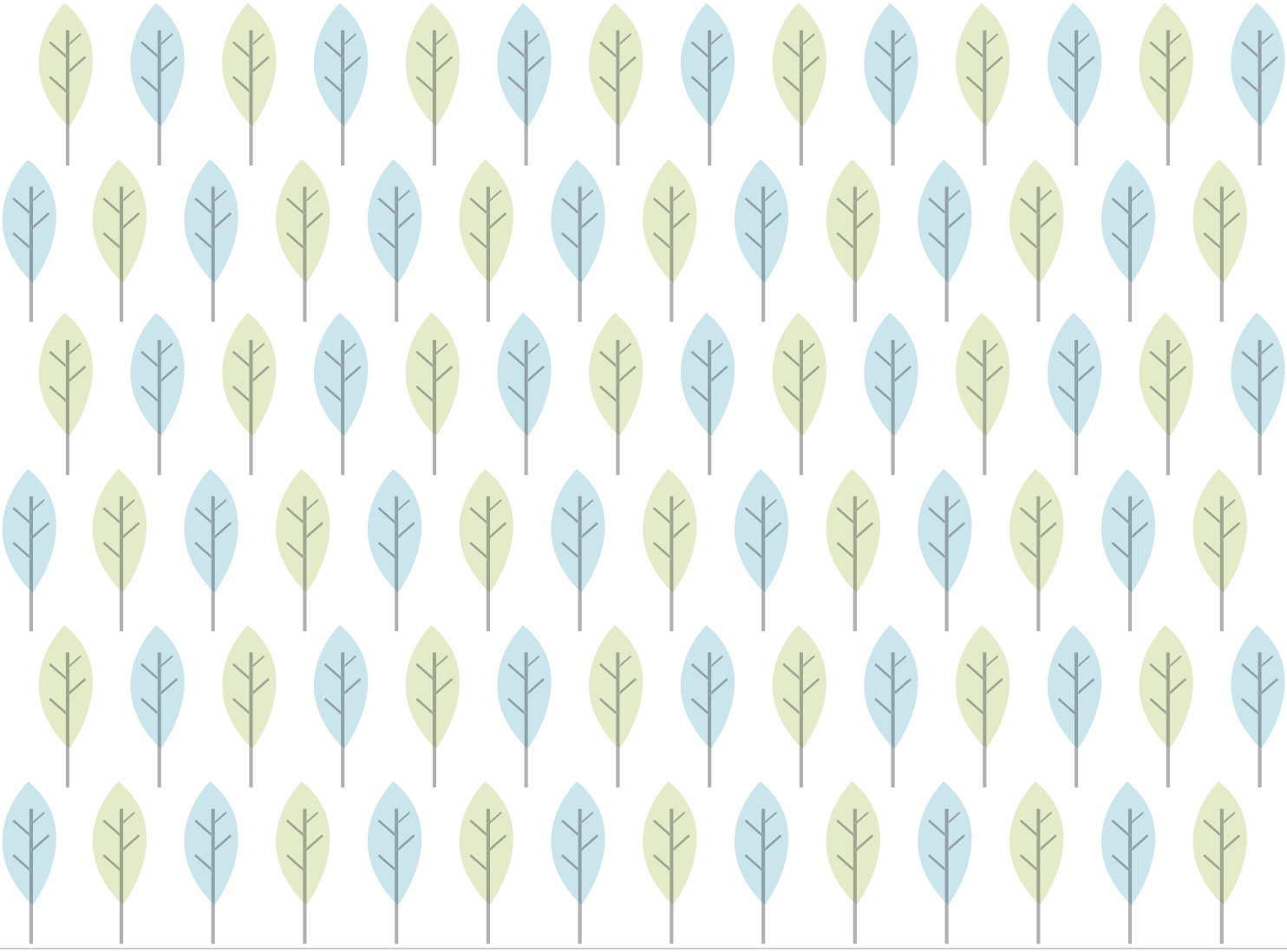
HWA HONG CORPORATION LIMITED

ANNUAL REPORT 2011



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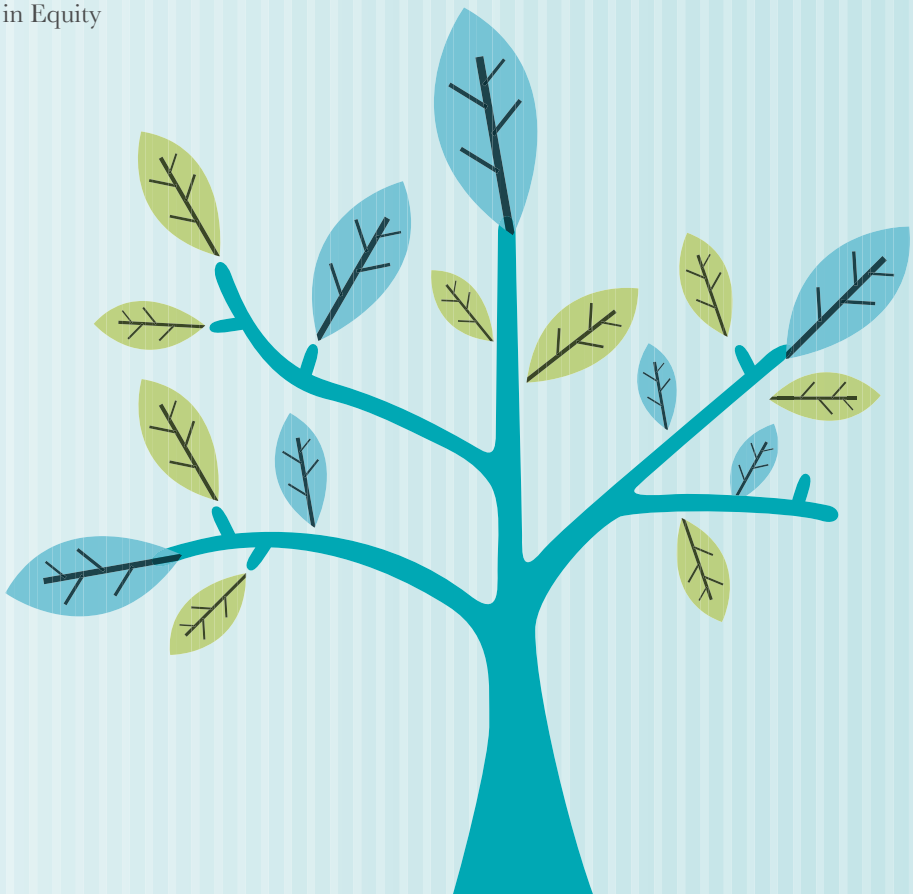


On the back of strategic initiatives to optimise our investments, Hwa Hong is poised to evaluate and explore new opportunities in our commitment to create and enhance shareholder value.

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

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.

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

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

COMPANY SECRETARIES

Ong Bee Leem
Lim Keng San Shirley

REGISTRAR / SHARE REGISTRATION OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
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: Tan Chian Khong
(with effect from financial year ended 31 December 2010)

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
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

financial calendar

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2011

Announcement of 2011 Unaudited Results

First Quarter ended 31 March 2011	27 April 2011
Second Quarter ended 30 June 2011	29 July 2011
Third Quarter ended 30 September 2011	25 October 2011
Financial Year ended 31 December 2011	3 February 2012

Annual General Meeting	26 April 2012 (11.00 a.m.)

Dividends

One-tier tax exempt interim dividend of 1 cent per share

Date of books closure	18 August 2011
Payment date	26 August 2011

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

Date of books closure	18 August 2011
Payment date	26 August 2011

Proposed one-tier tax exempt final ordinary dividend of 1 cent per share

	Up to 5.00 p.m. on
Last day for lodgement of transfers for dividend entitlement	10 May 2012
Date of books closure	11 May 2012
Payment date	23 May 2012

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2012

Tentative Dates for Announcement of 2012 Unaudited Results

First Quarter of 2012	26 April 2012
Second Quarter of 2012	27 July 2012
Third Quarter of 2012	24 October 2012
Financial Year 2012	6 February 2013

Our primary objective is to enhance and grow our portfolio of profitable assets and businesses.

Artist impression of property located at 110 Paya Lebar Road.

Dear Shareholders,

In 2011 Hwa Hong continued to distribute substantial dividends, last year in the amount of $81.7 million. In the following paragraphs we will discuss the past strategy which enabled these distributions and our strategy for the future.

Regarding financial performance during the year we believe the Group maintained a strong balance sheet with low gearing, and had focused on achieving expense savings across the Group. In 2011, revenues decreased in light of the sale of assets and businesses in prior years.

In the past six years, we have distributed more in dividends than market value of the entire group before we launched our asset enhancement and sales. We are a smaller company today and are repositioning our remaining assets and businesses in order to achieve future shareholder value.

You will read more about our financial performance in 2011 in this report, but we want to focus this year's letter on strategy.

In 2005 we announced the first stages of a strategic decision to begin realising the value from some of our long-term investments. The first, and largest, was the development and sale of units at the Rivergate site in partnership with CapitaLand. This multi-year project was successful and was complemented by the sale in 2010 of our insurance subsidiary, Tenet, for a considerable gain. These two assets had been our two largest investments. Given their disproportionate size relative to other assets in the group, the considerable cash we collected with their sale, and global financial turmoil during that time, your board recommended that the bulk of proceeds be distributed to you in the form of dividends.

To put the importance of these dividends into perspective:

- In 2005, before announcement of the decision to redevelop the Rivergate site, Hwa Hong's market capitalisation was approximately $350 million
- From 2006 until 2011, we have distributed $358 million in dividends

Today, after the sale of our two largest assets and distribution of such sizeable dividends, Hwa Hong is a smaller company, with a market capitalisation of approximately $250 million at the end of 2011.

As we reported last year, our dividend payments have derived primarily from sale of long term assets and not from recurring revenues and profits. Future dividends will be determined according to our ongoing revenue and profit generation, as well as by our available cash resources and commitments.

Our strategic focus for 2012

- Begin the process of building a base of recurring revenues and profits.
- Complete renovation and transformation of our warehouse at Paya Lebar into a new Business-1 zoned industrial property with 130,000 square feet of lettable area.
- Renovate and upgrade most of our residential units in the United Kingdom.
- Finalise development strategy for our recently acquired, joint-venture real estate in Sheffield, United Kingdom.
- Review positioning of and strategy for our other property holdings such as South Bridge Road, Rivergate apartments and commercial units, commercial properties in the United Kingdom and land in Batu Pahat, Malaysia – as well as potential new investments
- Maximise shareholder value from our joint venture service office business in the United Kingdom.
- Continue to focus on our cost of doing business
- Optimise our capital structure
- Ensure we have the group senior executives and management team in place to achieve our strategy

In summary, our primary objective is to enhance and grow our portfolio of profitable assets and businesses. Within that objective we are working to build a platform of recurring revenues and profits to enable a sustainable level of future dividends.

We thank you for your support and confidence.

We also thank our business partners and our staff for their ongoing efforts on behalf of the Group.

Sincerely,

Hans Hugh Miller
Chairman

Above & below: Apartment block located in the Royal Borough of Kensington and Chelsea.

financial highlights

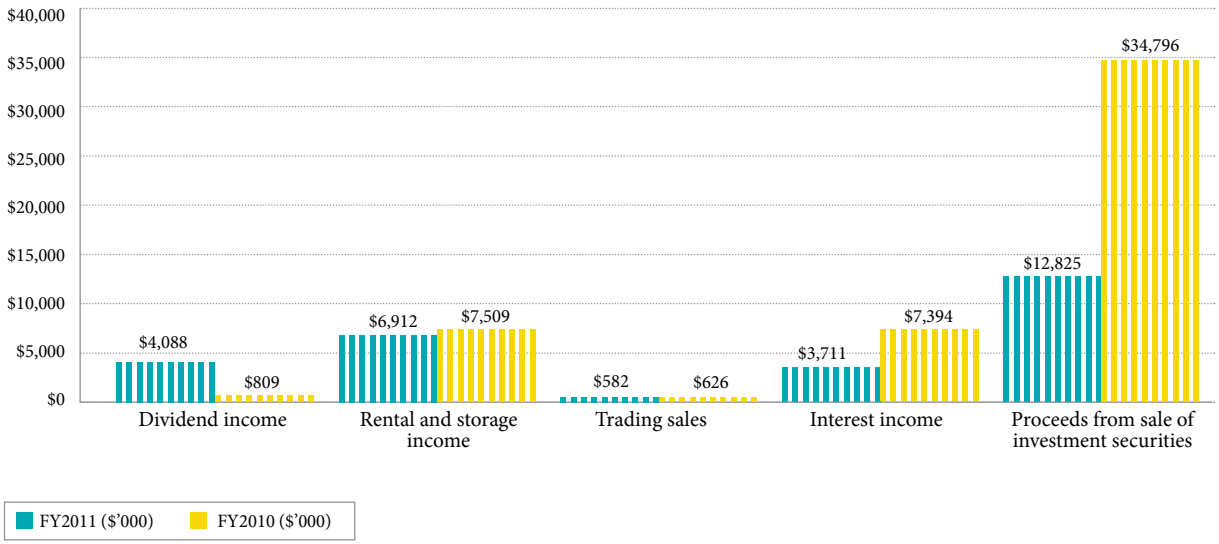
	FY2011 $'000	FY2010 $'000	+/(-) %
Revenue			
- continuing operations	28,119	51,134	(45.0)
- discontinued operation	–	23,538	(100.0)
Total revenue	**28,119**	**74,672**	**(62.3)**
Profit/(loss) before taxation			
- continuing operations	2,958	10,773	(72.5)
- discontinued operation	–	36,951	(100.0)
Total profit/(loss) before taxation	**2,958**	**47,724**	**(93.8)**
Assets			
Non-current assets	123,861	127,082	(2.5)
Current assets	97,764	181,121	(46.0)
Total assets	**221,625**	**308,203**	**(28.1)**
Liabilities			
Current liabilities	20,865	18,010	15.9
Non-current liabilities	5,757	13,322	(56.8)
Total liabilities	**26,622**	**31,332**	**(15.0)**
Per share data			
Share price (cents)	43.50	56.00	(22.3)
Net assets (cents)	29.84	42.37	(29.6)
Earnings per share (cents)			
- continuing operations	0.33	1.22	(73.0)
- discontinued operation	–	5.67	(100.0)
Interim and special dividend declared & paid (cents)	2.50	6.00	0.0
Final dividend recommended/declared (cents)	1.00*	10.00	
Ratios			
Current ratio (times)	4.69	10.06	
Gearing ratio (%)	14%	11%	
Total debt to total asset ratio (%)	12%	10%	
Return on equity (%)	1%	16%	

** Subject to shareholders' approval at the Annual General Meeting on 26 April 2012.*

Decrease in rental income was due to upgrading works on a property in the UK and non-renewal of tenancies for our property in Paya Lebar in preparation for the upgrading work that commenced in January 2012.

