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

Currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

14. Property, plant and equipment

Group	Freehold office property $	Leasehold land and buildings $	Plant and machinery $	Furniture, motor vehicles, computers and other equipment $	Total $
Cost					
At 1 January 2007, as previously stated	1,600,000	13,300,691	1,130,753	5,007,632	21,039,076
Change in accounting policy (Note 2.2 (c))	699,292	–	–	–	699,292
At 1 January 2007, restated	2,299,292	13,300,691	1,130,753	5,007,632	21,738,368
Currency realignment	–	3,504	6,129	1,109	10,742
Additions	–	–	–	138,263	138,263
Disposals	–	(578,073)	(1,038,398)	(368,593)	(1,985,064)
At 31 December 2007 and 1 January 2008	2,299,292	12,726,122	98,484	4,778,411	19,902,309
Additions	–	–	–	730,833	730,833
Disposals	–	–	(98,484)	(182,145)	(280,629)
At 31 December 2008	2,299,292	12,726,122	–	5,327,099	20,352,513
Accumulated depreciation and impairment loss					
At 1 January 2007, as previously stated	–	1,723,150	1,130,753	3,934,859	6,788,762
Change in accounting policy (Note 2.2 (c))	275,914	–	–	–	275,914
At 1 January 2007, restated	275,914	1,723,150	1,130,753	3,934,859	7,064,676
Currency realignment	–	13,539	6,078	379	19,996
Depreciation charge for the year	45,986	271,340	–	695,540	1,012,866
Allowance/(reversal) of impairment losses	–	434,504	–	(1,042,860)	(608,356)
Disposals	–	(139,729)	(1,038,347)	(237,013)	(1,415,089)
At 31 December 2007 and 1 January 2008	321,900	2,302,804	98,484	3,350,905	6,074,093
Depreciation charge for the year	45,987	271,340	–	951,460	1,268,787
Disposals	–	–	(98,484)	(181,979)	(280,463)
At 31 December 2008	367,887	2,574,144	–	4,120,386	7,062,417

14. Property, plant and equipment (cont'd)

Group	Freehold office property $	Leasehold land and buildings $	Plant and machinery $	Furniture, motor vehicles, computers and other equipment $	Total $
Net carrying amount					
At 31 December 2007	1,977,392	10,423,318	–	1,427,506	13,828,216
At 31 December 2008	1,931,405	10,151,978	–	1,206,713	13,290,096

Company	Leasehold buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
Cost			
At 1 January 2007	5,165,495	729,900	5,895,395
Additions	–	15,364	15,364
At 31 December 2007 and 1 January 2008	5,165,495	745,264	5,910,759
Additions	–	147,052	147,052
Disposals	–	(13,160)	(13,160)
At 31 December 2008	5,165,495	879,156	6,044,651
Accumulated depreciation and impairment loss			
At 1 January 2007	840,897	254,010	1,094,907
Depreciation for the year	120,127	117,906	238,033
Impairment loss	434,504	–	434,504
At 31 December 2007 and 1 January 2008	1,395,528	371,916	1,767,444
Depreciation for the year	120,127	121,158	241,285
Impairment loss	–	(13,160)	(13,160)
At 31 December 2008	1,515,655	479,914	1,995,569
Net carrying amount			
At 31 December 2007	3,769,967	373,348	4,143,315
At 31 December 2008	3,649,840	399,242	4,049,082

15. Investment properties

	Freehold land $	Buildings $	Total $
Cost			
At 1 January 2007	35,907,853	57,747,480	93,655,333
Additions	3,139,272	7,335,855	10,475,127
Currency realignment	(154,075)	(1,602,282)	(1,756,357)
Disposals	(396,853)	(595,279)	(992,132)
At 31 December 2007 and 1 January 2008	38,496,197	62,885,774	101,381,971
Additions	1,333,537	3,118,464	4,452,001
Currency realignment	(6,408,661)	(13,429,519)	(19,838,180)
At 31 December 2008	33,421,073	52,574,719	85,995,792
Accumulated depreciation and impairment loss			
At 1 January 2007	839,396	9,778,058	10,617,454
Additions	–	1,238,958	1,238,958
Currency realignment	1,930	(88,620)	(86,690)
Disposals	–	(56,552)	(56,552)
At 31 December 2007 and 1 January 2008	841,326	10,871,844	11,713,170
Additions	–	1,168,591	1,168,591
Impairment loss	477,853	1,745,679	2,223,532
Currency realignment	(26,282)	(1,177,574)	(1,203,856)
At 31 December 2008	1,292,897	12,608,540	13,901,437
Net carrying amount			
At 31 December 2007	37,654,871	52,013,930	89,668,801
At 31 December 2008	32,128,176	39,966,179	72,094,355

	2008 $	2007 $
Rental income from investment properties	6,200,803	6,123,185
Direct operating expenses (including depreciation, repairs and maintenance) arising from		
– Rental generating properties	5,572,760	5,761,169
– Non-rental generating properties	–	–
Valuation of investment properties	116,313,000	145,537,435

15. Investment properties (cont'd)

The Group has a policy to obtain external, independent valuations for its properties once every three years. The valuations of the investment properties in United Kingdom are based on directors' valuations in December 2008, except for two properties which are valued by independent accredited valuer, Meredith Chartered Surveyors. The investment property in Singapore is valued by independent accredited valuer, Allied Appraisal Consultants Pte Ltd. The investment property in Malaysia is based on directors' valuation. Valuations are based on open market valuation.

At 31 December 2008, an allowance for impairment loss of $2,223,532 (2007: Nil) was made to reflect the decline in fair value over the carrying values of some of the properties. The allowance was recognised in "other operating costs" (Note 8) line item of the income statement for the financial year ended 31 December 2008.

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

Investment property in Singapore, amounting to $22,425,904 (2007: $22,753,747) is mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary. At 31 December 2008, the amount of facilities utilised is Nil (2007: $9 million).

Investment properties in the United Kingdom, amounting to $42,560,535 (2007: $54,775,871) are mortgaged to banks to secure banking facilities for the Group. The amount of facilities utilised as of 31 December 2008 amounted to $30,441,940 (2007: $40,195,590).

16. Investment in subsidiaries

	Company	
	2008	**2007**
	$	$
Unquoted shares, at cost	195,310,274	195,310,274
Less: Impairment loss	(3,850,000)	(3,850,000)
	191,460,274	191,460,274
Amounts due from subsidiaries, non-trade	20,052,050	20,208,659
Allowance for doubtful debts:		
Balance at the beginning of the year	(6,813,387)	(1,634,822)
Charge to income statement	(309,275)	(5,178,565)
Balance at the end of the year	(7,122,662)	(6,813,387)
Amounts due from subsidiaries	12,929,388	13,395,272
Amounts due to subsidiaries, non-trade	(3,544,214)	(3,560,264)

Balances with subsidiaries are unsecured, interest-free and repayable on demand and are to be settled in cash, except for an amount of $16.97 million (2007: Nil) which will be settled by way of shares issued by the subsidiaries.

17. Investment in associates

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Unquoted shares, at cost	59,250,487	59,250,383	800,000	800,000
Impairment losses	–	–	(13,000)	(107,000)
Share of post-acquisition reserves	46,671,323	22,882,645	–	–
	105,921,810	82,133,028	787,000	693,000
The share of reserves is made up as follows:				
Capital reserve	420,429	907,285	–	–
Revenue reserve	45,786,704	21,511,170	–	–
Currency translation reserve	464,190	464,190	–	–
	46,671,323	22,882,645	–	–
Amounts due from associates:				
– Loans	31,236,479	30,386,229	–	–
– Non-trade	3,945,381	5,093,726	39,564	259,357
– Allowance for doubtful debts	(249,564)	(5,093,726)	(39,564)	(259,357)
	3,695,817	–	–	–
	34,932,296	30,386,229	–	–
Movement of allowance for doubtful debts:				
Balance at beginning of the year	(5,093,726)	(4,496,438)	(259,357)	(142,626)
Allowance utilised	1,110,744	–	142,626	–
Reverse/(charge) to income statement	3,733,418	(597,288)	77,167	(116,731)
Balance at end of the year	(249,564)	(5,093,726)	(39,564)	(259,357)
Amounts due within 1 year	19,932,296	30,386,229	–	–
Amount due after 1 year, within 5 years	15,000,000	–	–	–
	34,932,296	30,386,229	–	–
Amounts due to associates	(23,714,456)	(24,123,185)	(399,288)	(389,805)

Loans due from associates of $13,935,975 (2007: $13,592,248) and $15,000,000 (2007: $15,000,000) bear interest at 2.5% (2007: 2.5%) and 20% (2007: Nil) per annum respectively. Balance of the loans is interest-free. Except for an amount of $15,000,000 which is not expected to be due within next 12 months, all loans due from associates are repayable on demand and are to be settled in cash.

17. Investment in associates (cont'd)

Included in loans due from associates is an amount of $13,935,975 (2007: $13,592,248) due from a company that is related to a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.

The non-trade amounts due from associates are unsecured, repayable on demand, are to be settled in cash and are interest-free except for an amount of $921,197 at 31 December 2007 which bore interest at 5.5% - 9.67% per annum.

Amounts due to associates are non-trade, interest-free, repayable on demand and are to be settled in cash, except for an amount of $23,130,931 (2007: $23,131,302) which bears interest at 3.7864% (2007: 3.7864%) per annum.

Impairment losses

As at 31 December 2008, a write-back of allowance for impairment loss amounting to $94,000 (2007: $79,218) was recognised in the income statement of the Company.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2008 $'000	2007 $'000
Assets and liabilities		
Total assets	1,019,490	914,756
Total liabilities	(800,880)	(754,454)
Results		
Revenue	466,950	633,764
Profit for the year	59,873	69,330

18. Investment securities

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Non-current				
Held-to-maturity:				
– Quoted bonds	18,755,846	19,515,460	–	–
– Unquoted bonds	13,962,403	14,583,290	–	–
Available-for-sale:				
– Quoted bonds, at fair value	–	822,148	–	–
– Quoted equity, at fair value	888,525	5,377,665	–	–
– Quoted non-equity, at fair value	3,113,701	5,317,562	–	–
– Unquoted equity, at fair value	5,188,734	4,358,765	–	–
– Unquoted equity, at cost	–	23,653	–	–
– Unquoted non-equity, at cost	296,740	341,665	39,290	45,010
Loans and receivables:				
– Unquoted bonds, at amortised cost	46,630,303	42,173,210	–	–
Assets carried at cost:				
– Unincorporated joint venture	1,518,663	1,147,661	–	–
	90,354,915	93,661,079	39,290	45,010
Current				
Held-to-maturity:				
– Unquoted bonds	1,000,000	1,000,000	–	–
Available-for-sale:				
– Quoted bonds, at fair value	1,487,900	500,650	–	–
– Quoted equity, at fair value	41,572,695	81,740,151	–	–
– Unquoted bonds and Floating Rate Notes, at fair value	6,663,575	15,004,125	–	–
– Investment under fund management, at fair value	1,832,829	6,055,064	–	–
Held for trading:				
– Unquoted non-equity, at fair value	275,000	275,000	–	–
	52,831,999	104,574,990	–	–

18. Investment securities (cont'd)

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

	Group	
	2008	**2007**
	$	$
Quoted equity investments	618,020	3,329,236
Quoted non-equity investments	1,169,368	2,709,304
Cash held by fund manager	45,441	16,524
	1,832,829	6,055,064

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

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%.

During the year, the Group received cash distribution from the unincorporated joint venture amounting to $70,000 (2007: $12,250,001). The amount received had been accounted for as disclosed in Note 2.12.

Included in unincorporated joint venture is an amount of $1,518,662 (2007: $1,147,660) relating to the Group's share of its revenue reserve.

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

	2008	**2007**
	$'000	$'000
Assets and liabilities		
Current assets	12,050	12,998
Total assets	12,050	12,998
Current liabilities	(4,439)	(6,711)
Non-current liabilities	(130)	(165)
Net assets	7,481	6,122
Results		
Revenue	994	49,511
Profit for the year	1,708	16,545

18. Investment securities (cont'd)

As at 31 December 2008, the Group recognised an impairment loss in the income statement on non-current unquoted non-equity, current quoted equity, current quoted bonds of $46,428 (2007: $8,977), $19,184,108 (2007: $511,914) and $500,000 (2007: Nil) respectively. In accordance with FRS 39 Financial Instrument Recognition and Measurement, the Group has recognised impairment losses on its quoted investments classified as available-for-sale where their fair values had suffered a significant or prolonged decline below their cost.

Unquoted equity, non-equity and bonds 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 Group and the Company have no intention to dispose of its interests in these investments.

Included in the held-to-maturity investment, unquoted bonds, is an amount of $1,493,998 (2007: $2,580,941) denominated in Australian Dollar while the investment under fund management is denominated in US Dollar.

19. Prepayments and deposits

Included in prepayments and deposits for the Group is an amount of $5,386,564 (2007: $5,386,564) being deposit paid for the purchase of 15 residential units and 4 retail units in a residential development property. The balance of the purchase consideration has been disclosed as a capital commitment in Note 34.

20. Other receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
		(Restated)		
Current				
Sundry receivables	982,001	924,824	–	–
Dividend receivable	139,510	190,307	–	–
Interest receivable	1,082,450	2,738,231	–	–
Staff loans	10,578	26,732	–	–
Staff advances	1,833	–	–	–
Deposits receivable	2,533,786	3,487,029	–	–
Other recoverables	128,758	9,627	162	–
	4,878,916	7,376,750	162	–

20. Other receivables (cont'd)

	Group	
	2008	2007
	$	$
Staff loans		
Due within 12 months	15,928	42,660
Due after 12 months	(10,578)	(26,732)
	5,350	15,928

	Group	
	2008	2007
	$	$
Non-current		
Staff loans due after 12 months	5,350	15,928
Interest receivable on loan to an associate	3,295,890	–
	3,301,240	15,928

The staff loans are unsecured and interest is charged at 2% (2007: 2%) per annum on reducing balance basis. The staff loans have remaining loan period of 1½ (2007: ½ to 2½) years and are repayable by monthly instalments.

Deposits receivable which are repayable on demand pertains to tenant's deposits receivable from agents.