INCOME STATEMENT

Revenue



Decrease in revenue in FY2011 was mainly due to decrease in rental income, decrease in proceeds from sale of investment securities and decrease in interest income.

Decrease in rental income was due to upgrading works on a property in the UK and non-renewal of tenancies for our property in Paya Lebar in preparation for the upgrading work that commenced in January 2012. Rental income contributed about 24% of the total revenue. UK properties contributed to about 63% of the total rental income.

The reduction in interest income was due to redemption of an unquoted investment security during the previous financial year. That investment security contributed $3.8 million of interest income in the previous year.

This page and next: Recently refurbished apartments in London.

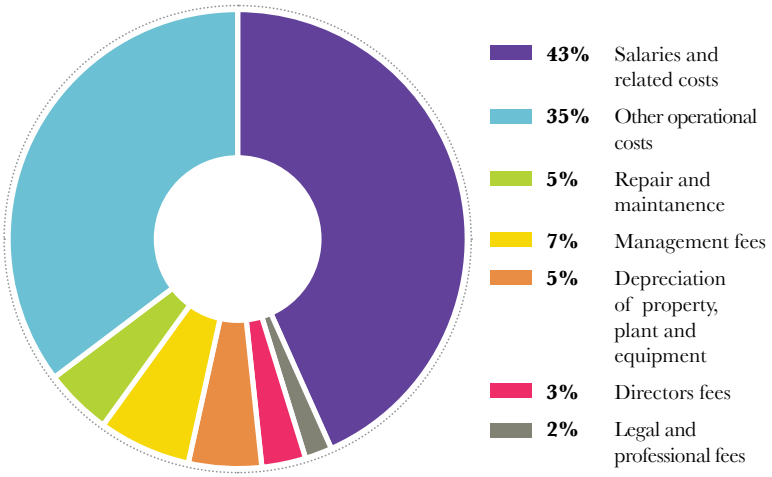
The decrease in revenue is offset by an increase in dividend income. The Group received a distribution from a fund in which it had a 17.82% interest. In terms of geographical spread, revenue from Singapore contributed about 78% to the Group's total revenue. Revenue from UK contributed 21% and arose solely from rental of UK properties.

Profit before taxation

During the year, the Group managed to cut down on general and administration expenses by about 15%. This was mainly due to reduction in salaries and bonuses by about 22%, decrease in directors fees and lower legal and professional fees.

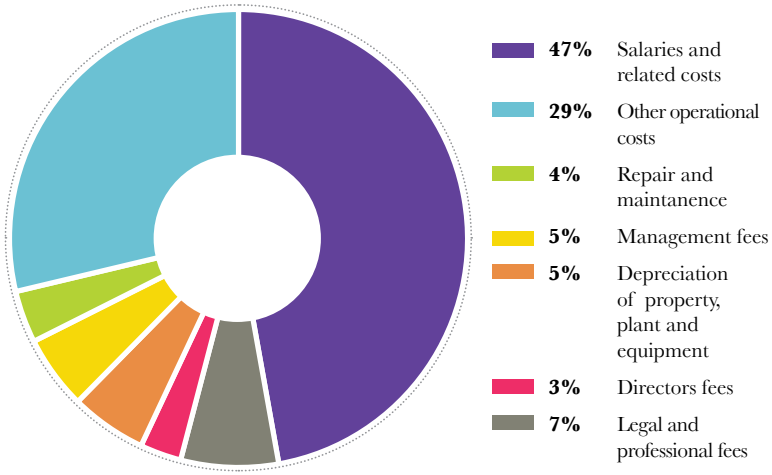
FY2011

G&A : $9.6 million



FY2010

G&A: $11.3 million



However, because of the unfavourable stock market conditions in the 3rd and 4th quarter of FY2011, the Group had to record higher allowance for impairment loss of about $5.4 million on its investment securities as they were considered to have suffered a significant or prolonged decline in value.

Total assets and net assets decreased by $86.5 million or 28% and $81.8 million or 29.5% respectively in FY2011 due to payment of dividends.

Finance costs decreased by 55% due to lower average bank borrowings. The Group repaid $2.1 million and $32 million of bank borrowings in FY2011 and FY2010 respectively.

Reduction in profit before taxation in FY2011 was mainly due to lower revenue (as discussed in the Revenue section above) and consequent lower trading gains from investments, lower gain on disposal of investment properties, absence of write-back of impairment loss on investment properties and higher allowance for impairment loss on investment securities and higher share of losses of associates.

Recently refurbished duplex penthouse unit in London.

Balance Sheet

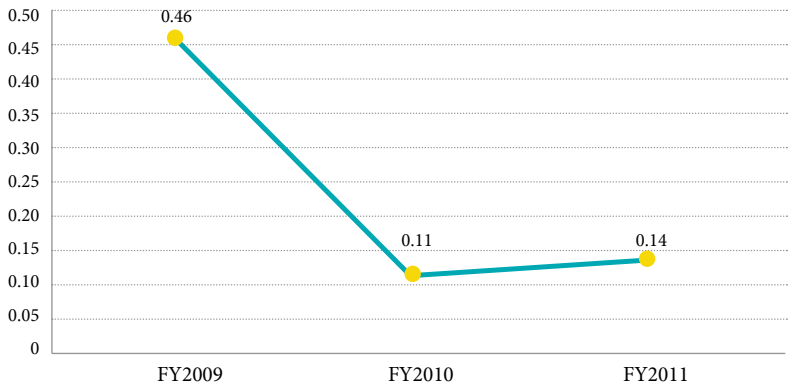
Total assets and net assets decreased by $86.5 million or 28% and $81.8 million or 29.5% respectively in FY2011 due to payment of dividends. The Company paid dividends amounting to $81.6 million during the year.

Debt management

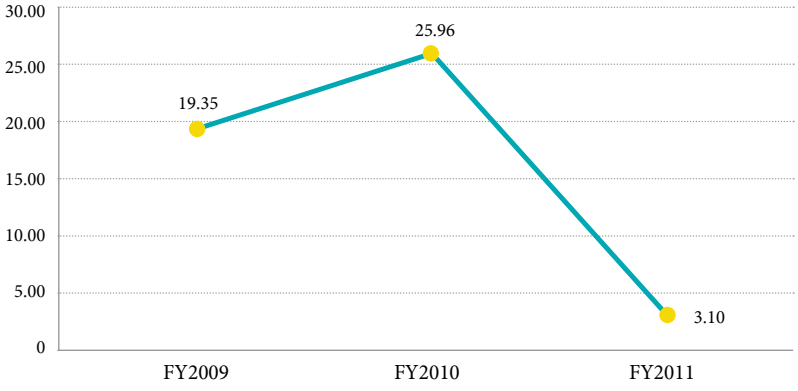
The Group aims to maintain a strong credit rating and have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To ensure that the Group has adequate overall liquidity to finance its operations and to seize any potential investment opportunity, the Group has built up sufficient cash reserves and credit lines. The Group also monitors its cash flow position, debt maturity profile, cost of funds and overall liquidity position on a regular basis. In managing the debt and interest rate profile, the Group takes into account the interest rate outlook, expected cash flow generated from its operations, holding period of long term investments and any acquisition and divestment plans.

During the year, the Group made repayments to banks amounting to $2.1 million. The gearing ratio increased slightly from 0.11 to 0.14 while interest cover decreased from 25.96 times to 3.1 times.

GEARING RATIO



INTEREST COVER RATIO



At 31 December 2011, the maturity profile of the remaining bank borrowings, including bank overdraft, was as follows:

	$'000	% of debt
Due in 2012	14,706	100%
Due after 2012	–	0%
	14,706	

The Group has more than sufficient cash reserves to repay the outstanding loans and is confident of securing loan facilities at reasonable terms when the need arises.

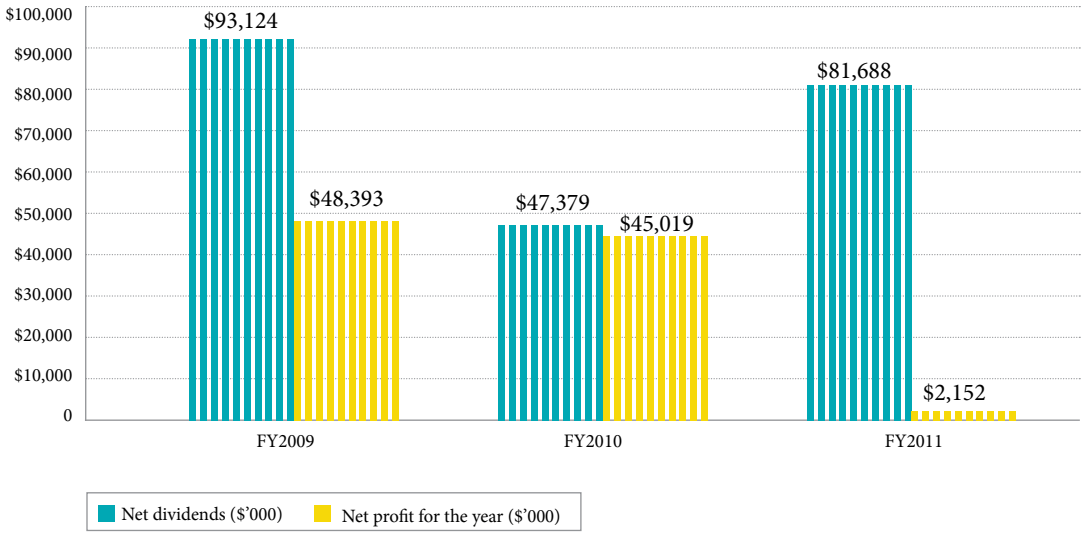
INVESTORS' RETURN

Dividend payout

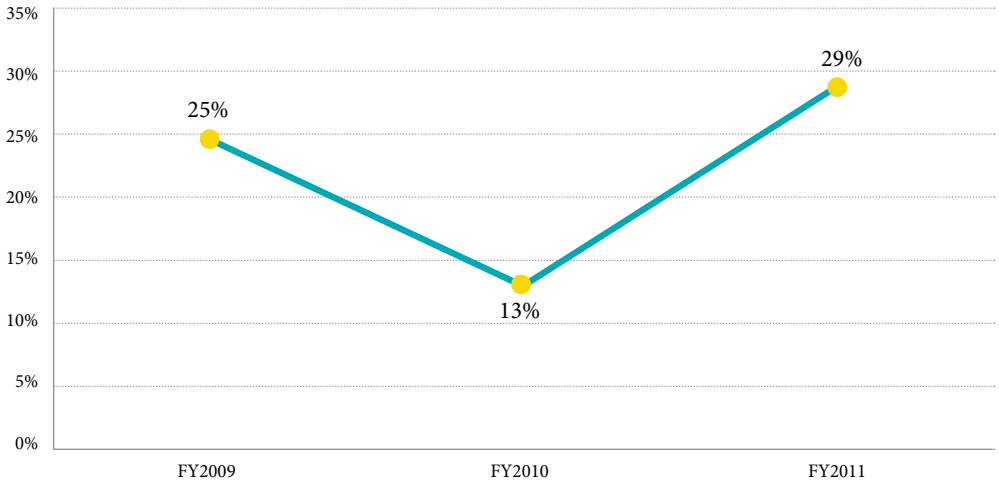
The Group has a healthy track record of paying dividends to shareholders. The Group remains committed to declare dividends to shareholders as and when the Group is able to, without compromising our ability to pursue investment opportunities that may come along.

Over the last three financial years, the Group has paid over $222 million of dividends to shareholders. In FY2011, the Group paid dividends of $81.7 million, again in excess of our net profit for the year. This is made possible due to our strong cash position. In addition, the directors have recommended a final dividend for FY2011 of 1 cent per share, totalling $6.54 million. Our dividend yield, before taking into account the final dividend for FY2011, is 29 %.