Included in other receivables of the Group are amounts of $2,795,196 (2007: $3,645,108) which are denominated in Sterling Pound.

Interest receivable pertains to interest receivable on a non-current loan of $15 million (2007: Nil) given to an associate. The loan bears interest at 20% (2007: Nil) per annum.

21. Inventories

	Group	
	2008	2007
	$	$
Raw materials	13,133	5,386
Finished goods	14,889	14,143
Total inventories at lower of cost and net realisable value	28,022	19,529

22. Trade receivables

	Group 2008 $	Group 2007 $
Trade receivables	5,995,515	5,138,311
Allowance for doubtful debts	(133,664)	(101,581)
	5,861,851	5,036,730

Trade receivables are interest-free 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 $1,430,685 (2007: $463,554) which are denominated in Sterling Pound. At 31 December 2007, $90,385 of trade receivables were denominated in US Dollar.

Receivables that are past due but not impaired

The Group has trade receivables that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group 2008 $	Group 2007 $
Less than 30 days	510,579	304,307
30 to 60 days	81,341	187,303
61 to 90 days	223,460	44,346
91 to 120 days	(33,656)	32,274
More than 120 days	13,805	136,958
	795,529	705,188

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group 2008 $	Group 2007 $
Trade receivables, nominal amounts	133,664	101,581
Allowance for doubtful debts	(133,664)	(101,581)
	–	–
Movement of allowance for doubtful debts:		
Balance at the beginning of the year	(101,581)	(180,289)
Amount utilised	–	6,022
Allowance for doubtful debts (made)/reversed	(32,083)	72,686
Balance at the end of the year	(133,664)	(101,581)

These receivables are not secured by any collateral or credit enhancements.

23. Cash and bank balances

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
Fixed deposits	74,760,499	116,367,487	–	–
Cash and bank balances	5,168,708	4,857,855	81,736	199,633
	79,929,207	121,225,342	81,736	199,633
Included in above are:				
Fixed deposits held as cash collateral against performance bonds issued on behalf of customers	3,297,291	3,010,123	–	–
Cash and bank balances held as cash collateral against performance bonds issued on behalf of customers	128,396	133,996		
Fixed deposits pledged for banking facilities	40,659,638	29,187,650	–	–
Fixed deposits pledged to the Monetary Authority of Singapore as statutory deposit required under Insurance Act	500,000	500,000	–	–
	44,585,325	32,831,769	–	–

Fixed deposits were placed for varying periods of between one month and one year depending on the immediate cash requirements of the Group and earned interests at the respective fixed deposit rates. The effective interest rate of fixed deposits were in the range of 0.35% to 7.77% (2007: 1.35% to 7.05%).

24. Trade payables

Trade payables are interest-free and are normally settled on 30 to 90 days' terms.

25. Other payables

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
		(Restated)		
Current				
Deposits	252,039	253,285	–	–
Unclaimed dividends	129,911	92,811	129,911	92,811
Deferred reinsurance commission	58,601	79,697	–	–
Cash collateral received from insurer's customers	3,425,687	3,144,119	–	–
Deferred income	726,608	1,090,179	–	77,168
Rental received in advance	86,355	15,924	–	–
Provision for premium payable	541,938	468,199	–	–
Claims services payable	190,104	179,298	–	–
Sundry payables	1,001,648	699,752	66,169	156,694
	6,412,891	6,023,264	196,080	326,673
Non-current				
Tenancy deposits	2,694,576	3,608,427	–	–

Sundry payables are interest-free and are settled on 60 days' term.

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

	Group	
	2008	2007
	$	$
		(Restated)
Sterling Pound	3,652,992	3,487,029
Chinese Renminbi	372,349	329,974

26. Provision for outstanding claims

	Group 2008 $	Group 2007 $
Gross outstanding claims	27,629,111	20,151,637
Reinsurers' share of outstanding claims	(2,475,352)	(2,046,921)
Net outstanding claims	25,153,759	18,104,716
Movement in provision:		
Balance at the beginning of the year	18,104,716	20,546,691
Gross claims paid	(13,321,132)	(9,832,441)
Reinsurers' share of gross claims paid	1,260,060	1,246,940
Net claims paid	(12,061,072)	(8,585,501)
Gross claims incurred	20,798,606	6,566,263
Reinsurers' share of gross claims incurred	(1,688,491)	(422,737)
Net claims incurred	19,110,115	6,143,526
Balance at the end of the year	25,153,759	18,104,716
Gross outstanding claims		
Within one year	6,870,903	4,410,958
Between two and five years	20,758,208	15,740,679
	27,629,111	20,151,637
Reinsurers' share of outstanding claims		
Within one year	(618,838)	(450,323)
Between two and five years	(1,856,514)	(1,596,598)
	(2,475,352)	(2,046,921)

26. 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:

Accident Year	Gross Claims Paid in each Year of Development							
	2001	2002	2003	2004	2005	2006	2007	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	17,616	8,859	2,218	1,663	1,017	46	139	(61)
2001	8,023	10,064	1,562	869	270	169	22	4
2002		7,808	5,744	1,363	1,247	775	75	54
2003			4,781	3,447	842	272	86	(84)
2004				5,019	3,444	952	851	643
2005					4,697	3,305	716	237
2006						4,878	3,094	944
2007							4,849	5,016
2008								6,568
Total	25,639	26,731	14,305	12,361	11,517	10,397	9,832	13,321

Accident Year	Gross Claim Outstanding at the End of each Year of Development							
	2001	2002	2003	2004	2005	2006	2007	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	38,764	21,341	12,283	6,906	2,936	1,077	634	559
2001	20,316	5,578	5,226	2,991	1,827	450	202	69
2002		24,322	11,171	7,634	3,827	1,024	531	370
2003			15,765	6,254	3,094	953	758	338
2004				16,110	7,469	2,715	1,194	375
2005					14,872	5,668	2,429	1,040
2006						11,531	3,629	2,229
2007							10,775	5,242
2008								17,407
Total	59,080	51,241	44,445	39,895	34,025	23,418	20,152	27,629

Accident Year	Net Claims Paid in each Year of Development							
	2001	2002	2003	2004	2005	2006	2007	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	13,718	6,018	1,837	1,373	423	58	143	(27)
2001	6,518	4,203	1,586	845	258	161	21	5
2002		7,000	5,270	1,317	1,171	448	71	52
2003			3,480	2,612	630	152	57	63
2004				3,977	2,805	632	647	580
2005					3,220	2,790	661	216
2006						3,792	2,807	894
2007							4,201	4,442
2008								5,836
Total	20,236	17,221	12,173	10,124	8,507	8,033	8,608	12,061

26. Provision for outstanding claims (cont'd)

Loss development triangles (cont'd)

Accident Year	Net Claims Outstanding at the End of each Year of Development							
	2001	2002	2003	2004	2005	2006	2007	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior years	26,446	13,842	9,643	4,996	2,341	926	522	473
2001	11,341	5,791	4,354	2,339	1,303	437	190	61
2002		20,668	10,151	6,246	3,108	985	505	338
2003			12,405	4,792	2,183	642	546	240
2004				12,969	6,304	2,074	954	200
2005					12,312	4,945	2,083	851
2006						10,561	3,419	2,133
2007							9,886	5,039
2008								15,819
Total	37,787	40,301	36,553	31,342	27,551	20,570	18,105	25,154

Incurred claims development experience during 2008 for prior years' claims has been favourable for all lines of business except Motor and Workmen's Compensation. 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 $2.5 million and $8.0 million of claims outstanding for prior years in the income statement for the year ended 31 December 2008 and 2007 respectively. These amounts have been netted off from the net claims incurred figures above.

27. Provision for unexpired risks

	Group	
	2008	2007
	$	$
Gross unearned premium	21,738,692	15,718,711
Reinsurers' share of unearned premium	(3,337,614)	(3,051,783)
Gross deferred acquisition costs	(5,168,864)	(2,982,323)
Deferred reinsurance commission (Note 25)	58,601	79,697
Provision for premium deficiency	1,183,000	1,639,000
	14,473,815	11,403,302
Movement in provision:		
Balance at the beginning of the year	11,403,302	9,192,985
Provision during the year	3,070,513	2,210,317
Balance at the end of the year	14,473,815	11,403,302

28. Bank overdrafts

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Bank overdrafts				
– Secured	3,304,833	2,688,860	–	–
– Unsecured	394,899	–	394,899	–
	3,699,732	2,688,860	394,899	–

An amount of $936,396 (2007: $1,690,209) is secured by a first charge over a subsidiary's fixed deposits and is supported by a corporate guarantee given by another subsidiary. Interest is charged at 0.75% per annum over the Sterling Pound base rate which was at 2.75% to 6.25% (2007: 6.5%) per annum during the year.

An amount of $2,226,145 (2007: $998,651) is secured by pledging the Sterling Pound fixed deposit of up to GBP1,200,000 and bears interest of 5.5% to 6.5% (2007: 6% to 6.65%) per annum which is at 0.5% per annum above the rate provided by the bank on the pledged fixed deposit.

The balance of the secured bank overdraft is supported by a corporate guarantee given by the Company for $15 million.

29. Bank loans (secured)

	Group	
	2008	2007
	$	$
Non-current		
– Long-term Sterling Pound bank loans	30,160,996	28,089,247
Current		
– Long-term Sterling Pound bank loans	280,944	12,106,343
– Short-term Singapore Dollar bank loans	39,473,011	39,129,492
	39,753,955	51,235,835
Total bank loans	69,914,951	79,325,082
Amount repayable within one year	39,753,955	51,235,835
Amount repayable between two and five years	30,160,996	28,089,247
	69,914,951	79,325,082

29. Bank loans (secured) (cont'd)

Included in the long-term Sterling Pound bank loans is an amount of $30,441,940 (2007: $40,195,590) which are secured by a fixed charge over subsidiaries' investment properties. Repayments are made quarterly.

Included in the long-term Sterling Pound bank loans is an amount of $13,029,000 (2007: $19,420,440) which were charged interest ranging from 1.25% to 1.95% (2007: 1.25%) per annum over LIBOR. The remaining long-term Sterling Pound loans bear interest at a fixed rate of 5.92% per annum.

At 31 December 2008, the short-term loans are secured by a subsidiary's investment property and a charge of $36.3 million (2007: $23.0 million) on its fixed deposit. Interest was charged at 0.5% to 1% (2007: 0.5% to 0.8%) per annum over Singapore Dollar bank loan at swap cost.

30. Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are due to temporary difference associated with:

Group	**Balance sheet**		**Recognised in income statement**	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
Deferred tax liabilities				
Revaluations to fair value of available-for-sale financial assets	(258,757)	(4,899,702)	–	–
Unutilised tax losses	1,675,317	–	(1,675,317)	–
Differences in depreciation and capital allowances	(1,336,821)	(1,393,667)	(56,846)	(168,130)
Accrued interest income	(1,074,100)	(306,616)	767,484	306,616
Others	–	(27,872)	(27,872)	(37,133)
	(994,361)	(6,627,857)		
Deferred tax assets				
Unutilised tax losses	1,710,758	–	(1,710,758)	–
Differences in depreciation and capital allowances	(62,214)	–	62,214	–
	1,648,544	–	(2,641,095)	101,353
Company				
Others	–	(44,000)	(44,000)	(5,500)

30. Deferred tax assets/(liabilities) (cont'd)

As at 31 December 2008, the Group has unutilised tax losses of approximately $22,625,000 (2007: $11,749,000), for which the Group has recognised a portion of it as deferred tax asset amounting to $1,710,758 (2007: Nil). For the remaining amount, no deferred tax asset is recognised due to uncertainty of its recoverability. These unutilised tax losses may be available for carrying forward and offsetting against future taxable profit of the companies in which the losses arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

31. Dividends

	Group	
	2008	**2007**
	$	$
In respect of financial year ended 31 December 2006:		
– Final dividend of 1.25 cents per share less 18% tax	–	6,698,415
In respect of financial year ended 31 December 2007:		
– Interim dividend of 3.989 cents per share less 18% tax	–	21,375,991
– Special interim exempt (one-tier) dividend of 6.5 cents per share	–	42,477,760
– Interim exempt (one-tier) dividend of 1.5 cents per share	–	9,802,560
– Final exempt (one-tier) dividend of 1.25 cents per share	8,168,800	–
– Special exempt (one-tier) dividend of 0.75 cents per share	4,901,280	–
In respect of financial year ended 31 December 2008:		
– Special interim exempt (one-tier) dividend of 3 cents per share	19,605,120	–
– Interim exempt (one-tier) dividend of 1.5 cents per share	9,802,560	–
	42,477,760	80,354,726

The Directors of the Company have recommended a final tax exempt ordinary dividend of 1.25 cents per share, totalling about $8,168,800 to be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.

32. Investment in joint ventures

In 2008 and 2007, the Group had a 50% interest in the assets, liabilities, revenue and expenses of Vistawell Limited and in 2008, it also had a 50% interest in Capital Britton Street Limited. The Group also had a 82% interest in the assets, liabilities, revenue and expenses of Capital Group, except for one entity in which the Group holds a 60% interest.

Vistawell Limited, Capital Britton Street Limited and Capital Group are nominee companies which hold the United Kingdom properties in trust for the subsidiaries. These subsidiaries in turn have a joint venture arrangement with an external party in respect of the United Kingdom properties.

32. Investment in joint ventures (cont'd)

The following amounts represent the Group's share of the assets, liabilities, revenue and expenses of the joint ventures that are included in the consolidated balance sheet and income statement using the line-by-line format of consolidation:

	Group	
	2008	**2007**
	$'000	$'000
		(Restated)
Assets and liabilities		
Current assets	2,411	2,673
Non-current assets	42,759	58,263
Total assets	45,170	60,936
Current liabilities	(1,882)	(16,846)
Non-current liabilities	(34,252)	(31,576)
Net assets	9,036	12,514
Results		
Revenue	3,709	3,695
Other income	56	140
Expenses	(3,786)	(1,339)
Finance costs	(2,397)	(2,644)
Loss for the year	(2,418)	(148)

33. Related party transactions

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
Management fees received and receivable from subsidiaries	–	–	(2,925,829)	(3,613,880)
Insurance premiums paid to a subsidiary	–	–	14,515	13,211
Reimbursement of corporate and legal services fee received from a subsidiary	–	–	(14,480)	(12,240)
Corporate secretarial services fee received from subsidiaries	–	–	(24)	(24)

33. Related party transactions (cont'd)

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Interest received from an associate which is a related company of a substantial shareholder	(343,727)	(334,363)	–	–
Interest received from a subsidiary	–	–	(21,043)	(21,000)
Purchase consideration paid to an associate for an unquoted investment	4,500,000	–	–	–
Proceeds received from sale of unquoted investment and related debts to a director	(4,000,000)	–	–	–

Other transactions with related parties are disclosed in Notes 4, 6, and 7.