DIVIDENDS AND NET PROFIT FOR THE YEAR



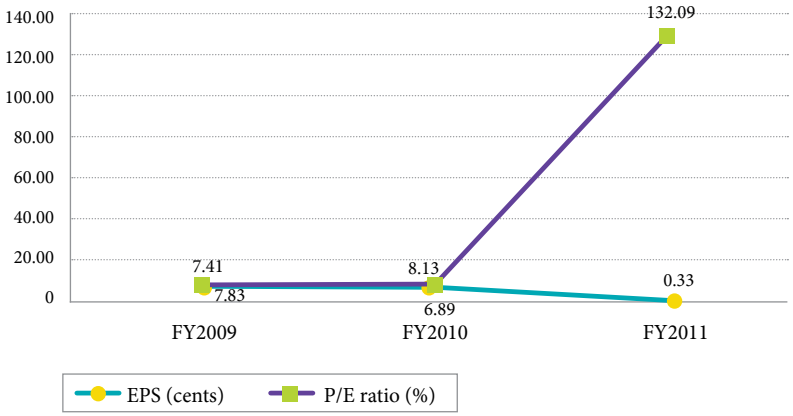
DIVIDENDS YIELD



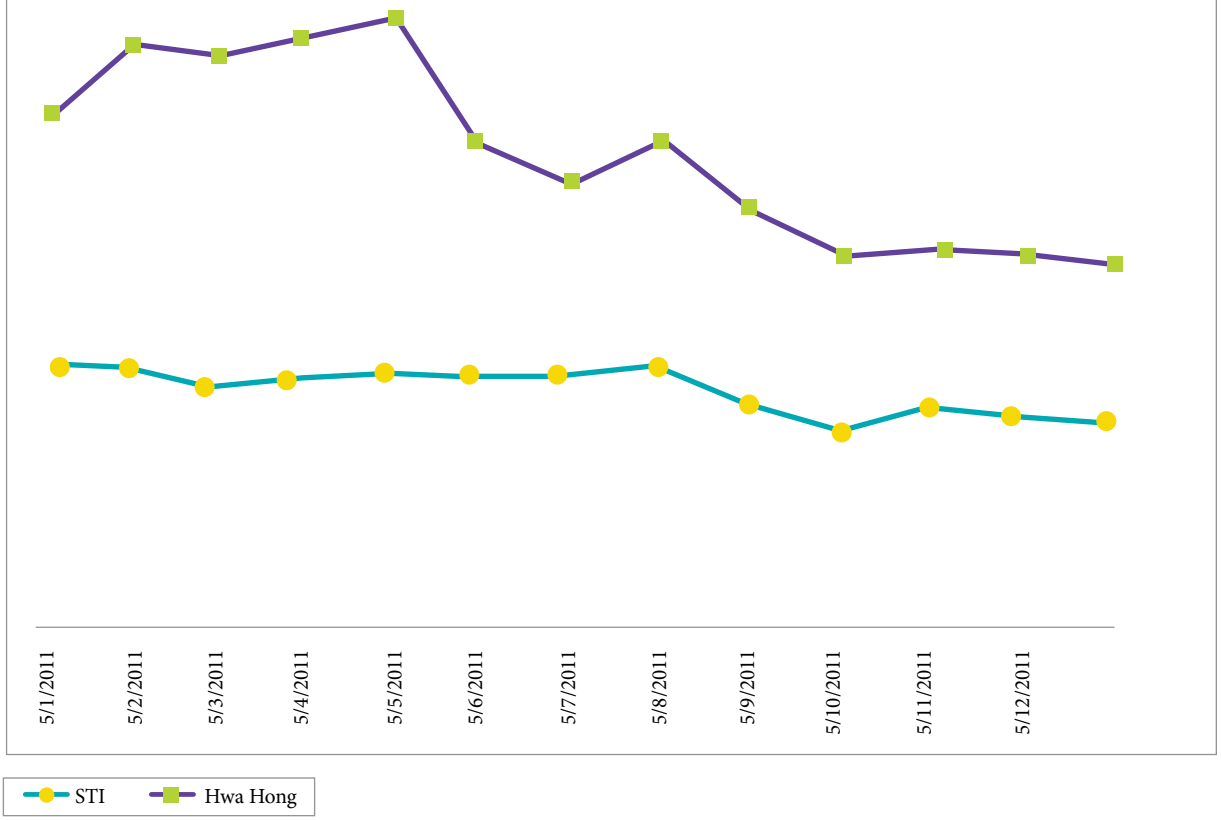
Shareholder return

The Group is committed to maximising shareholders' return in the long term. However, for FY2011, total earnings per share decreased to 0.33 cents from 6.89 cents in FY2009. Price-earnings ratio also increased slightly from 8.13 in FY2010 to 132.09 in FY2011.

PRICE-EARNINGS RATIO AND EARNINGS PER SHARE



SHARE PRICE PERFORMANCE



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 28 April 2010. 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 a director of Protective Life Corporation (Alabama, USA) and a member of the company's audit, and finance and investment committees. He is also an advisor and consultant to financial and non-financial institutions particularly in the area of mergers, acquisitions and strategy. He is a professional photographer and founder of Boungainvillea Books, a US-based publishing company. 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 and 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 remuneration committee of MTQ Corporation Limited. In addition, he is a member of the Executive, Investment, Audit, Nominating and Remuneration Committees 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 27 April 2011. 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 26 April 2012.

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 27 April 2011.

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.E.S., M.I.E.M.

Mr Guan Meng Kuan was appointed a Director on 1 February 1983 and last re-appointed on 27 April 2011. 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 26 April 2012.

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 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 28 April 2010. Mr Goh will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 26 April 2012. 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 Wah Hin & Company Private 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 27 April 2011. 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 sits on the board and audit committee of SMRT Corporation Ltd, a company listed in Singapore. In addition, he serves as a director and a member of the audit and risk committee, investment committee and executive resource and compensation committee of Mapletree Investments Pte Ltd, a Temasek subsidiary involved in real estate investment and management. He also serves as chairman of the board and a member of the audit and risk committee of Mapletree Logistics Trust Management Ltd., the manager of Mapletree Logistics Trust – a logistics real estate investment trust (REIT) listed in Singapore. He is a director of CapitaLand China Development Fund Pte Ltd and CapitaLand China Development Fund II Limited, both private equity funds, and of Nucleus Connect Pte Ltd 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 29 April 2009. 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 26 April 2012. 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 and UOL Group Limited.

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. He is a Chartered Financial Consultant.

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. 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 real estate 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.

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, 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 and a member of CPA Australia.

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.

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:

- overseeing 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
- assuming responsibility for 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 2011 is disclosed below:

	Number Of Meetings Attended In 2011				
Name Of Director	**Board Of Directors**	**Audit And Risk Committee**	**Nominating Committee**	**Remuneration Committee**	**Divestment and Investment Committee**
Hans Hugh Miller	4	Not applicable	2	4	3
Ong Choo Eng	4	Not applicable	Not applicable	Not applicable	3
Ong Mui Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Ong Hian Eng	4	Not applicable	Not applicable	Not applicable	Not applicable
Guan Meng Kuan	4	Not applicable	2	4	Not applicable
Goh Kian Hwee	4	4	2	4	Not applicable
Ma Kah Woh, Paul	4	4	Not applicable	Not applicable	3
Wee Sin Tho	4	4	Not applicable	Not applicable	Not applicable
Number of meetings held in 2011	4	4	2	4	3

Newly appointed directors will be given briefings and orientation by the Executive Directors and the 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 which could benefit the Board. New directors are appointed by way of a board resolution after the Nominating Committee recommends the appointment for approval of the Board.

The 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 page 13 to 15. Details of directors' shareholdings in the Company and related corporations are set out in the "Directors' Report" on page 29 to 31.

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 fair 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. At the 58th AGM held on 27 April 2011, shareholders approved the extension of the 2001 Scheme for another ten years from 29 May 2011 to 28 May 2021. 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 2011 ("FY 2011") 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) *$500,001 to $750,000*						
Ong Choo Eng[1]	67.8	30.5	–	1.7	–	100
(ii) *$250,001 to $500,000*						
Ong Hian Eng[1]	73.7	11.9	–	14.4	–	100
Ong Eng Loke[2]	76.4	17.6	–	6.0	–	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) *$250,000 and below*						
Ong Mui Eng[1]	80.6	13.1	–	6.3	–	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 2011 were approved by shareholders at the AGM held on 27 April 2011.

[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 2011.

[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 2011.

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

Top 5 key executives in remuneration bands	number
(i) $250,001 to $500,000	3
(ii) $250,000 and below	2
TOTAL	5

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

One of the key executives whose all-in remuneration exceeded $250,000 but below $500,000 is the son of Mr Ong Choo Eng, the Group Managing Director. Save as disclosed, none of the employees of the Company and its subsidiaries was an immediate family of any director or the Chief Executive Officer, and whose remuneration exceeded $150,000 in the year 2011.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public reports and reports to regulators (if required). Management provides directors on a quarterly basis, with management accounts and reports on the Groups' financial performance and commentary of the competitive conditions of the industry in which the Group operates, which are reviewed by the Board at quarterly Board Meetings. Further, the Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from 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 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 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 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 accounts of the Company and significant subsidiaries and associated companies are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority. The Company has complied with Rules 712 and 715 of the Listing Rules of the SGX-ST. The Group's overseas subsidiaries and associated companies whose contributions to the Group are not significant, are audited by other auditors

The Company has 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 Board of Directors and the Audit and Risk Committee have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks and reports of the Internal and External Auditors. Based on this review and having regard to the scale and nature of the Group's business, the Board of Directors with the concurrence of the Audit and Risk Committee are of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place is adequate in meeting the current scope of the Group's business operations in all material respects.

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 plan was submitted to the Audit and Risk Committee for approval. The Audit and Risk Committee also reviewed and discussed the findings from the internal audit with the Internal Auditors.

(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, when 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 2011 were as follows:

Name Of Interested Person	Aggregate Value Of All Interested Person Transactions During The Financial Year Under Review (ExcludingUnder Shareholders' Transactions Less Than $100,000 And Transactions Conducted Under Shareholders' Mandate Pursuant To Rule 920)	Aggregate Value Of All Interested Person Transactions Conducted Mandate Pursuant To Rule 920 (Excluding Transactions Less Than $100,000)
Hong Leong Investment Holdings Pte. Ltd. Group - interest charged on shareholder loan to Hong Property Investment Pte Ltd	$281,332	Not applicable**
Ong Hian Eng - interest charged on 7.5% $2 million convertible debt instrument issued by a company controlled by the director	$214,057	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

The main objective of risk management in the Hwa Hong Group is to protect the Group against material losses that may result from taking on unnecessary risks for which it has not been adequately compensated. The Board of Directors' philosophy on risk management is that all risks must be identified, understood, monitored and managed. Furthermore, risk management processes must be closely aligned to the Group's vision and strategy. Since 2006, the Group has implemented a formalised Risk Management Framework for the identification, monitoring and reporting of risks.

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

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

The Group's financial risk management objectives and policies are discussed further in note 37 to the financial statements.

Risk Processes and Activities

During the year, Management carried out a limited review of the Group's Risk Journals to update and identify new risks that may adversely affect the Group's operations.

The Board of Directors is not aware of any matter which suggests that key 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 2011 and the balance sheet and statement of changes in equity of the Company as at 31 December 2011.

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 shares of the Company are as follows:

	Shares beneficially held by director		Shareholdings in which director is deemed to have an interest	
	At 1.1.2011	At 31.12.2011	At 1.1.2011	At 31.12.2011
Ong Choo Eng	587,000	587,000	188,763,392	63,646,395
Ong Mui Eng	4,547,248	11,505,664	175,443,140	321,748
Ong Hian Eng	3,062,604	9,898,463	175,506,392	32,385,000
Guan Meng Kuan	5,534,860	4,534,860	–	–
Ong Eng Loke (Alternate Director to Ong Mui Eng)	406,500	36,090,858	164,519,896	884,000

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 shares of the Company as recorded in the Register of Directors' Shareholdings of the Company as at 21 January 2012 were the same as those as at 31 December 2011.

Directors' interests in contracts

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in this report and the accompanying financial statements.

Share options

Hwa Hong Corporation Limited Executives' Share Option Scheme

On 29 May 2001, the shareholders of the Company approved the termination of the Hwa Hong Corporation Limited Executives' Share Option Scheme (the "ESOS") and the adoption of the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "2001 Scheme").

Hwa Hong Corporation Limited (2001) Share Option Scheme

The 2001 Scheme will continue in operation for a maximum period of 10 years from 29 May 2001 (the "Adoption Date"), unless otherwise extended and subject to relevant approvals. At the 58th Annual General Meeting held on 27 April 2011, the shareholders of the Company approved the extension of the scheme for another ten years from 29 May 2011 to 28 May 2021.

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
22 February 2012

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, consolidated statement of comprehensive income, 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 2011 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
22 February 2012

To the members of Hwa Hong Corporation Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Hwa Hong Corporation Limited (the Company) and its subsidiaries (collectively the Group) set out on pages 35 to 121, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards, and 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

To the members of Hwa Hong Corporation Limited

Opinion

In our opinion, the consolidated financial statements and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of 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 2011 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

Report on Other Legal and Regulatory Requirements

In our opinion, 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
22 February 2012

consolidated income statement

for financial year ended 31 December 2011

	Note	Group 2011 $	2010 $
Continuing operations			
Revenue	4	28,118,545	51,133,987
Cost of sales	5	(13,105,870)	(32,012,418)
Gross profit		15,012,675	19,121,569
Other income	6	4,830,055	5,719,079
General and administrative costs	7	(9,597,391)	(11,274,461)
Selling and distribution costs		(183,003)	(198,670)
Other operating costs	8	(5,400,894)	(399,565)
Finance costs	9	(640,472)	(1,446,022)
Share of results of associates and unincorporated joint venture		(1,063,170)	(750,167)
Profit before taxation from continuing operations		2,957,800	10,771,763
Taxation	10	(805,660)	(2,806,149)
Profit from continuing operations, net of taxation		2,152,140	7,965,614
Discontinued operation			
Profit from discontinued operation, net of taxation	11	–	37,053,840
Net profit after taxation		2,152,140	45,019,454
Attributable to:			
Equity holders of the Company			
Profit from continuing operations, net of taxation		2,152,140	7,965,614
Profit from discontinued operation, net of taxation		–	37,053,840
		2,152,140	45,019,454
Earnings per share from continuing operations:	12a		
Basic		0.33¢	1.22¢
Fully diluted		0.33¢	1.22¢
Earnings per share from discontinued operation:	12b		
Basic		–	5.67¢
Fully diluted		–	5.67¢

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

consolidated statement of comprehensive income

for financial year ended 31 December 2011

	Group	
	2011	**2010**
	$	**$**
Net profit after taxation	2,152,140	45,019,454
Other comprehensive loss		
Net (loss)/gain on fair value changes on available-for-sale investments	(5,595,746)	370,373
Net gain in the income statement on disposal of available-for-sale investments	(1,961,491)	(4,008,648)
Impairment loss transferred to income statement	5,414,112	2,569,912
Reversal of deferred tax liabilities arising from fair value changes	396,373	1,360,445
Net (loss)/gain on fair value changes	(1,746,752)	292,082
Foreign currency translation	(369,788)	(1,146,147)
Revaluation gain realised by an associate to income statement	(214,730)	(371,183)
Reclassification of fair value reserve on disposal of discontinued operation	–	(261,246)
Other comprehensive loss for the year	(2,331,270)	(1,486,494)
Total comprehensive (loss)/income for the year	(179,130)	43,532,960
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(179,130)	43,532,960
Attributable to:		
Equity holders of the Company		
Total comprehensive (loss)/income from continuing operations, net of taxation	(179,130)	6,479,120
Total comprehensive income from discontinued operation, net of taxation	–	37,053,840
	(179,130)	43,532,960

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

balance sheets

as at 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Equity Attributable to Equity Holders of the Company					
Share capital	13	172,153,626	172,153,626	172,153,626	172,153,626
Reserves	14	22,849,499	104,716,629	8,067,937	25,685,696
Total equity		**195,003,125**	**276,870,255**	**180,221,563**	**197,839,322**
Non-Current Assets					
Property, plant and equipment	15	6,043,778	6,218,079	–	28,311
Investment properties	16	80,890,423	84,418,365	–	–
Investment in subsidiaries	17	–	–	149,903,733	194,983,732
Investment in associates	18	165,563	1,185,276	745,800	745,800
Investment securities	19	7,593,758	8,399,135	10	10
Amount due from associates	18	16,871,379	17,565,295	–	–
Other receivables	20	12,295,890	9,295,890	–	–
		123,860,791	127,082,040	150,649,543	195,757,853
Current Assets					
Inventories	21	65,636	17,455	–	–
Trade receivables	22	747,531	1,335,443	–	–
Properties classified as held for sale	30	3,573,413	–	–	–
Tax recoverable		7	7	–	–
Prepayments and deposits		543,469	489,782	66,297	53,341
Other receivables	20	5,733,786	3,728,944	18,236	30,505
Amounts due from subsidiaries	17	–	–	6,440,000	1,800,000
Amounts due from associates	18	15,503,520	14,069,877	–	–
Investment securities	19	24,435,245	32,537,885	–	–
Cash and bank balances	23	47,160,939	128,940,176	23,879,567	43,918,604
		97,763,546	181,119,569	30,404,100	45,802,450
Total Assets		221,624,337	308,201,609	181,053,643	241,560,303

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

balance sheets

as at 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Current Liabilities					
Trade payables	24	840,361	1,574,649	–	–
Other payables	25	2,084,291	1,676,103	282,954	204,966
Accrued operating expenses		1,577,098	2,817,807	187,735	137,120
Amounts due to associates	18	608,078	519,548	350,521	348,895
Amounts due to subsidiaries	17	–	–	–	43,030,000
Bank overdraft (secured)	23	1,545,160	650,231	–	–
Bank loans (secured)	26	13,160,721	8,381,977	–	–
Tax payable		1,048,867	2,389,307	10,870	–
		20,864,576	18,009,622	832,080	43,720,981
Net Current Assets		76,898,970	163,109,947	29,572,020	2,081,469
Non-Current Liabilities					
Deferred tax liabilities	27	5,298,987	5,272,064	–	–
Bank loans (secured)	26	–	7,591,930	–	–
Other payables	25	457,649	457,738	–	–
		5,756,636	13,321,732	–	–
Total Liabilities		26,621,212	31,331,354	832,080	43,720,981
Net Assets		**195,003,125**	**276,870,255**	**180,221,563**	**197,839,322**

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

	Attributable to equity holders of the Company						
	Share Capital	**Revenue Reserve**	**Capital Reserve**	**Fair Value Reserve**	**Currency Translation Reserve**	**Reserve of Disposal Group Classified as Held For Sale**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
At 1 January 2011	172,153,626	109,354,231	2,039,675	7,998,983	(14,676,260)	–	276,870,255
Total comprehensive income/(loss) for the year	–	2,152,140	(214,730)	(1,746,752)	(369,788)	–	(179,130)
Distributions to owners							
Dividends paid (Note 28)	–	(81,688,000)	–	–	–	–	(81,688,000)
At 31 December 2011	172,153,626	29,818,371	1,824,945	6,252,231	(15,046,048)	–	195,003,125
At 1 January 2010	172,153,626	111,713,817	2,410,858	8,160,142	(13,530,113)	(191,995)	280,716,335
Total comprehensive income/(loss) for the year	–	45,019,454	(371,183)	(422,405)	(1,146,147)	453,241	43,532,960
Reclassification of fair value reserve on disposal of discontinued operation to income statement	–	–	–	261,246	–	(261,246)	–
Distributions to owners							
Dividends paid (Note 28)	–	(47,379,040)	–	–	–	–	(47,379,040)
At 31 December 2010	172,153,626	109,354,231	2,039,675	7,998,983	(14,676,260)	–	276,870,255

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

statement of changes in equity

for financial year ended 31 December 2011

	Company	
	2011	**2010**
	$	**$**
Share Capital		
Balance at 1 January and 31 December	172,153,626	172,153,626
Revenue Reserve		
Balance at 1 January	25,685,696	37,147,749
Total comprehensive income for the year	64,070,241	35,916,987
Dividends paid (Note 28)	(81,688,000)	(47,379,040)
Balance at 31 December	8,067,937	25,685,696
Total Equity	**180,221,563**	**197,839,322**

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

consolidated cash flow statement

for financial year ended 31 December 2011

	Note	Group 2011 $	2010 $
Cash flows from operating activities			
Profit before taxation from continuing operations		2,957,800	10,771,763
Profit before taxation from discontinued operation		–	36,951,304
Profit before taxation, total		2,957,800	47,723,067
Adjustments for:			
Interest income		(4,172,007)	(8,392,922)
Interest expense	9	640,472	1,446,022
Depreciation expense of property, plant and equipment and investment properties		1,714,700	1,970,187
Gain on sale of investment properties	6	(2,574,157)	(4,783,211)
Loss/(gain) on disposal of property, plant and equipment		4,062	(1,087)
Share of results in associates and unincorporated joint venture		1,063,170	750,167
Allowance made for doubtful receivables from associates	8	–	156,689
Net claims incurred		–	6,700,908
Allowance for impairment loss on non-current investment securities	8	99,812	2,471,057
Allowance for impairment loss on current investment securities	8	5,314,300	98,857
Provision for unexpired risks		–	2,626,467
Property, plant and equipment written off		–	270
Allowance written-back on investment properties	8	–	(1,856,717)
Gain on disposal of discontinued operation	11	–	(36,261,246)
Loss on dissolution of an associate	8	–	145
Provision for indemnity given to liquidator of an associate	8	–	620,000
Operating profit before reinvestment in working capital		5,048,152	13,268,653
Decrease in receivables, current investment securities		(4,599,268)	(1,672,586)
Increase in inventories		(48,181)	(7,415)
Decrease in payables		(1,529,999)	(1,015,567)
Cash (used in)/generated from operations		(1,129,296)	10,573,085
Net claims paid		–	(5,131,833)
Interest received		960,950	1,899,973
Interest paid		(640,472)	(1,446,022)
Income tax (paid)/received		(1,722,698)	7,395
Cash (used in)/generated from operating activities carried forward		(2,351,516)	5,902,598

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

	Note	Group 2011 $	2010 $
Cash (used in)/generated from operating activities brought forward		(2,531,516)	5,902,598
Cash flows from investing activities			
Additions to investment properties		(4,187,901)	(420,596)
Purchase of property, plant and equipment		(345,671)	(821,375)
Decrease in investment securities		1,562,836	55,057,192
Proceeds from sale of investment properties		4,492,195	11,911,756
Decrease/(increase) in amounts due from associates		2,348,803	(1,017,420)
Proceeds from disposal of property, plant and equipment		–	1,115
Dividends received from associate		–	10,400,000
Cash distribution received from unincorporated joint venture		–	300,000
Proceeds from sale of discontinued operation	11	–	24,320,606
Net cash flows generated from investing activities		3,870,262	99,731,278
Cash flows from financing activities			
Repayment of bank loans		(2,126,806)	(32,217,074)
Dividends paid		(81,688,000)	(47,379,040)
Decrease in pledged fixed deposits		–	4,429,369
Net cash flows used in financing activities		(83,814,806)	(75,166,745)
Net (decrease)/increase in cash and cash equivalents		(82,476,060)	30,467,131
Cash and cash equivalents at the beginning of year		114,949,945	84,623,772
Effects of exchange rate changes on cash and cash equivalents		(198,106)	(140,958)
Cash and cash equivalents at the end of the year		32,275,779	114,949,945

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

Cash and bank balances	23	47,160,939	128,940,176
Less: Cash and cash equivalents pledged	23	(13,340,000)	(13,340,000)
Less: Bank overdraft (secured)	23	(1,545,160)	(650,231)
Cash and cash equivalents at the end of the year		32,275,779	114,949,945

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 and domiciled 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 principal activities of the subsidiaries and associates are listed below. The Group operates in Singapore, Malaysia and United Kingdom.

The subsidiaries and associates at 31 December 2011 are:

	Name of company	Percentage of interest held		Place of incorporation	Cost of investment		Principal activities
		2011 %	2010 %		2011 $'000	2010 $'000	
(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	Singapore	–	41,890	Liquidated.
	Hwa Hong Edible Oil Industries Pte. Ltd.	100.0	100.0	Singapore	14,800	14,800	Packing of edible oil products and trading.
	Paco Industries Pte. Ltd.	100.0	100.0	Singapore	5,970	5,970	Provision of management services.
					167,180	209,070	

1. Corporate information (cont'd)

	Name of company	Percentage of interest held 2011 %	Percentage of interest held 2010 %	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.
	Global Trade Investment Management Pte Ltd	100.0	100.0	Singapore	Leasing of residential and commercial properties, business management, 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 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 2011 %	Percentage of interest held 2010 %	Place of incorporation	Principal activities
(a)	**Subsidiaries** (cont'd)				
	Held by Vantagepro Investment Limited				
***	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.
***	Capital Glasgow Limited	82.0	82.0	United Kingdom	Leasing of residential and commercial properties.
***	Capital Fitzalan Limited	50.0	–	United Kingdom	Acting as nominee Company for investment holding.

Collectively known as Capital Group

(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 2011 %	Percentage of interest held 2010 %	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.
	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	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 and associates 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

In accordance with Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit and Risk Committee and Board of Directors of the Company confirm that they are satisfied that the appointment of different auditors for its subsidiaries and significant associates would not compromise the standard and effectiveness of the audit of the Group.

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 available-for-sale financial assets have been measured at their fair values.

The financial statements are presented in Singapore Dollar (SGD).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013

Except for the Amendments to FRS 1, revised FRS 28, FRS 111 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112 are described below.

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

2.3 Standards issued but not yet effective *(cont'd)*

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint operations. The Group is currently reviewing the impact of this new standard.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

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

2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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 rate of exchange ruling at the end of the reporting period. 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 end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

2.5 Basis of consolidation and business combinations

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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 resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

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

2.5 Basis of consolidation and business combinations (cont'd)

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

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

2.5 Basis of consolidation and business combinations (cont'd)

Business combinations prior to 1 January 2010 (cont'd)

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.6 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Company. Total comprehensive income is attributed to the non-controlling interests based on their respective interest in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For changes in the Company's ownership interest in a subsidiary that result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to income statement or transferred directly to retained earnings if required by a specific FRS. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in income statement.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

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

2.7 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 includes the cost of purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Cost also includes replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income statement as incurred.

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 33⅓%

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, and adjusted prospectively, if appropriate.

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. Summary of significant accounting policies (cont'd)

2.8 Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or both. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in income statement. The cost of maintenance, repairs and minor improvements is recognised in income statement when incurred.

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 gain or loss on the retirement or disposal of an investment property is recognised in the income statement in the year of retirement or disposal.

2.9 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2011 represents the excess of the consideration transferred, the amount of non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2011, and on acquisition of joint ventures and associates represents the excess of the cost of the acquisition over the fair value of the Group's share of net identifiable assets acquired.

Goodwill on subsidiaries and joint ventures which are proportionately consolidated is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associates is included in the carrying amount of the investments and is neither amortised nor tested individually for impairment.

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

2.9 Intangible assets *(cont'd)*

Goodwill (cont'd)

Goodwill recognised separately as an intangible asset 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.

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.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated in accordance with the accounting policy set in Note 2.4.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in Singapore Dollar at the rates prevailing at the date of acquisition.

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

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly trade subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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. Summary of significant accounting policies (cont'd)

2.11 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.

2.12 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. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are 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. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associates in the period in which the investment is acquired.

The income statement reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

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

2.12 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.

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 Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

The financial statements of the associates 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.

Gains and losses arising from partial disposals or dilutions in investments in associates are recognised in income statement. Upon loss of significant influence over the associate, the Group derecognises investment in associate and measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in income statement.

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

2.13 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 until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in income statement.

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 2.12.

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

2.14 Financial assets

Initial recognition and measurement

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. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(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.

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

Non-derivative 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

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention and ability to hold the assets to maturity. 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.

(d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

2.14 Financial assets *(cont'd)*

(d) Available-for-sale financial assets (cont'd)

After initial recognition, available-for-sale financial assets are subsequently 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 other comprehensive income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the other comprehensive income, together with the related currency translation differences. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised.

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

Derecognition

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.

2.15 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) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

2.15 Impairment of financial assets *(cont'd)*

(a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. 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 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.

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) Financial 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 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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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 equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed in income statement.

2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank, fixed deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents exclude cash pledged to banks for banking facilities.

2.17 Inventories

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 comprises direct labour, materials and an appropriate proportion of production overhead expenditure.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is based on estimated selling price in ordinary course of business less estimated costs of completion and selling expenses.

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

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 Financial liabilities

Initial recognition and measurement

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. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.20 Borrowing costs

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. All other borrowing costs are recognised in the income statement as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 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 end of the reporting period.

2.22 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 2.24. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Non-current assets held for sale and discontinued operations

A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a major line of business or geographical area of operations.

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

2.23 Non-current assets held for sale and discontinued operations (cont'd)

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Upon classification as held for sale, non-current assets and disposal groups are not depreciated.

In income statement, all income and expenses from discontinued operation for current and comparative period are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in income statement.

2.24 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(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) Rental income

Rental income from operating leases on investment properties is recognised in the income statement on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of goods to the customer, usually on delivery of goods. 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.