34. Commitment and contingencies

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
(a) *Contingent liabilities*				
Guarantees given to financial institutions in connection with facilities given to a subsidiary	–	–	15,000,000	15,000,000
(b) *Capital expenditure commitments*				
– Residential development property (Note 19)	24,353,820	24,353,820	–	–
– Property, plant and equipment	1,202,000	–	–	–
– Unquoted investment securities	4,320,000	6,060,792	–	–
– Others	800,000	–	–	–

Operating lease commitments - 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 12 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

34. Commitment and contingencies (cont'd)

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

	Group	
	2008	2007
	$	$
Not later than one year	5,066,962	4,467,156
Later than one year but not later than five years	12,819,801	11,172,329
Later than 5 years	17,401,899	15,445,512
	35,288,662	31,084,997

35. Directors' remuneration

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

	2008	2007
$2,250,000 to $2,499,999	–	1
$2,000,000 to $2,249,999	–	–
$1,750,000 to $1,999,999	–	–
$1,500,000 to $1,749,999	–	–
$1,250,000 to $1,499,999	1	–
$1,000,000 to $1,249,999	–	1
$750,000 to $999,999	–	–
$500,000 to $749,999	–	1
$250,000 to $499,999	1	1
$249,999 and below	7	5
	9	9

36. Group segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the chief decision maker to make decisions about allocation of resources.

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic units offer different products and services and are managed separately because they require different strategies.

36. Group segmental information (cont'd)

The following summary describes the operations in each of the Group's reportable segments:

- rental and investment: rental of residential, commercial properties and warehouse as well as investment holding
- insurance and investment: general insurance as well as investment holding
- trading and investment: trading of chemicals and packing and trading of edible oil as well as investment holding

Information regarding the operations of the reportable segments is included below:

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

All assets and liabilities are allocated to reportable segments.

For purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors performance based on segment profit before income tax. Segment profit is measured as management believes information is useful in evaluating the results of certain segments relative to other entities that operate within these industries. The segment transactions are determined on an arm's length basis.

There are no asymmetrical allocations to reportable segments.

36. Group segmental information (cont'd)

	Rental and investments		Insurance		Trading and investments	
	2008	2007	2008	2007	2008	2007
	$	$ (Restated)	$	$	$	$
Income Statement						
Revenue						
– External	30,634,612	32,539,665	41,129,931	30,811,705	9,285,513	13,360,793
– Inter-segment	330,773	467,651	39,975	47,593	–	–
Total revenue	30,965,385	33,007,316	41,169,906	30,859,298	9,285,513	13,360,793
Interest income	515,096	930,771	1,855,772	2,229,659	22,502	115,866
Interest expense	(4,793,888)	(4,535,003)	–	–	(22,449)	–
Depreciation of property, plant and equipment and investment properties	(1,320,585)	(1,406,701)	(808,279)	(537,958)	(67,229)	(69,131)
Profit/(loss) on sale of non-current investment securities	1,634,260	12,134,422	900,605	1,280,317	(500,000)	–
Profit on sale of investment property	644,668	96,852	–	–	–	–
Write-back/(allowance) for doubtful receivables from associates	–	–	–	–	3,656,250	(480,557)
Allowance for impairment loss on non-current investment securities	(39,208)	(8,977)	(1,500)	–	–	–
Allowance for impairment loss on current investment securities	(10,215,155)	–	(5,651,721)	–	(3,817,232)	(511,914)
Allowance for impairment loss on investment properties	(2,223,532)	–	–	–	–	–
Other non-cash income/ (expenses)	–	–	(31,191)	(69,608)	–	85,419
Share of results from associates and unincorporated joint venture	66,581,550	88,987,221	–	–	–	(4,950,000)
Taxation	872,284	(457,767)	2,037,960	(1,226,203)	–	–
Profit/(loss) before taxation	55,806,173	104,792,458	(5,983,247)	7,960,517	(7,058,585)	(8,041,845)
Balance Sheet						
Segment assets	285,848,329	369,717,094	110,329,206	120,713,383	9,919,518	15,506,284
Interest in unincorporated joint venture	1,518,663	1,147,661	–	–	–	–
Investment in associates	105,134,619	81,449,333	–	–	–	–
Total assets						
Segment liabilities	(130,181,571)	(149,658,723)	(58,045,391)	(48,372,091)	(24,364,947)	(23,557,966)
Capital expenditure	4,464,201	10,500,304	536,590	97,721	34,991	–

Corporate and others 2008 $	Corporate and others 2007 $	Note	Eliminations 2008 $	Eliminations 2007 $	Total 2008 $	Total 2007 $ (Restated)
–	3,990		(878,600)	(805,850)	80,171,456	75,910,303
42,728,400	145,606,500	A	(43,099,148)	(146,121,744)	–	–
42,728,400	145,610,490		(43,977,748)	(146,927,594)	80,171,456	75,910,303
21,077	62,028	A	(79,668)	(173,959)	2,334,779	3,164,365
(19,173)	(658)	A	411,749	624,861	(4,423,761)	(3,910,800)
(241,285)	(238,034)		–	–	(2,437,378)	(2,251,824)
–	–		–	–	2,034,865	13,414,739
–	–		–	–	644,668	96,852
77,168	(116,731)		–	–	3,733,418	(597,288)
(5,720)	–		–	–	(46,428)	(8,977)
–	–		–	–	(19,684,108)	(511,914)
–	–		–	–	(2,223,532)	–
–	(434,504)	B	–	1,042,860	(31,191)	624,167
(1,691)	79,493		–	–	66,579,859	84,116,714
9,194	(565,096)	C	–	823,227	2,919,438	(1,425,839)
42,739,273	140,315,264	A	(39,442,280)	(140,166,331)	46,061,334	104,860,063
252,984,087	253,710,146	D	(284,113,967)	(279,889,073)	374,967,173	479,757,834
–	–		–	–	1,518,663	1,147,661
787,191	683,695		–	–	105,921,810	82,133,028
					482,407,646	563,038,523
(4,861,559)	(5,766,016)	E	52,795,303	54,255,978	(164,658,165)	(173,098,818)
147,052	15,365		–	–	5,182,834	10,613,390

36. Group segmental information (cont'd)

Reconciliation of revenue, income statement, assets, liabilities and other material items to Group total.