(d) Dividend income

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

(e) Sale/redemption of investment securities

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

(f) Rendering of services

Revenue from rendering of management, administrative and support services to related companies is recognised when the services are rendered and is computed at 5% of total operating expenses incurred in performing the services.

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

2.25 Taxes

(a) Current income tax

Current income 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 amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.25 Taxes *(cont'd)*

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or 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 income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

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

2.26 Contingencies

A contingent liability is:

(a) 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; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of the segment information.

2.28 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

2.28 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.29 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

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) 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 and deferred tax liabilities as at 31 December 2011 was $1,048,867 (2010: $2,389,307) and $5,298,987 (2010: $5,272,064) respectively.

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

(b) 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.

(c) 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 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 is then 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.

(d) 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 36 to the financial statements.

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

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

The Group records impairment loss on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2011, the amount of impairment loss recognised for available-for-sale financial assets was $5,414,112 (2010: $2,569,913 including an amount of $1,090,465 relating to the discontinued operation).

(f) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 36.

4. Revenue

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

	Group	
	2011	**2010**
	$	**$**
Dividend income from investment securities	4,087,858	809,413
Rental and storage income	6,911,752	7,509,261
Trading sales	581,837	626,138
Interest income from		
- Associates	3,388,725	3,353,785
- Deposits with financial institutions	187,871	232,865
- Investment securities	563	3,806,906
- Others	134,710	–
	3,711,869	7,393,556
Proceeds from sale of investment securities	12,825,229	34,795,619
	28,118,545	51,133,987

5. Cost of sales

Included in cost of sales are:

	Group	
	2011	**2010**
	$	**$**
Cost of sale of investment securities	10,832,488	29,819,193
Depreciation of investment properties	1,215,859	1,206,616

6. Other income

	Group	
	2011	**2010**
	$	**$**
Interest income from		
- Deposits with financial institutions	141,533	122,242
- Associates	104,548	68,494
- Investment securities	214,057	228,000
	460,138	418,736
Dividend income from quoted equity investments	298,639	317,797
Gain from		
- Sale of investment properties	2,574,157	4,783,211
- Sale of investment securities	1,309,465	30,574
- Disposal of property, plant and equipment	–	187
	3,883,622	4,813,972
Sundry income	187,656	168,574
	4,830,055	5,719,079

7. General and administrative costs

	Group	
	2011	**2010**
	$	**$**
Directors' fees		
- Directors of the Company	(292,500)	(325,000)
- Other directors of a subsidiary	(4,926)	(5,100)
	(297,426)	(330,100)
Directors' remuneration		
- Directors of the Company	(1,440,825)	(1,914,442)
- Other directors of subsidiaries	(561,964)	(597,940)
- CPF contributions	(52,674)	(52,820)
	(2,055,463)	(2,565,202)

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.

	Group	
	2011	**2010**
	$	**$**
Auditors' remuneration		
Auditors of the Company		
- Current year	(148,398)	(154,088)
- Over/(under) provision in respect of prior year	(7,950)	4,533
	(156,348)	(149,555)
Other auditors of subsidiaries		
- Current year	(122,767)	(111,902)
- (Under-provision) in respect of prior year	(172)	–
	(122,939)	(111,902)
	(279,287)	(261,457)

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

Depreciation on property, plant and equipment from continuing operations	(323,727)	(607,243)
Fees paid to firms in which certain directors are members	(77,000)	(289,950)
Staff costs (including executive directors)	(4,152,281)	(5,140,875)
CPF contribution (including executive directors)	(174,677)	(178,182)
Foreign currency loss	(477,203)	(493,139)
Allowance made for doubtful trade receivables	–	(111,004)

8. Other operating costs

	Group	
	2011	**2010**
	$	**$**
Allowance written back for impairment loss on investment properties	–	1,856,717
Allowance written back/(made) for doubtful receivables from associates	13,218	(156,689)
Allowance for impairment losses on		
- Unquoted equity investment (non-current)	(99,812)	(569,899)
- Quoted equity investments (current)	(5,314,300)	(98,857)
- Quoted non-equity investment (non-current)	–	(810,692)
Provision for indemnity given to liquidator of an associate	–	(620,000)
Loss on dissolution of an associate	–	(145)
	(5,400,894)	(399,565)

9. Finance costs

	Group	
	2011	**2010**
	$	**$**
Interest expense on		
- Bank loans and overdrafts	(640,472)	(1,446,022)

10. Taxation

(a) Major components of taxation

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

	Group	
	2011	**2010**
	$	**$**
(i) Income statement		
Current income tax – continuing operations		
Current taxation in respect of current year	380,782	2,320,819
Under/(over) provision in respect of prior years	1,482	(164,142)
	382,264	2,156,677
Deferred tax – continuing operation		
Deferred taxation in respect of current year	423,396	649,472
Income tax attributable to continuing operations	805,660	2,806,149
Income tax attributable to discontinued operation	–	(102,536)
Taxation recognised in income statement	805,660	2,703,613

10. Taxation (cont'd)

(a) Major components of taxation (cont'd)

	Group	
	2011	**2010**
	$	**$**
(ii) Statement of other comprehensive income		
Deferred income tax related to items charged or credited directly to statement of comprehensive income		
Net change in fair value of available-for-sale financial assets	(396,373)	(1,360,445)

(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	
	2011	**2010**
	$	**$**
Profit before tax from continuing operations	2,957,800	10,771,763
Profit before tax from discontinued operation	–	36,951,304
Accounting profit before tax	2,957,800	47,723,067

	Group	
	2011	**2010**
	%	**%**
Domestic statutory tax rate	17.00	17.00
Adjustments:		
Income not subject to tax	(50.88)	(12.29)
Non-deductible expenses	53.64	1.48
(Over)/under provision of tax		(0.34)
Income tax at concessionary rate		(0.68)
Share of results of associates and unincorporated joint venture	6.11	0.27
Benefits from previously unrecognised tax losses	(2.94)	(0.28)
Others	2.97	0.49
Deferred tax assets not recognised	1.34	–
Effective tax rate	27.24	5.65

11. Discontinued operation and disposal group classified as held for sale

In 2010, the Company announced that the Group had entered into a non-binding Memorandum of Understanding (MOU) with a third party in relation to the proposed divestment of one of its wholly-owned subsidiary, Tenet Insurance Company Ltd ("Tenet") for a cash consideration of $95.0 million, subject to adjustment for the difference between the audited net assets value of Tenet on date of disposal and $59.0 million.

The sale was completed on 31 May 2010 and Tenet ceased to be a subsidiary of the Group. The final purchase consideration was determined to be $97.1 million.

	Group
	31.5.2010
	$
Identifiable net assets disposed	61,129,960
Transfer from equity – reserve of disposal group	(261,246)
Gain on disposal of discontinued operation	36,261,246
Cash proceeds from disposal of discontinued operation	97,129,960
Less: Cash and cash equivalents in discontinued operation	(72,809,354)
Net cash inflow on disposal of discontinued operation	24,320,606

Income statement disclosures

	Group
	1.1.2010 to
	31.5.2010
	$
Revenue	23,527,354
Cost of sales	(14,848,596)
	8,678,758
Other income	872,114
General and administrative costs	(4,085,739)
Selling and distribution costs	(3,684,610)
Other operating costs	(1,090,465)
Profit before taxation from discontinued operation	690,058
Taxation	102,536
Profit from discontinued operation, net of taxation	792,594
Gain on disposal of discontinued operation	36,000,000
Transfer from equity – reserve of disposal group	261,246
	37,053,840

11. Discontinued operation and disposal group classified as held for sale (cont'd)

Cash flow statement disclosures

The cash flows attributable to Tenet were as follows:

	Group 31.12.2010 $
Operating activities	6,740,231
Investing activities	(53,698)
Net cash inflows	6,686,533

12. Earnings per share

(a) Continuing operations

Basic earnings per share ("EPS") from continuing operations is calculated by dividing the profit for the year from continuing operations, net of taxation, attributable to equity holders amounting to $2,152,140 (2010: $7,965,614) by the weighted average number of ordinary shares in issue during the year of 653,504,000 (2010: 653,504,000). There is no dilutive EPS as there were no options granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

(b) Discontinued operation

Basic earnings per share ("EPS") from discontinued operation in 2010 is calculated by dividing the profit for the year from discontinued operation, net of taxation, attributable to equity holders $37,053,840 by the weighted average number of ordinary shares in issue during the year of 653,504,000. There is no dilutive EPS as there were no options granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

13. Share capital

	Group and Company			
	2011		2010	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
Balance at the beginning and end of the year	653,504,000	172,153,626	653,504,000	172,153,626

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 27 April 2011. 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. The ordinary shares have no par value.

14. Reserves

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Revenue reserve	29,818,371	109,354,231	8,067,937	25,685,696
Capital reserve	1,824,945	2,039,675	–	–
Fair value reserve	6,252,231	7,998,983	–	–
Currency translation reserve	(15,046,048)	(14,676,260)	–	–
	22,849,499	104,716,629	8,067,937	25,685,696

Capital reserve relates to unrealised revaluation gain pertaining to certain properties purchased from 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.

15. Property, plant and equipment

Group	Freehold office property $	Leasehold land and buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
Cost				
At 1 January 2010	2,299,292	5,165,495	832,706	8,297,493
Additions	–	–	766,776	766,776
Disposals	–	–	(24,708)	(24,708)
Currency realignment	–	–	(44,704)	(44,704)
At 31 December 2010 and 1 January 2011	2,299,292	5,165,495	1,530,070	8,994,857
Additions	–	–	345,671	345,671
Disposals	–	–	(24,264)	(24,264)
Reclassification to properties held for sale	–	–	(10,801)	(10,801)
Currency realignment	–	–	(13,725)	(13,725)
At 31 December 2011	2,299,292	5,165,495	1,826,951	9,291,738
Accumulated depreciation and impairment loss				
At 1 January 2010	413,873	1,635,783	137,215	2,186,871
Depreciation charge for the year	45,985	120,127	441,131	607,243
Disposals	–	–	(14,135)	(14,135)
Currency realignment	–	–	(3,201)	(3,201)
At 31 December 2010 and 1 January 2011	459,858	1,755,910	561,010	2,776,778
Depreciation charge for the year	45,986	120,128	332,727	498,841
Reclassification to properties held for sale	–	–	(5,426)	(5,426)
Disposals	–	–	(20,202)	(20,202)
Currency realignment	–	–	(2,031)	(2,031)
At 31 December 2011	505,844	1,876,038	866,078	3,247,960
Net carrying amount				
At 31 December 2010	1,839,434	3,409,585	969,060	6,218,079
At 31 December 2011	1,793,448	3,289,457	960,873	6,043,778

Since 2010, the leasehold land and building has been mortgaged to a bank to secure banking facilities. The facility had not been utilised as at 31 December 2011 and 31 December 2010.

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

Company	**Furniture, motor vehicles, computers and other equipment** **$**	**Total** **$**
Cost		
At 1 January 2010, 31 December 2010, 1 January and 31 December 2011	491,989	491,989
Accumulated depreciation and impairment loss		
At 1 January 2010	365,281	365,281
Depreciation for the year	98,397	98,397
At 31 December 2010 and 1 January 2011	463,678	463,678
Depreciation for the year	28,311	28,311
At 31 December 2011	491,989	491,989
Net carrying amount		
At 31 December 2010	28,311	28,311
At 31 December 2011	–	–

16. Investment properties

	Freehold land $	Buildings $	Construction in-progress $	Total $
Cost				
At 1 January 2010	50,136,776	65,045,655	–	115,182,431
Additions (subsequent expenditure)	–	–	420,596	420,596
Disposals	(3,707,657)	(4,476,800)	–	(8,184,457)
Currency realignment	(1,293,166)	(2,910,215)	–	(4,203,381)
At 31 December 2010 and 1 January 2011	45,135,953	57,658,640	420,596	103,215,189
Additions (subsequent expenditure)	–	1,206,218	2,981,683	4,187,901
Disposals	(1,402,065)	(762,687)	–	(2,164,752)
Reclassification to properties held for sale	(2,257,089)	(1,388,926)	–	(3,646,015)
Currency realignment	(342,704)	(623,655)	3,319	963,040)
At 31 December 2011	41,134,095	56,089,590	3,405,598	100,629,283
Accumulated depreciation and impairment loss				
At 1 January 2010	2,998,916	18,104,403	–	21,103,319
Additions	–	1,206,616	–	1,206,616
Disposals	(166,798)	(528,506)	–	(695,304)
Reversal of impairment loss	(557,015)	(1,299,702)	–	(1,856,717)
Currency realignment	(181,131)	(779,959)	–	(961,090)
At 31 December 2010 and 1 January 2011	2,093,972	16,702,852	–	18,796,824
Additions	–	1,215,859	–	1,215,859
Disposals	–	(36,046)	–	(36,046)
Reclassification to properties held for sale	–	(77,977)	–	(77,977)
Currency realignment	(38,005)	(121,795)	–	(159,800)
At 31 December 2011	2,055,967	17,682,893	–	19,738,860
Net carrying amount				
At 31 December 2010	43,041,981	40,955,788	420,596	84,418,365
At 31 December 2011	39,078,128	38,406,697	3,405,598	80,890,423

16. Investment properties (cont'd)

	2011 $	2010 $
Rental income from investment properties	6,911,752	7,509,261
Direct operating expenses (including depreciation, repairs and maintenance) arising from		
- Rental generating properties	4,763,115	6,036,748
- Non-rental generating properties	–	–
Market value of investment properties	161,236,000	157,839,000

The Group's investment properties are listed in Note 35 to the financial statements. During the year, the Group made additions and alterations to its existing investment properties. The remaining capital expenditure commitments are disclosed in Note 32 (b).

Valuation of the investment properties

The Group has a policy to obtain external, independent valuations for its properties once every three years. All investment properties in United Kingdom were valued by directors based on recent transacted prices and/or applying a yield that reflects the specific risk inherent in the net cash flows expected to be received from renting out the properties. One of the investment property is valued by independent accredited valuer, Allied Appraisal Consultants Pte Ltd. The other investment properties in Singapore are valued by directors using recent transacted prices. The investment property in Malaysia was valued by directors, based on recent comparable transactions.

During the year ended 31 December 2011, there was no write-back of impairment loss (2010: $1,856,717).

Properties pledged as security

Investment properties in Singapore, amounting to $17,230,085 (2010: $21,845,000) are mortgaged to a bank (including the assignment of related rental income) to secure banking facilities for a subsidiary. At 31 December 2011, the amount of facilities utilised was $Nil (2010: $2,309,000).

Investment properties in the United Kingdom, amounting to $4,332,242 (2010: $12,180,000) are mortgaged to banks to secure banking facilities. The amount of facilities utilised as at 31 December 2011 amounted to $5,180,498 (2010: $12,564,900).

17. Investment in subsidiaries

	Group	
	2011	2010
	$	$
Unquoted shares, at cost	167,180,275	209,070,274
Less: Impairment loss		
Balance at 1 January	(14,086,542)	(3,850,000)
Charge to income statement	(3,190,000)	(10,236,542)
Balance at 31 December	(17,276,542)	(14,086,542)
	149,903,733	194,983,732
Amounts due from subsidiaries, non-trade	6,440,000	1,800,000
Amounts due to subsidiaries, non-trade	–	(43,030,000)

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

Impairment Loss

At 31 December 2011, an allowance for impairment loss amounting to $3,190,000 (2010: $10,236,542) was recognised in the income statement of the Company.

18. Investment in associates

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Unquoted shares, at cost	9,250,341	9,250,341	800,000	800,000
Impairment losses	–	–	(54,200)	(54,200)
Share of post-acquisition reserves	(9,084,778)	(8,065,065)	–	–
	165,563	1,185,276	745,800	745,800
The share of reserves is made up as follows:				
Capital reserve	420,429	420,429	–	–
Revenue reserve	(10,150,472)	(9,097,816)	–	–
Currency translation reserve	645,265	612,322	–	–
	(9,084,778)	(8,065,065)	–	–
Amounts due from associates:				
– Loan 1	14,139,941	13,963,610	–	–
– Loan 2	15,000,000	15,000,000	–	–
– Loan 3	1,871,379	2,565,295	–	–
Total Loans	31,011,320	31,528,905	–	–
– Non-trade	3,497,454	2,295,837	–	–
– Allowance for doubtful debts	(2,133,875)	(2,189,570)	–	–
	1,363,579	106,267	–	–
	32,374,899	31,635,172	–	–

18. Investment in associates (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Movement of allowance for doubtful debts:				
Balance at 1 January	(2,189,570)	(2,211,535)	–	–
Provision no longer required	34,077	16,845	–	–
(Charge)/written back to income statement	13,218	(156,689)	–	–
Currency realignment	8,400	178,654	–	–
Balance at 31 December	(2,133,875)	(2,189,570)	–	–
Amounts due within one year	15,503,520	14,069,877	–	–
Amount due between one and five years	16,871,379	17,565,295	–	–
	32,374,899	31,635,172	–	–
Amounts due to associates	(608,078)	(519,548)	(350,521)	(348,895)

Loan 1 is due from a company that is related to a substantial shareholder of the Company, Hong Leong Investment Holdings Pte Ltd. The amount is repayable on demand and bears interest at 2% (2010: 2.5%) per annum.

Loan 2 is not expected to be repaid within the next twelve months and bears interest at 20% (2010: 20%) per annum.

Loan 3 is not expected to be repaid within the next twelve months and bears interest at 3.5% (2010: 3.5%) per annum.

The Group has not recognised its share of losses of associate amounting to $108,000 (2010: $87,000) although the Group's cumulative share of losses exceeds its interest in those entities as the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to $2,097,000 (2010: $1,999,000) at the balance sheet date.

Impairment losses

At 31 December 2011, no allowance for impairment loss (2010: $21,300) was recognised in the income statement of the Company.

18. Investment in associates (cont'd)

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

	2011	2010
	$	$
Assets and liabilities		
Total assets	126,642	151,380
Total liabilities	(125,390)	(148,151)
Results		
Revenue	12,849	18,371
(Loss)/profit for the year	(2,153)	573

19. Investment securities

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Non-current				
Held-to-maturity:				
- Unquoted bonds	10	10	10	10
Available-for-sale:				
- Quoted equity, at fair value	41,000	50,000	–	–
- Quoted non-equity, at fair value	3,187,427	3,378,682	–	–
- Unquoted equity, at fair value	1,772,434	2,969,696	–	–
- Unquoted debt investment, at fair value	2,035,839	1,821,783	–	–
- Unquoted equity, at cost	388,598	–	–	–
Assets carried at cost:				
- Unincorporated joint venture	168,450	178,964	–	–
	7,593,758	8,399,135	10	10
Current				
Available-for-sale:				
- Quoted equity, at fair value	24,435,245	32,537,885	–	–

19. Investment securities (cont'd)

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 did not receive any cash distribution from the unincorporated joint venture (2010: $300,000).

Unquoted debt instrument relates to the $2 million convertible debt instrument the Group purchased in FY2010 for $1.8 million. The convertible note instrument was issued by a company controlled by a director. The instrument bear interests at 7.5% per annum and the principal and interest may be converted into equity at a 25% discount to offer price per share upon the initial public offering of the issuer. The instrument will be redeemed in 2014 if not converted into equity before then. Interest income of $214,057 (2010: $21,781) was recognised in the income statement based on effective interest of 10.7% per annum.

Included in unincorporated joint venture is an amount of $168,449 (2010: $178,963) relating to the Group's share of its revenue reserve.

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

	2011	**2010**
	$'000	**$'000**
Assets and liabilities		
Current assets	2,288	2,338
Current liabilities	(1,556)	(1,556)
Net assets	732	782
Results		
Revenue	–	–
Loss for the year	(53)	(40)

As at 31 December 2011, in accordance with FRS 39 Financial Instrument: Recognition and Measurement, the Group recognised impairment loss of $99,812 (2010: $1,660,364), $5,314,300 (2010: $98,857) and $Nil (2010: $810,692) on unquoted equity, quoted equity and quoted non-equity investments respectively as there were "significant" or "prolonged" decline in the fair value of these investments below their costs. Included in the impairment loss of unquoted equity in 2010 was an amount of $1,090,465 which is attributable to the discontinued operation.

Unquoted equity, 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.

19. Investment securities (cont'd)

Included in the available-for-sale quoted non-equity investment, is an amount of $3,187,427 (2010: $3,378,682) denominated in Sterling Pound while an amount of $2,719,696 (2010: $2,969,696) in available-for-sale unquoted equity investment is denominated in US Dollar.

20. Other receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Current				
Sundry receivables	227,422	113,325	–	–
Dividend receivable	130,620	133,244	–	–
Interest receivable	29,667	57,414	–	–
Staff advances	100	100	–	–
Deposits receivable	242,540	220,819	–	–
Other recoverables	96,763	82,620	18,236	30,505
Amount receivable from joint ventures	4,536,857	3,121,422	–	–
Amount due from estate agent	469,817	–	–	–
	5,733,786	3,728,944	18,236	30,505

	Group	
	2011	**2010**
	$	**$**
Non-current		
Interest receivable on loan to an associate	12,295,890	9,295,890

Deposits receivable which is repayable on demand pertains to tenant's deposits receivable from agents. Amount receivable from joint ventures are secured by way of legal mortgage of investment properties in United Kingdom, including the joint ventures' partner share of the properties. At 31 December 2011, the carrying amount of the properties was $26,064,500 (2010: $18,740,000). The loans are interest-free, repayable on demand and to be settled in cash.

Included in other receivables of the Group is an amount of $5,133,723 (2010: $3,565,652) which is denominated in Sterling Pound.

Interest receivable on loan to an associate pertains to interest receivable on a shareholders' loan of $15 million (2010: $15 million) given to an associate. The loan bears interest at 20% (2010: 20%) per annum.

21. Inventories

	Group	
	2011	2010
	$	$
Raw materials	203	638
Finished goods	65,433	16,817
Total inventories at lower of cost and net realisable value	65,636	17,455

22. Trade receivables

	Group	
	2011	2010
	$	$
Trade receivables	752,668	1,444,217
Allowance for doubtful debts	(5,137)	(108,774)
	747,531	1,335,443

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 are amounts denominated in foreign currencies as follows:

	Group	
	2011	2010
	$	$
Sterling Pound	583,073	706,783
Euro	–	55,148
Korean Won	–	447,836

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	
	2011	2010
	$	$
Less than 30 days	601,484	797,135
30 to 60 days	–	–
61 to 90 days	–	–
91 to 120 days	–	–
More than 120 days	–	–
	601,484	797,135

22. **Trade receivables** (cont'd)

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	
	2011	**2010**
	$	**$**
Trade receivables, nominal amounts	5,137	108,774
Allowance for doubtful debts	(5,137)	(108,774)
	–	–
Movement of allowance for doubtful debts:		
Balance at 1 January	(108,774)	(7,509)
Charge to income statement	(5,137)	(111,004)
Allowance utilised	108,774	7,509
Currency realignment	–	2,230
Balance at 31 December	(5,137)	(108,774)

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

23. Cash and bank balances

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Fixed deposits	39,716,433	120,129,391	23,569,920	43,615,427
Cash and bank balances	7,444,506	8,810,785	309,647	303,177
	47,160,939	128,940,176	23,879,567	43,918,604
Less: bank overdraft	(1,545,160)	(650,231)	–	–
	45,615,779	128,289,945	23,879,567	43,918,604
Included in above are:				
Fixed deposits pledged for banking facilities	13,340,000	13,340,000	–	–

Fixed deposits are 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 was in the range of 0.11% to 4.9% (2010: 0.07% to 4.9%).

Bank overdraft is secured by a corporate guarantee given by the Company for $15 million (2010: $15 million). Interest on the overdraft is charged on daily balances at Singapore Dollar prime lending rate.

24. Trade payables

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

25. Other payables

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Tenancy deposits	696,360	688,302	–	–
Unclaimed dividends	219,846	175,888	219,846	175,888
Deferred income	630,891	272,925	–	–
Rental received in advance	57,258	50,904	–	–
Sundry payables	479,936	488,084	63,108	29,078
	2,084,291	1,676,103	282,954	204,966
Non-current				
Tenancy deposits	457,649	457,738	–	–

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	
	2011	2010
	$	$
Sterling Pound	1,028,652	988,852
Chinese Renminbi	359,046	344,898

26. Bank loans (secured)

	Group	
	2011	2010
	$	$
Non-current		
- Long-term Sterling Pound bank loans	–	5,282,930
- Long-term Singapore Dollar bank loans	–	2,309,000
	–	7,591,930
Current		
- Long-term Sterling Pound bank loans	5,180,498	7,281,977
- Short-term Sterling Pound bank loan	6,880,223	–
- Short-term Singapore Dollar bank loan	1,100,000	1,100,000
	13,160,721	8,381,977
Total bank loans	13,160,721	15,973,907
Amount repayable within one year	13,160,721	8,381,977
Amount repayable between one and five years	–	7,591,930
	13,160,721	15,973,907

The long-term Sterling Pound bank loans are secured by a fixed charge over subsidiaries' investment properties. Repayments are made quarterly.

A short-term Singapore Dollar loan of $1,100,000 (2010: $1,100,000) is secured by an existing corporate guarantee of $4,000,000 from another subsidiary.

A short-term Sterling Pound loan of $6,880,223 (2010: $Nil) is secured by a corporate guarantee of $6,600,000 from the holding company and a legal charge of $13.34 million on a subsidiary's fixed deposits.

27. Deferred tax assets/(liabilities)

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

Group	Balance sheet		Recognised in income statement	
	2011	2010	2011	2010
	$	$	$	$
Deferred tax liabilities				
Revaluations to fair value of available-for-sale financial assets	(662,838)	(1,059,211)	–	–
Unutilised tax losses	121,263	–	(121,163)	1,276,964
Differences in depreciation and capital allowances	(1,275,142)	(1,323,491)	(48,349)	(23,356)
Accrued interest income	(3,482,270)	(2,889,362)	592,908	614,058
Attributable to discontinued operation	–	–	–	(1,218,194)
	(5,298,987)	(5,272,064)	423,396	649,472

As at 31 December 2011, the Group has unutilised tax losses of approximately $15,962,000 (2010: $12,934,000). 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.

28. Dividends

	Group	
	2011	2010
	$	$
In respect of financial year ended 31 December 2009:		
- Final exempt (one-tier) dividend of 1.25 cents per share	–	8,168,800
In respect of financial year ended 31 December 2010:		
- Interim exempt (one-tier) dividend of 1 cent per share	–	6,535,040
- Special interim exempt (one-tier) dividend of 5 cents per share	–	32,675,200
- Final exempt (one-tier) dividend of 1.25 cents per share	8,168,800	–
- Special exempt (one-tier) dividend of 8.75 cents per share	57,181,600	–
In respect of financial year ended 31 December 2011:		
- Interim exempt (one-tier) dividend of 1 cent per share	6,535,040	–
- Special interim exempt (one-tier) dividend of 1.5 cents per share	9,802,560	–
	81,688,000	47,379,040

The Directors of the Company have recommended a final tax exempt ordinary dividend of 1 cent per share, totalling about $6,535,040 to be paid in respect of the financial year under review, subject to shareholders' approval at the annual general meeting of the Company.

29. Investment in joint ventures

In 2010 and 2011, the Group had a 50% interest in the assets, liabilities, revenue and expenses of Capital Britton Street Limited and a 82% interest in the assets, liabilities, revenue and expenses of Capital Group, except for Capital Liverpool Limited in which the Group has a 60% interest. As at 31 December 2011, the Group also had 50% interest in assets, liabilities, revenue and expenses of Capital Fitzalan 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.

During the year, a subsidiary entered into a revised profit sharing agreement with its Joint Venture Partner. The Joint Venture partner will share in additional profits based on achievement of certain results of the individual joint venture company. As most of the joint venture companies are in loss making position this year, the revised profit sharing agreement did not have any financial impact on the Group.