A. Inter-segment revenues, interest income, interest expense are eliminated on consolidation.
B. Other non-cash income/(expenses) consist of allowance for doubtful receivables, profit/(loss) on disposal of property, plant and equipment, impairment loss for property, plant and equipment and reversal of revaluation deficit on property, plant and equipment.
C. This relates to inter-segment elimination of tax arising from dividend paid out within the Group.
D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2008	2007
	$	$
Segment assets	659,081,140	759,646,907
Investment in associates	105,921,810	82,133,028
Interest in unincorporated joint venture	1,518,663	1,147,661
Inter-segment elimination	(284,113,967)	(279,889,073)
Total assets	482,407,646	563,038,523

E. The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2008	2007
	$	$
Segment liabilities	217,453,468	227,354,796
Inter-segment elimination	(52,795,303)	(54,255,978)
Total liabilities	164,658,165	173,098,818

Geographical information

	2008		2007	
	Revenue	Non-current assets	Revenue	Non-current assets
	$	$	$	$
Singapore	75,198,208	249,919,027	70,756,712	223,921,667
United Kingdom	4,936,832	50,553,392	5,047,169	54,104,383
Others	36,415	2,995,055	106,422	2,877,600
	80,171,456	303,467,474	75,910,303	280,903,650

36. Group segmental information (cont'd)

In presenting information on the basis of geographical segments, segment revenue and assets are based on geographical location of customers and assets respectively.

There had been no transaction with a single external customer that amounted to 10% of the Group revenue.

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 745.73 sq metres (8,027 sq feet.) Net lettable area of 647.9 sq metres (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 157 sq metres (1,690 sq feet).
Investment properties			
(i) Held by the Group			
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 Johor, Malaysia	Phratra 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.	–

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(i) Held by the Group (cont'd)			
115B Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 4 units of residential apartments.	–
50% interest in 17-18 Britton Street London EC1 United Kingdom	Thackeray Properties Limited	Freehold. Office building.	Floor area of 1,287.85 sq metres (13,862 sq feet).
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)
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 EC1, United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 1,453.40 sq metres (15,644 sq feet)
60% interest in 7 Water Street Liverpool L2 8TD United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 2,092.36 sq metres (22,522 sq feet).

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(ii) Held by associates			
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 5,422 sq metres (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 680.79 sq metres (7,328 sq feet).
25% interest in Hollins Hall United Kingdom	Fieldfare Investments Limited	Freehold. 4 units of retirement homes.	–
West Midlands House Gipsy Lane Willenhall West Midlands	Capital Willenhall Limited	Freehold. Office building.	–
Development properties			
60, 60B, 60C Martin Road Singapore 239065/7/8	Riverwalk Promenade Pte Ltd	Freehold. Residential.	Combined land area of 29,683 sq metres.
Transitional office at 51 Scotts Road	Scotts Spazio Pte. Ltd.	15 years leasehold. 4-storey office block.	Land area of 1.04 hectares. Maximum permissible gross floor area of 15,666 sq metres (168,628 sq feet).

38. Fair values of financial instruments

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 at their fair value except unquoted equity and non-equity which was stated at cost.

It is not practicable to determine the fair values of the unquoted equity, non-equity investments and unincorporated joint venture held as long-term investments. These investments are carried at carrying value of $1,815,403 (2007: $1,512,979). The Group does not intend to dispose of this investment in the foreseeable future.

(b) Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, 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.

The carrying amounts of non-current floating interest bank loans reflect the corresponding fair values as they are repriced frequently.

(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			
	Carrying amount		**Fair value**	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Financial assets:				
Quoted bonds	18,756	19,515	18,359	19,741
Unquoted bonds	13,962	14,583	14,381	14,485

38. Fair values of financial instruments (cont'd)

(c) Financial instruments carried at other than fair value (cont'd)

	Company			
	Carrying amount		Fair value	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Financial assets:				
Quoted bonds	–	–*	–	–*

* Amounts less than $1,000

(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 equity and non-equity 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 to provide an appropriate approximation of the fair value of the unquoted bonds.

(e) Carrying amounts of financial instruments by categories

The table below is an analysis of the carrying amounts of financial instruments by categories as at 31 December:

		Group	
	Note	2008	2007
		$	$
			(Restated)
Held-to-maturity investment			
Quoted bonds, at cost	18	18,755,846	19,515,460
Unquoted bonds, at cost	18	14,962,403	15,583,290
		33,718,249	35,098,750

38. Fair values of financial instruments (cont'd)

(e) Carrying amounts of financial instruments by categories (cont'd)

	Note	Group 2008 $	Group 2007 $ (Restated)
Loans and receivables			
Other receivables	20	8,180,156	7,392,678
Trade receivables	22	5,861,851	5,036,730
Amount due from associates	17	34,932,296	30,386,229
Cash and cash equivalents	23	79,929,207	121,225,342
Unquoted bonds, at amortised cost	18	46,630,303	42,173,210
		175,533,813	206,214,189
Available-for-sale financial assets			
Quoted bonds, at fair value	18	1,487,900	1,322,798
Quoted equity, at fair value	18	42,461,220	87,117,816
Quoted non-equity, at fair value	18	3,113,701	5,317,562
Unquoted equity, at fair value	18	5,188,734	4,358,765
Unquoted equity, at cost	18	-	23,653
Unquoted non-equity, at cost	18	296,740	341,665
Unquoted bonds and Floating Rate Notes, at fair value	18	6,663,575	15,004,125
Investment under fund management, at fair value	18	1,832,829	6,055,064
		61,044,699	119,541,448
Held for trading financial asset			
Unquoted non-equity, at fair value	18	275,000	275,000
Financial liabilities measured at amortised cost			
Trade payables	24	2,130,544	1,427,695
Advance premiums		990,747	1,263,859
Other payables (exclude rental received in advance)		9,021,112	9,615,767
Accrued operating expenses		3,373,401	9,421,513
Amounts due to associates	17	23,714,456	24,123,185
Bank overdrafts	28	3,699,732	2,688,860
Bank loans (secured)	29	69,914,951	79,325,082
		112,844,943	127,865,961

39. Financial risk management objectives and policies

Exposure to equity price risk, interest rate risk, liquidity risk, credit and foreign currency risks arise in the normal course of business. The Directors review and agree policies and procedures for the management of these risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by appointed Internal Auditors who undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk because of its investment in quoted equities. These investment securities are quoted on stock exchanges in Singapore, Korea, London and Indonesia. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

At 31 December 2008, if the Straits Times Index (STI) had been higher by 10%, with all other variables held constant, the Group's equity will be $2,538,000 higher as a result of an increase in the fair value of equity instruments classified as available-for-sale. If the STI had been 10% lower, with all other variables held constant, the Group's profit after taxation would have decreased by $1,635,000 arising from additional impairment losses to be made and equity would have decreased by $1,460,000 due to decrease in fair value of equity instruments. At 31 December 2007, if the STI had been 10% higher/lower, the Group's equity would have increased/decreased by $5,905,000 due to increase/decrease in fair value of equity instruments.

At 31 December 2008, if the Korea Composite Stock Price Index (KOSPI) had been 10% higher with all other variables being held constant, the Group's equity would have increased by $83,700. If the KOSPI had been 10% lower with all other variables being held constant, the Group's profit after taxation would have decreased by $102,000 due to additional impairment losses to be recognised. At 31 December 2007, if the KOSPI had been 10% higher/lower, the Group's equity would have increased/decreased by $138,000 due to increase/decrease in fair value of equity instruments.

39. Financial risk management objectives and policies (cont'd)

(a) Equity price risk (cont'd)

At 31 December 2008, if the London Stock Exchange (LSE) had been higher/lower by 10%, with all other variables held constant, the Group's equity will be $311,000 (2007: $532,000) higher/lower as a result of an increase in the fair value of equity instruments classified as available-for-sale.

As there is no reasonable correlation between the Indonesian market index and one of the Group's unquoted shares, an expected rate of change in the fair value of the shares is adopted to reflect the impact to the financial statement. At 31 December 2008, if the fair value of the Indonesian quoted shares had been 10% (2007: 14%) higher/lower with all other variables held constant, the Group's equity will be approximately $270,000 (2007: $250,000) higher/lower, as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its placements in fixed deposits, investments in quoted, unquoted bonds and floating rate notes 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. The Group uses a combination of fixed and floating rates facilities to allow the Group to benefit from the relative lower interest rate in short term loans and mitigate sudden hike in interest rates.

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

At 31 December 2008, if the market price for interest rates for loans is 50 basis points (2007: 50 basis points) higher/lower with all other variables held constant, profit after taxation will be $255,000 (2007: $270,000) lower/higher as a result of its bank borrowings. At 31 December 2008, if the market price for interest rates is 50 basis points (2007: 50 basis points) higher/lower with all other variables held constant, equity will be $918,000 (2007: $1,460,000) higher/lower, arising mainly as a result of an increase in fair value of debt securities classified as available-for-sale.

(c) 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 as well as factors affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the subsidiary having either received too little premium for the risks it has agreed to underwrite and hence

39. Financial risk management objectives and policies (cont'd)

(c) Underwriting risk (cont'd)

has not enough funds to invest and pay claims, or incur claims are in excess of those expected. The subsidiary seeks to minimise underwriting risks through diversification among classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to the security of reinsurers. The subsidiary adopted the external appointed 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:

	2008 Net Claims Liabilities	**2007 Net Claims Liabilities**	**2008 Net Premium Liabilities**	**2007 Net Premium Liabilities**
	%	%	%	%
Motor	47	48	33	39
Workmen's Compensation	28	20	22	19
Fire	3	4	3	5
Marine Cargo	7	9	1	3
General Accident	15	19	41	34
	100	100	100	100

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's objective is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions if any, without incurring unacceptable losses or risking damage to the Group's reputation. This is achieved through monitoring the cash flow requirements closely and optimising its cash return on investments. In addition, the Group also maintains the availability of stand-by credit facilities.

Surplus funds are placed with reputable banks and/or financial institutions.

39. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2008			2007		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Trade and other payables	8,543	2,695	11,238	7,451	3,608	11,059
Amount due to associates	23,714	–	23,714	24,123	–	24,123
Loans and borrowings	43,454	30,161	73,615	53,925	28,089	82,014
	75,711	32,856	108,567	85,499	31,697	117,196
Company						
Trade and other payables	238	–	238	327	–	327
Amount due to associates	399	–	399	390	–	390
Amount due to subsidiaries	3,544	–	3,544	3,560	–	3,560
Loans and borrowings	395	–	395	–	–	–
	4,576	–	4,576	4,277	–	4,277

(e) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposure to credit risk arises mainly from trade and other receivables. For other financial assets (including investment securities, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At balance sheet date, the carrying amount of trade and other receivables and cash and bank balances represent the Group's and the Company' maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At balance sheet date, there was no significant concentration of credit risks.

39. Financial risk management objectives and policies (cont'd)

(e) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances, investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(f) Foreign currency risk

Currency risk arises when transactions are denominated in currencies other than the functional currencies of the respective entities. In addition, the Group is exposed to currency translation gains/losses as a result of translating its overseas assets and liabilities held through its subsidiaries. Such translation gains/losses are of unrealised nature and do not impact current year profits unless the underlying assets or liabilities of the subsidiary are disposed.

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 Sterling Pound and Chinese Renminbi. Wherever possible, the Group manages its currency risks by financing its purchases using bank borrowings denominated in the currency of the country in which the asset is situated.

Sensitivity analysis for foreign currency risk

Entities in the Group regularly transact in currencies other than their respective functional currencies, such as Singapore Dollar, United States Dollar, Australian Dollar and Sterling Pound. The following table demonstrates the sensitivity to a reasonably possible change in the Singapore Dollar, United States Dollar, Australian Dollar and Sterling Pound, against the respective functional currencies of the Group's entities with all other variables held constant, on the Group's profit after taxation and equity.

39. Financial risk management objectives and policies (cont'd)

(f) Foreign currency risk (cont'd)

	Group			
	2008		2007	
	Profit after taxation	Equity	Profit after taxation	Equity
	$'000	$'000	$'000	$'000
United States Dollar/Singapore Dollar				
– strengthened 10% (2007: 6.7%)	461	192	79	544
– weakened 10% (2007: 6.7%)	(461)	(192)	(79)	(544)
Australian Dollar/Singapore Dollar				
– strengthened 10% (2007: 12.2%)	199	5	300	10
– weakened 10% (2007: 12.2%)	(199)	(5)	(300)	(10)
Sterling Pound/Singapore Dollar				
– strengthened 10% (2007: 5.9%)	430	170	419	314
– weakened 10% (2007: 5.9%)	(430)	(170)	(419)	(314)
United States Dollar/Sterling Pound				
– strengthened 10% (2007: 8.3%)	–	244	–	183
– weakened 10% (2007: 8.3%)	–	(244)	–	(183)

At 31 December 2008, if Sterling Pound strengthened/weakened against Singapore Dollar by 10% (5.9%), the Group's profit after taxation will be $767,000 (2007: $730,000) higher/lower arising from intercompany balances denominated in Singapore Dollar. At 31 December 2008, if Sterling Pound strengthened/weakened against Singapore Dollar, the Group's equity would have increased/decreased by $1,095,000 (2007: $696,000) arising from quasi-capital intercompany loan denominated in Sterling Pound. Although the intercompany balances are eliminated in the consolidated balance sheet, the effect in the income statement on their revaluation under *FRS 21 The Effects of Changes in Foreign Exchange Rates* is not eliminated.

In the management's opinion, the above sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

40. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Company may

40. Capital management (cont'd)

also purchase its own shares on the market; subject to the terms of the share purchase mandate as approved by the shareholders. Share purchase allows the Company greater flexibility over its share capital structure with a view to improving, *inter alia*, its return on equity. Share purchase in lieu of issuing new shares would also mitigate the dilution impact on existing shareholders. No share purchase was made during the years ended 31 December 2008 and 2007.

No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. The Group also monitors dividends paid to shareholders. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2008, the Group's gearing ratio was 0.52 (2007: 0.44).

The insurance subsidiary applied the capital requirements as stipulated in the Insurance Act (Chapter 142) and Insurance (Valuation and Capital) Regulations.

41. Subsequent Events

(a) Reduction in tax rate

The corporate tax rate, as announced by the Government on 22 January 2009, will be reduced from 18% to 17% with effect from Year of Assessment 2010. This is considered as a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the accounts for financial year ending 31 December 2009.

The Group's deferred tax provision has been computed on the year end prevailing tax rate of 18%. Applying the reduced tax rate of 17% would result in reduction in deferred tax asset and liability of $91,586 and $55,242 respectively. As such, the Group's deferred tax asset and liability under the reduced tax rate of 17% would be $1,556,958 and $939,119 respectively.