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

	Group	
	2011	**2010**
	$	**$**
Assets and liabilities		
Current assets	4,398	2,718
Non-current assets	34,222	34,710
Total assets	38,620	37,428
Current liabilities	(7,519)	(8,801)
Non-current liabilities	(35,423)	(33,446)
Net liabilities	(4,322)	(4,819)
Results		
Revenue	3,698	3,772
Other income	33	77
Expenses	(3,814)	(1,147)
Finance costs	(802)	(1,263)
(Loss)/profit for the year	(885)	1,439

Included in the expenses is an amount of $Nil (2010: $1,856,717) relating to allowance written back for impairment of investment properties.

30. Properties classified as held for sale

During the year, the following options were exercised:

(a) On 23 November 2011, an option to purchase 97 Roberson Quay #19-09 Rivergate Singapore 238237 was exercised by the buyer at an agreed sale price of $3,453,120. Date of completion for this sale is scheduled for 18 January 2012.

(b) On 14 December 2011, an option to purchase 93 Robertson Quay #26-02 Rivergate Singapore 238255 was exercised by the buyer at an agreed sale price of $3,375,000. Date of completion for this sale is scheduled between 2 April 2012 and 6 April 2012.

The net book values of the above properties and its related fixtures and fittings have been reclassified to properties held for sale as follows:

	2011 $	2010 $
Property, plant and equipment (Note 15)	5,375	–
Investment properties (Note 16)	3,568,038	–
Total assets held for sale	3,573,413	–

31. 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	
	2011	2010	2011	2010
	$	$	$	$
Income statement				
Management fees paid and payable to a subsidiary	–	–	134,485	153,600
Insurance premiums paid to a subsidiary	–	–	–	768
Interest received from an associate which is a related company of a substantial shareholder	(281,332)	(353,785)	–	–
Interest income from a convertible debt instrument issued by a director-related company	(214,057)	(21,781)	–	–
Share of staff cost with a director related company	46,800	–	–	–
Balance sheet				
Purchase consideration paid for convertible debt issued by a company which is controlled by a director (Note 19)	–	1,800,000	–	–

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

32. Commitment and contingencies

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
(a) Contingent liabilities				
- Guarantees given to financial institutions in connection with facilities given to 2 subsidiaries	–	–	21,600,000	15,000,000
(b) Capital expenditure commitments				
- Investment property	14,011,209	–	–	–
- Unquoted investment securities	261,240	423,247	–	–

Operating lease commitments - As lessor

The Group has entered into residential and commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	Group	
	2011	2010
	$	$
Within one year	2,762,797	2,760,217
Between one year and five years	1,849,416	2,303,290
Later than 5 years	–	332,081
	4,612,213	5,395,588

33. Directors' remuneration

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

	2011	2010
$750,000 to $999,999	–	1
$500,000 to $749,999	1	–
$250,000 to $499,999	2	2
Below $250,000	6	6
	9	9

34. 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 operating decision maker to make decisions about allocation of resources and assessment of performance.

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.

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

- rental and investment ("RI"): rental of residential, commercial properties and warehouse as well as investment holding;
- trading and investment ("Trading"): packing and trading of edible oil as well as investment holding;
- corporate: provision of management, administrative and support services to related companies and investment holding.

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. Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

notes to the financial statements
31 December 2011

34. Group segmental information (cont'd)

	RI		Insurance (disposed)		Trading		Corporate and others		Note	Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010		2011	2010	2011	2010
	$	$	$	$	$	$	$	$		$	$	$	$
Income statement													
Revenue													
- External	16,941,057	44,416,274	–	23,527,354	11,177,488	17,117,713	–	–	F	–	(33,927,354)	28,118,545	51,133,987
- Inter-segment	487,347	137,422	–	52,885	–	–	65,934,092	40,972,601	A	(66,421,439)	(41,162,908)	–	–
Total revenue	17,428,404	44,553,696	–	23,580,239	11,177,488	17,117,713	65,934,092	40,972,601		(66,421,439)	(75,090,262)	28,118,545	51,133,987
Interest income (in other income)	111,434	310,962	–	580,912	214,057	21,781	135,610	91,557	A	(963)	(586,476)	460,138	418,736
Interest expense	(980,761)	(1,584,490)	–	–	(45,519)	(3,407)	–	(1,475)	A	385,808	143,350	(640,472)	(1,446,022)
Depreciation of property, plant and equipment and investment properties	(1,406,845)	(1,474,109)	–	(156,237)	(37,641)	(68,484)	(199,694)	(271,266)	E	–	156,237	(1,644,180)	(1,813,859)
Profit on sale of non-current investment securities	603,909	30,574	–	–	–	–	–	–	E	–	(115,497)	603,909	30,574
Profit on sale of investment properties	2,574,157	4,783,211	–	–	–	–	–	–		–	–	2,574,157	4,783,211
Write-back/(allowance) for doubtful receivables from associates	13,218	(156,689)	–	–	–	–	–	–		–	–	13,218	(156,689)
Allowance for impairment loss on non-current investment securities	(99,812)	(1,380,591)	–	(1,090,466)	–	–	–	–	E	–	1,090,466	(99,812)	(1,380,591)
Allowance for impairment loss on current investment securities	(2,617,364)	(7,300)	–	–	(2,696,936)	(91,557)	–	–	E	–	–	(5,314,300)	(98,857)
Allowance written-back/ (made) for impairment loss on investment properties	–	1,856,717	–	–	–	–	–	–		–	–	–	1,856,717
Allowance for impairment loss on subsidiaries	–	–	–	–	–	–	(3,190,000)	(10,236,542)	A	3,190,000	10,236,542	–	–
Other non-cash income/ (expenses)	(15,439)	(111,004)	–	900	–	(619,813)	–	–	B	–	(900)	(15,439)	(730,817)
Share of results from associates and unincorporated joint venture	(1,085,796)	(728,919)	–	–	–	–	22,625	(21,248)		–	–	1,063,171	(750,167)
Taxation	(424,545)	(2,801,756)	–	102,536	–	–	(12,352)	(4,393)	E	(368,765)	(102,536)	(805,662)	(2,806,149)
Profit/(loss) before taxation	6,087,935	21,693,193	–	36,951,304	(2,879,396)	(456,370)	64,108,580	77,199,274	A	(64,359,319)	(124,615,638)	2,957,800	10,771,763
Balance sheet													
Segment assets	236,682,471	294,856,531	–	–	10,023,431	12,985,489	230,393,135	291,026,397	C	(255,808,713)	(292,031,048)	221,290,324	306,837,369
Interest in unincorporated joint venture	168,450	178,964	–	–	–	–	–	–		–	–	168,450	178,964
Investment in associates	(602,900)	439,428	–	–	–	–	768,463	745,848		–	–	165,563	1,185,276
Total assets												221,624,337	308,201,609
Segment liabilities	(74,005,383)	(72,829,311)	–	–	(10,040,853)	(9,833,980)	(1,069,437)	(44,110,928)	D	58,494,461	95,442,865	(26,621,212)	(31,331,354)
Capital expenditure	4,773,326	1,181,532	–	–	39,313	1,062	7,653	4,778		–	–	4,820,292	1,187,372

34. 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 and allowance for impairment on subsidiaries is reversed on consolidation. Amount relating to insurance segment has been excluded to arrive at the amounts shown in the total as they are presented separately in the income statement within one line item, "profit from discontinued operation, net of taxation".

B. Other non-cash income/(expenses) consist of allowance for doubtful receivables, profit on disposal of property, plant and equipment and provision for indemnity given to liquidator of an associate. Amount relating to insurance segment has been excluded to arrive at the amounts shown in the total as they are presented separately in the income statement within one line item, "profit from discontinued operation, net of taxation".

C. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	2011 $	2010 $
Segment assets	477,099,037	598,868,417
Investment in associates	165,563	1,185,276
Interest in unincorporated joint venture	168,450	178,964
Inter-segment elimination	(255,808,713)	(292,031,048)
Total assets	221,624,337	308,201,609

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

	2011 $	2010 $
Segment liabilities	85,115,673	126,774,219
Inter-segment elimination	(58,494,461)	(95,442,865)
Total liabilities	26,621,212	31,331,354

34. Group segmental information (cont'd)

E. Amounts relating to insurance segment have been excluded on consolidation as they are presented separately in the income statement within one line item, "profit from discontinued operation, net of taxation".

F. Elimination of dividends from associates and gross written premiums related to insurance segment has been excluded to arrive at the amounts shown in the total as they are presented separately in the income statement within one line item, "profit from discontinued operation, net of taxation".

Geographical information

	2011		2010	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
	$	**$**	**$**	**$**
Singapore				
- Continuing operations	22,076,844	75,950,145	46,205,806	82,007,221
- Discontinued operation	–	–	23,527,354	–
United Kingdom	6,003,774	44,948,068	4,888,915	42,068,217
Others	37,927	2,962,578	39,266	3,006,602
	28,118,545	123,860,791	74,661,341	127,082,040

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.

35. Major properties owned by the Group

Location	Company	Type/Usage	Area
Property, plant and equipment			
(i) Leasehold land and building			
38 South Bridge Road Singapore 058672	Paco Industries Pte. Ltd.	Lot 160 – 99 years lease from 1941. Lot 164 – 99 years lease from 1947. Office.	Lot 160 - land area of about 121 square metres. Lot 164 - land area of about 123 square metres. Gross floor area of about 1,022 square metres (10,989 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 square metres (1,690 square feet).
Investment properties			
(i) Held by the Group			
93,95,97,99 Robertson Quay Singapore 239825/6/7/8	Global Trade Investment Management Pte Ltd.	11 units of freehold residential apartments (including 2 units classified under held-for-sale) and 4 units of commercial shops.	Gross floor area of 1,960 square metres (21,110 square feet) including 3,466 square feet for 2 units held-for-sale.

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(i) Held by the Group (cont'd)			
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 square metres. Gross floor area of about 11,250 square metres (120,960 square feet).
523 Jalan Kluang 83000 Batu Pahat Johor, Malaysia	Phratra Sdn. Bhd.	Freehold. Factory and ancillary office.	Land area of about 13,897 square metres. Gross floor area of about 5,205 square metres (55,964 square feet).
58 Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments.	Gross floor area of 525.5 square metres (5,650 square feet).
115B Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 4 units of residential apartments.	Gross floor area of 298.1 square metres (3,206 square feet).
15/17 Hornton Street London W8 United Kingdom	Pumbledon Limited	Freehold. 11 units of residential apartments.	Gross floor area of 755 square metres (8,120 square feet).

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(i) Held by the Group (cont'd)			
82% interest in 10-18 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 928.90 square metres (9,998 square feet).
82% interest in 20-22 Vestry Street London N1 7RE United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 662.30 square metres (7,130 square feet).
82% interest in 65-69 East Road London N1 6AH United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 603.40 square metres (6,495 square feet).
82% interest in 23 New Mount Street Manchester United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 3,248.11 square metres (34,963 square feet).
82% interest in The Bridge Clerkenwell Road EC1, United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 1,453.40 square metres (15,644 square feet).
60% interest in 7 Water Street Liverpool L2 8TD United Kingdom	Vantagepro Investment Limited	Freehold. Office building.	Floor area of 2,092.36 square metres (22,522 square feet).

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

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
(i) Held by the Group (cont'd)			
50% interest in Head Post Office Fitzalan Square, Sheffield S1 2AB United Kingdom	Vantagepro Investment Limited	Freehold Office building	Floor area of 6843.36 square metres (73,662 square feet)
(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 3,654 square metres (39,299 square feet).
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold. Commercial.	Gross floor area of about 335.26 square metres (3,605 square feet).
25% interest in Hollins Hall United Kingdom	Fieldfare Investments Limited	Freehold. 3 units of retirement homes.	Gross floor area of about 209 square metres (2,250 square feet).
West Midlands House Gipsy Lane Willenhall West Midlands	Capital Willenhall Limited	Freehold. Office building.	Gross floor area of about 2,532 square metres (27,228 square feet).
51 Scotts Road	Scotts Spazio Pte. Ltd.	Leasehold 15 years from 15 August 2007. 4-storey office block.	Land area of 1.04 hectares. Maximum permissible gross floor area of 15,666 sq metres (168,628 sq feet).

36. 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 classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
2011				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investment (current)	24,545,782	–	–	24,545,782
- Quoted equity investment (non-current)	41,000	–	–	41,000
- Quoted non equity investment (non-current)	3,187,427	–	–	3,187,427
- Unquoted equity investment (non-current)	–	1,407,206	254,690	1,661,896
- Unquoted debt investment (non-current)	–	–	2,035,840	2,035,840
	27,774,209	1,407,206	2,290,530	31,471,945

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

(a) Financial instruments carried at fair value (cont'd)

	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
2010				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investment (current)	32,537,885	–	–	32,537,885
- Quoted equity investment (non-current)	50,000	–	–	50,000
- Quoted non equity investment (non-current)	3,378,682	–	–	3,378,682
- Unquoted equity investment (non-current)	–	2,969,696	–	2,969,696
- Unquoted debt investment (non-current)	–	–	1,821,783	1,821,783
	35,966,567	2,969,696	1,821,783	40,758,046

There have been no transfers between Level 1 and Level 2 during the financial years ended 2011 and 2010.

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

(a) Financial instruments carried at fair value (cont'd)

Determination of fair value

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for unquoted equity investments. These investments are included in Level 2.

In circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3. The fair value of unquoted debt investment is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest and assumptions regarding market liquidity.

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 $557,048 (2010: $178,964). The Group does not intend to dispose of this investment in the foreseeable future.

Movement in level 3 financial instruments measured at fair value

	Unquoted equity instrument $	**Unquoted debt instrument $**
Opening balance	–	1,821,783
Total gains or losses in profit or loss (Note 6)	–	214,057
Purchased during the year	254,690	–
Closing balance	254,690	2,035,840

(b) Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, current trade and other receivables, bank overdraft, current trade and other payables, amounts due from subsidiaries and associates and the 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.