(b) Group restructuring

Pursuant to an internal restructuring exercise completed subsequent to the year end, a wholly owned subsidiary, Singapore Warehouse Company (Private) Ltd. transferred the entire issued and paid up capital of two of its subsidiaries, Hwa Hong Edible Oil Industries Pte. Ltd. and Paco Industries Pte. Ltd., to the Company for a total consideration of $2.

The restructuring exercise had no financial impact on the net tangible asset of the Group.

42. Comparatives

Certain comparatives were restated to conform to current year's presentation (see Note 2.2 (c), (d) and (e)).

43. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 20 February 2009.

Distribution Of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	159	3.69	55,916	0.01
1,000 - 10,000	2,257	52.42	13,631,555	2.09
10,001 - 1,000,000	1,855	43.08	98,575,654	15.08
1,000,001 and above	35	0.81	541,240,875	82.82
Total	4,306	100.00	653,504,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	HSBC (Singapore) Nominees Pte Ltd	87,353,152	13.37
2.	Oversea-Chinese Bank Nominees Private Limited	72,815,000	11.14
3.	Hong Leong Enterprises Pte. Ltd.	45,664,000	6.99
4.	City Developments Realty Limited	33,355,000	5.10
5.	United Overseas Bank Nominees (Private) Limited	32,716,700	5.01
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.	Welkin Investments Pte Ltd	21,296,000	3.26
11.	Mayban Nominees (Singapore) Private Limited	17,019,000	2.60
12.	Ely Investments (Pte) Ltd.	13,642,000	2.09
13.	Ong Joo Gim	12,784,603	1.96
14.	DBS Nominees (Private) Limited	12,729,000	1.95
15.	Ong Chay Tong & Sons (Private) Limited	11,485,496	1.76
16.	Citibank Nominees Singapore Pte Ltd	10,279,334	1.57
17.	Ong Eng Hui David (Wang Ronghui David)	8,780,634	1.34
18.	UOB Kay Hian Private Limited	6,252,300	0.96
19.	Lee Yuen Shih	5,811,000	0.89
20.	Guan Meng Kuan	5,550,860	0.85
Total		515,134,766	78.83

Percentage Of Public Float

Based on information available to the Company as at 17 March 2009, approximately 28.84% 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.

Treasury Shares

There are no treasury shares held in the issued capital of the Company.

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	587,000	188,763,392	189,350,392	28.975
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 IS HEREBY GIVEN that the Fifty-Sixth Annual General Meeting of Hwa Hong Corporation Limited (the "Company") will be held at Swissôtel Merchant Court, Merchant Court Ballroom, Section B, 20 Merchant Road Singapore 058281 on Wednesday, 29 April 2009 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 2008. **Resolution 1**

2. To declare a one-tier tax exempt final ordinary dividend of 1.25 cents per share in respect of the financial year ended 31 December 2008. **Resolution 2**

3. To approve the payment of fees up to S$325,000 in aggregate to the non-executive Directors of the Company for the financial year ending 31 December 2009 (2008: S$324,500), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter. **Resolution 3**
   (See Explanatory Note (i) to Ordinary Business)

4. To re-elect the following Directors who are retiring by rotation in accordance with Article 113 of the Articles of Association of the Company:

   (a) Mr Ma Kah Woh, Paul **Resolution 4**
   (Note: Mr Ma Kah Woh, Paul, if re-elected, will remain as the Chairman of the Audit and Risk Committee and a member of the Divestment and Investment Committee. He is considered an independent non-executive Director.)

   (b) Mr Wee Sin Tho **Resolution 5**
   (Note: Mr Wee Sin Tho, if re-elected, will remain as a member of the Audit and Risk 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.)

6. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**
(See Explanatory Note (ii) to Ordinary Business)

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

SPECIAL BUSINESS

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

8. **Authority to allot and issue shares up to fifty per cent (50%) of the total number of Issued Shares** **Resolution 9**

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

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(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 total number of issued shares of the Company excluding treasury shares (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 total number of issued shares of the Company excluding treasury shares (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 total number of issued shares excluding treasury shares shall be based on the total number of issued shares of the Company excluding treasury shares 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."

9. **Authority to allot and issue shares under Hwa Hong Corporation Limited (2001) Share Option Scheme** **Resolution 10**

"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 five per cent (5%) of the total number of issued shares of the Company from time to time."

10. **Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme** **Resolution 11**

"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."

11. **Renewal of Share Purchase Mandate** **Resolution 12**

"That:

(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 listing 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 earliest 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 Quest-ST 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

ONG BEE LEEM
SECRETARY

Singapore, 13 April 2009

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 Ordinary Business

(i) Resolution 3 proposed in item 3, if passed, will authorise the Company to effect payment of fees to the non-executive Directors (including fees payable to members of the various committees of the Board) for the financial year ending 31 December 2009, such payment to be made on a quarterly basis in arrears. This Resolution will facilitate the prompt payment by the Company of the Directors' fees during the financial year in which they are incurred.

(ii) Ernst & Young, the auditors of the Company, had notified the Company that their firm has been converted to an accounting limited liability partnership on 1 July 2008 and is now practising as Ernst & Young LLP.

Explanatory Notes to Special Business

Resolution 9, 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 excluding treasury shares 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 10, 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 11, 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 12, 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 or the date on which purchases or acquisitions of Shares are carried out to the full extent mandated, 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 2008, based on certain stated assumptions, are set out in paragraph 2.7 of the Appendix to this Notice of General Meeting.

HWA HONG CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 195200130C)

PROXY FORM

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in Hwa Hong Corporation Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, ____(Name)

of ____(Address)

being *a Member/Members of **HWA HONG CORPORATION LIMITED** (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or

or failing *him/her/them, the Chairman of the meeting, as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the **Fifty-Sixth Annual General Meeting** of the Company ("AGM") to be held at Swissôtel Merchant Court, Merchant Court Ballroom, Section B, 20 Merchant Road Singapore 058281 on **29 April 2009** 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)]		**To be used in the event of a poll** [(b)]	
		For	**Against**	**No. of Votes For**	**No. of Votes Against**
1	Adoption of reports and financial statements				
2	Declaration of final ordinary dividend				
3	Approval of payment of fees to non-executive Directors for the financial year ending 31 December 2009				
4	Re-election of Mr Ma Kah Woh, Paul				
5	Re-election of Mr Wee Sin Tho				
6	Re-appointment of Mr Ong Mui Eng				
7	Re-appointment of Mr Guan Meng Kuan				
8	Appointment of Auditors and authorising Directors to fix their remuneration				
	Any other ordinary business				
	SPECIAL BUSINESS				
9	Authority to allot and issue shares up to fifty per cent (50%) of the total number of Issued Shares				
10	Authority to allot and issue shares under Hwa Hong Corporation Limited (2001) Share Option Scheme				
11	Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme				
12	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 ________________ 2009

Total Number of Shares Held	
CDP Register	
Register of Members	

____

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.

an EQUITY communications production

HWA HONG CORPORATION LIMITED

Company Registration No. 195200130C

38 South Bridge Road Singapore 058672
www.hwahongcorp.com