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

(c) Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets:				
Unquoted bonds	–*	–*	–*	–*
Equity instrument at cost	557	179	–	–

	Company			
	Carrying amount		Fair value	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets:				
Unquoted non-equity, at cost	–*	–*	–*	–*

* Amounts less than $1,000

(d) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Amount due from associates (non-current) (Note 18)
Other receivables (non-current) (Note 20)

It is not practical to estimate the fair value of the non-current amount due from associates and other receivables as the amounts are not repayable within a year and there are no fixed repayment terms. Hence, the timing of future cash flows cannot be estimated reliably.

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

(e) 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 (unquoted bonds)	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.

(f) 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	**2011**	**2010**
		$	**$**
Held-to-maturity investments			
Unquoted bonds, at cost	19	10	10
Loans and receivables			
Other receivables	20	18,029,676	13,024,834
Trade receivables	22	747,531	1,335,443
Amount due from associates	18	32,374,899	31,635,172
Cash and bank balances	23	47,160,939	128,940,176
		98,313,045	174,935,625

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

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

	Note	Group 2011 $	2010 $
Available-for-sale financial assets			
Quoted equity, at fair value	19	24,476,245	32,587,885
Quoted non-equity, at fair value	19	3,187,427	3,378,682
Unquoted equity, at fair value	19	1,772,434	2,969,696
Unquoted debt instrument, at fair value	19	2,035,839	1,821,783
Unquoted equity, at cost	19	388,598	–
		31,860,543	40,758,046
Financial liabilities measured at amortised cost			
Trade payables	24	840,361	1,574,649
Other payables (exclude rental received in advance)	25	2,484,682	2,082,937
Accrued operating expenses		1,577,098	2,817,807
Amounts due to associates	18	608,078	519,548
Bank overdraft (secured)	23	1,545,160	650,231
Bank loans (secured)	26	13,160,721	15,973,907
		20,216,100	23,619,079

37. Financial risk management objectives and policies

The Group has 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 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.

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

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 and London. The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below demonstrates the sensitivity to a reasonably possible change in equity price risk with all other variables held constant, of the Group's net profit after taxation and the Group's fair value reserve:

		Group	
	Percentage point change in assumption	**Effect on net profit after taxation $'000**	**Effect on fair value reserve $'000**
2011			
- Straits times Index	+10%	–	367
	-10%	(143)	(224)
- Korea Composite Stock Price Index	+10%	–	556
	-10%	(367)	(189)
- London Stock Exchange	+10%	–	318
	-10%	–	(318)
2010		**$'000**	**$'000**
- Straits times Index	+10%	–	1,237
	-10%	–	(1,237)
- Korea Composite Stock Price Index	+10%	–	596
	-10%	–	(596)
- London Stock Exchange	+10%	–	281
	-10%	(337)	–

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

(a) Equity price risk (cont'd)

As there is no reasonable correlation in any market index for one of the Group's unquoted equity investment which holds certain shares listed in Indonesian Stock Exchange, an expected rate of change in the fair value of the Indonesian quoted shares held by the investment is adopted to reflect the impact to the financial statements.

At 31 December 2011, if the fair value of the Indonesian quoted shares had been 10% higher with all other variables held constant, the Group's equity would be approximately $197,500 (2010: $269,000) higher as a result of an increase in the fair value of equity instruments classified as available-for-sale. If the fair value of the Indonesian quoted shares had been 10% lower with all other variables held constant, the Group's profit for the year would have decreased by approximately $238,000 (2010: $297,000) arising from additional impairment losses to be made.

(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.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of taxation (through the impact on interest expenses on floating rate loans and borrowings).

		Group	
	Change in basis point	**Effect on net profit after taxation $'000**	**Effect on fair value reserve $'000**
2011	+50	(80)	–
	- 50	80	–
2010	+50	(68)	–
	- 50	68	–

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

(c) 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.

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

Group	**1 year or less $'000**	**1 to 5 years $'000**	**After 5 years $'000**	**Total $'000**
2011				
Financial assets				
Amounts due from associate	15,503	10,250	6,621	32,374
Investment securities	24,435	4,806	3,073	32,314
Trade and other receivables	6,481	9,523	16,050	32,054
Cash and bank balances	47,161	–	–	47,161
Total undiscounted financial assets	93,580	24,579	25,744	143,903
Financial liabilities				
Trade and other payables	2,924	458	–	3,382
Accrued operating expenses	1,577	–	–	1,577
Amounts due to associates	608	–	–	608
Bank overdraft (secured)	1,630	–	–	1,630
Loans and borrowings	13,292	–	–	13,292
Total undiscounted financial liabilities	20,031	458	–	20,489
Total net undiscounted financial assets	73,549	24,121	25,744	123,414

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

(c) Liquidity risk (cont'd)

Group	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
2010				
Financial assets				
Amounts due from associate	14,070	17,565	–	31,635
Investment securities	32,538	9,177	–	41,715
Trade and other receivables	5,064	9,296	–	14,360
Cash and bank balances	129,090	–	–	129,090
Total undiscounted financial assets	180,762	36,038	–	216,800
Financial liabilities				
Trade and other payables	3,251	458	–	3,709
Accrued operating expenses	2,818	–	–	2,818
Amounts due to associates	520	–	–	520
Bank overdraft (secured)	686	–	–	686
Loans and borrowings	8,731	7,962	–	16,693
Total undiscounted financial liabilities	16,006	8,420	–	24,426
Total net undiscounted financial assets	164,756	27,618	–	192,374

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

(c) Liquidity risk (cont'd)

Company	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**
2011			
Financial assets			
Amount due from subsidiaries	6,440	–	6,440
Other receivables	18	–	18
Investment securities	–*	–	–*
Cash and bank balances	23,880	–	23,880
Total undiscounted financial assets	30,338	–	30,338
Financial liabilities			
Trade and other payables	283	–	283
Amounts due to associates	351	–	351
Accrued operating expenses	188	–	188
Total undiscounted financial liabilities	822	–	822
Total net undiscounted financial assets	29,516	–	29,516
2010			
Financial assets			
Amount due from subsidiaries	1,800	–	1,800
Other receivables	31	–	31
Investment securities	–*	–	–*
Cash and bank balances	43,963	–	43,963
Total undiscounted financial assets	45,794	–	45,794
Financial liabilities			
Trade and other payables	205	–	205
Accrued operating expenses	137	–	137
Amounts due to associates	349	–	349
Amounts due to subsidiaries	43,030	–	43,030
Total undiscounted financial liabilities	43,721	–	43,721
Total net undiscounted financial assets	2,073	–	2,073

* Amounts less than $1,000

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

(d) 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 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.

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.

(e) 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.

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

(e) Foreign currency risk (cont'd)

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 Korean Won. 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. Foreign currencies received are kept in foreign currencies accounts and are converted to the respective functional currency of the Group companies on a need-to basis so as to minimise foreign exchange exposure.

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, Sterling Pound and Korean Won, against the respective functional currencies of the Group's entities with all other variables held constant, on the Group's net profit after taxation and fair value reserve:

	Group			
	2011		2010	
	Net profit after taxation $'000	Fair Value Reserve $'000	Net profit after taxation $'000	Fair Value Reserve $'000
United States Dollar/Singapore Dollar				
- strengthened 10% (2010: 10%)	15	110	36	161
- weakened 10% (2010: 10%)	(15)	(110)	(226)	–
Australian Dollar/Singapore Dollar				
- strengthened 10% (2010: 10%)	–	4	177	6
- weakened 10% (2010: 10%)	–	(4)	(177)	(6)
Sterling Pound/Singapore Dollar				
- strengthened 10% (2010: 10%)	2,793	168	1,593	–
- weakened 10% (2010: 10%)	(2,793)	(168)	(1,593)	–
United States Dollar/Sterling Pound				
- strengthened 10% (2010: 10%)	(19)	70	138	–
- weakened 10% (2010: 10%)	(51)	–	(138)	–
Korean Won/Singapore Dollar				
- strengthened 10% (2010: 10%)	–	556	(48)	600
- weakened 10% (2010: 10%)	(367)	(189)	48	(600)

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

(e) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

At 31 December 2011, if Sterling Pound strengthened/weakened against Singapore Dollar by 10% (2010: 10%), the Group's currency translation reserve would have increased/decreased by $1,383,000 (2010: $1,351,000) arising from quasi-capital intercompany loan denominated in Sterling Pound.

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.

38. 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 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 2011 and 2010.

No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

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 2011, the Group's gearing ratio was 0.14 (2010: 0.11).

39. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 22 February 2012.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	151	2.29	50,915	0.01
1,000 - 10,000	3,270	49.69	21,814,623	3.34
10,001 - 1,000,000	3,124	47.47	147,891,310	22.63
1,000,001 and above	36	0.55	483,747,152	74.02
Total	6,581	100.00	653,504,000	100.0

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Ely Investments Pte Ltd	63,646,395	9.74
2.	Ong Eng Loke	36,090,858	5.52
3.	City Developments Realty Limited	33,355,000	5.10
4.	Ong Kay Eng	31,723,934	4.85
5.	Astute Investment Holdings Pte Ltd	31,328,552	4.79
6.	Fica (Pte) Ltd	30,385,000	4.65
7.	Citibank Nominees Singapore Pte Ltd	30,054,753	4.60
8.	Tudor Court Gallery Pte Ltd	29,940,000	4.58
9.	Hong Leong Enterprises Pte Ltd	29,544,000	4.52
10.	Welkin Investments Pte Ltd	21,296,000	3.26
11.	Mayban Nominees (S) Pte Ltd	17,011,000	2.60
12.	DBS Nominees Pte Ltd	11,646,500	1.78
13.	United Overseas Bank Nominees Pte Ltd	11,512,000	1.76
14.	Starich Investments Pte. Ltd.	9,359,000	1.43
15.	Ong Eng Hui David (Wang Ronghui David)	8,780,634	1.34
16.	Ong Joo Gim	8,434,603	1.29
17.	Ong Hoo Eng or Peter Sim Swee Yam	8,108,000	1.24
18.	Ong Hian Eng	8,099,623	1.24
19.	Ong Mui Eng	6,958,416	1.06
20.	HSBC (Singapore) Nominees Pte Ltd	6,937,448	1.06
	Total	434,211,716	66.41

PERCENTAGE OF PUBLIC FLOAT

Based on information available to the Company as at 19 March 2012, approximately 34.47% of the issued ordinary shares of the Company are 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 Choo Eng	587,000	63,646,395	64,233,395	9.830
Ong Hian Eng	9,898,463	32,385,000	42,283,463	6.470
Ong Kwee Eng	2,809,812	32,929,052	35,738,864	5.469
Ong Eng Loke	36,090,858	884,000	36,974,858	5.658
Ong Eng Yaw	25,000	63,646,395	63,671,395	9.743
Ong Bee Leem	151,440	63,646,395	63,797,835	9.762
Ely Investments (Pte) Ltd.	63,646,395	–	63,646,395	9.740
Hong Leong Enterprises Pte. Ltd.	29,648,000	9,409,000	39,057,000	5.977
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.	–	123,648,000	123,648,000	18.921
Kwek Holdings Pte Ltd	–	123,648,000	123,648,000	18.921
Davos Investment Holdings Private Limited	–	123,648,000	123,648,000	18.921
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 Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments (Pte) Ltd. ("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.

2 Ong Hian Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Fica (Pte) Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

3 Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Astute Investment Holdings 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.

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

5 Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by 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.

6 Ong Bee Leem is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which she and/or her associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

7 The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on its last notification to the Company on 14 April 2011. 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.

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

9 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.

10 The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on its last notification to the Company on 13 April 2011. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 39,057,000 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.

11 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 April 2011. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 123,648,000 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.

12 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-Ninth Annual General Meeting of Hwa Hong Corporation Limited (the "Company") will be held at Novotel Singapore Clarke Quay, Phoenix I, Level 6, 177A River Valley Road, Singapore 179031 on Thursday, 26 April 2012 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 2011. **Resolution 1**

2. To declare a one-tier tax exempt final ordinary dividend of 1 cent per share in respect of the financial year ended 31 December 2011. **Resolution 2**

3. To approve the payment of fees up to S$292,500 in aggregate to the non-executive Directors of the Company for the financial year ending 31 December 2012 (2011: S$292,500), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter. **Resolution 3**
   (See Explanatory Note 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 Goh Kian Hwee **Resolution 4**
   (Note: Mr Goh Kian Hwee, if re-elected, will remain as the Chairman of the Nominating Committee and a member of the Remuneration 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 a non-independent executive 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**

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 extended for a further period of 10 years from 29 May 2011 to 28 May 2021 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 the 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 rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

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

(i) the date on which the next Annual General Meeting of the Company is held;

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

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

(c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of Shares of the Company (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

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

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined hereinafter),

where:

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

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's Quest ST 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, 9 April 2012

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 Note to Ordinary Business

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 2012, 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.

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 authorise to the 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 2011, 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	
			Number 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-Ninth Annual General Meeting** of the Company ("AGM") to be held at Novotel Singapore Clarke Quay, Phoenix I, Level 6, 177A River Valley Road, Singapore 179031 on **26 April 2012** 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	Number of Votes For	Number 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 2012				
4	Re-election of Mr Goh Kian Hwee				
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 the 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 _____ 2012

Total Number of Shares Held	
CDP Register	
Members' Register	

_____
Signature(s) of Member(s) or Common Seal
* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

Fold this flap for sealing

Please
affix
postage
stamp

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

2nd fold here

3rd fold here

Notes

1. Please insert in the box at the bottom right hand corner on the reverse of this form, the number of shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") in respect of shares in your Securities Account with CDP and the number of shares registered in your name in the Register of Members in respect of share certificates held by you. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A Member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.
3. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. This instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney, or if the appointor is a body corporate, executed under its common seal or signed by its duly authorised officer or attorney.
5. A body corporate which is a Member may also appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Chapter 50, to attend and vote for and on behalf of such body corporate.
6. This instrument appointing a proxy or proxies, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time fixed for holding the meeting.
7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies. In addition, in the case of a Member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the Company.

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HWA HONG CORPORATION LIMITED

Company Registration No. 195200130C

38 South Bridge Road Singapore 058672
www.hwahongcorp.com