HONG LEONG ASIA LTD.
ANNUAL REPORT 2013

SUSTAINABILITY & GROWTH





FROM A SMALL BUILDING MATERIAL SUPPLIER IN SINGAPORE, HONG LEONG ASIA HAS GROWN INTO A MAJOR DIVERSIFIED INDUSTRIAL GROUP OPERATING IN CHINA AND SOUTHEAST ASIA. BY TRANSFORMING EVERY CHALLENGE INTO ROBUST OPPORTUNITIES, THE GROUP CONTINUES TO STRENGTHEN ITS POSITION BY STAYING COMPETITIVE AND THRIVING UNDER ADVERSITY. OUR INDUSTRY EXPERTISE, PEOPLE, VISION AND COMMITMENT TO INNOVATION PUTS US IN GOOD STEAD TO BUILD A SUSTAINABLE AND PROSPEROUS FUTURE.

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VISION

To be a market leader by creating sustainable growth through diversification, innovation and organization excellence, contributing to all our stakeholders - our customers, our people, our shareholders, our Environment and our Society.

INTRODUCTION

Achieving our vision will only be through the combined effort of each member of the Group, each steered by our six core values. Together, these sum up our attitude towards tackling challenges in an ever-changing economic environment: “I-ACE-IT”

I-ACE-IT

INTEGRITY	To uphold the right values through acting responsibly and honestly.
ACCOUNTABILITY	To be responsible and take ownership of whatever we commit to do.
CUSTOMER FOCUS	To meet customer needs, wants and expectations by providing outstanding products and services.
EMBRACE CHANGE	To accept change with an open mind and leverage on it as an opportunity to improve.
INNOVATION	To be creative and adopt a market leader mentality in the way we manage our products, services and processes.
TEAMWORK	To support group decisions and work together cohesively to achieve agreed goals and objectives.

GROUP PROFILE

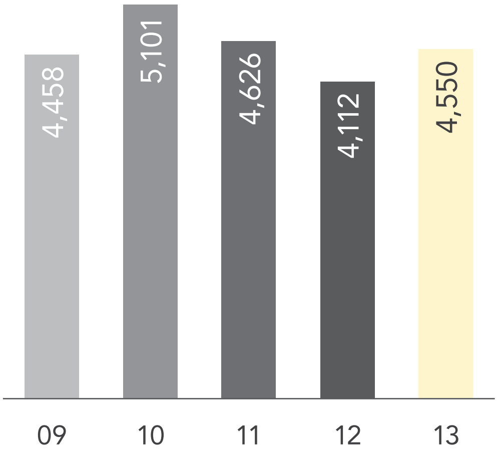
From being Singapore's leading integrated building materials supplier to its current standing as one of the region's major manufacturing and distribution players, Hong Leong Asia's success is intricately linked to its diversification into the manufacturing and distribution industries in China and Southeast Asia. With over 80 per cent of its market beyond the shores of Singapore, Hong Leong Asia is well placed to leverage on its current position to scale greater heights.

Hong Leong Asia has major operations in China and is well-positioned to take advantage of booming markets driven by the Asian giant. With its head office based in Singapore and its Asia management team, the Group combines the best of management practices with a deep understanding of Asian culture and local sensibilities.

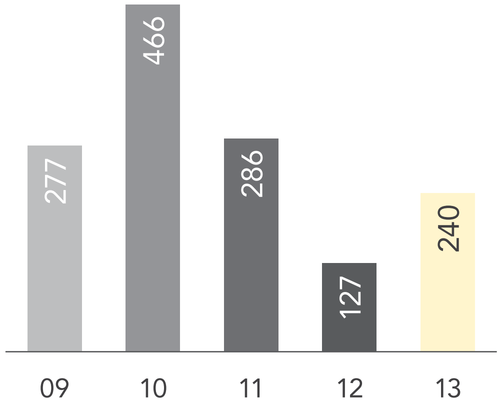
Its diverse management portfolio includes key sectors in the diesel engines, white goods, air-conditioning products and industrial packaging products, as well as capabilities across the supply chain in building materials. Each portfolio is led by a seasoned team of professionals who steer the business towards continued growth and profitability.

FINANCIAL HIGHLIGHTS

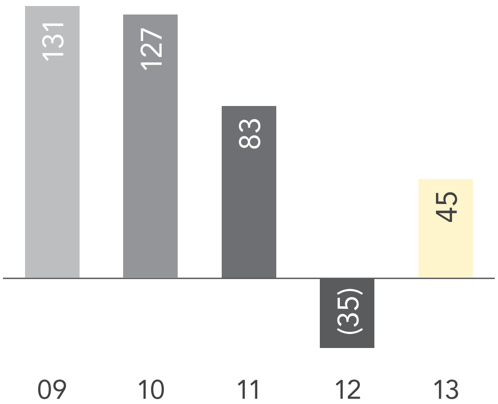
REVENUE
(in $ million)



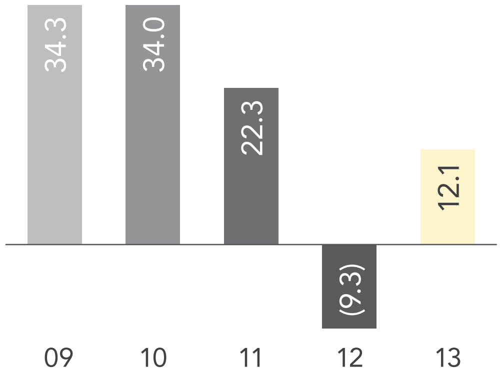
PROFIT BEFORE TAX
(in $ million)



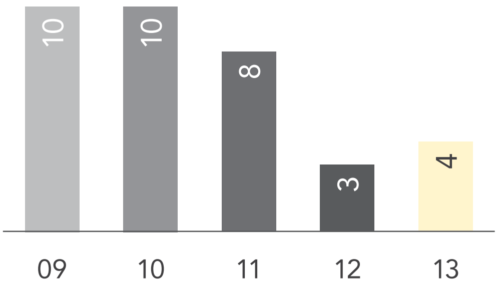
ATTRIBUTABLE PROFIT/(LOSS)
(in $ million)



EARNINGS/(LOSS) PER SHARE
(in cents)



DIVIDEND PER SHARE
(in cents)



Dividend per share is stated based on the interim/final dividend(s) declared/proposed in respect of each financial year.

DIVIDEND POLICY

The Group aims to maintain a strong capital position to ensure market confidence, to support its on-going business and to meet the expectations of its stakeholders. The Board of Directors aims to pay dividends to shareholders at least once a year, balancing returns to shareholders with prudent capital management and consistent with the Company's overall governing objective of maximising shareholder value over time. Before proposing any dividends, the Board of Directors will consider a range of factors, including the Group's results of operations, long-term and short-term capital requirements, current balance sheet, future investment plans and the general business conditions and other macro environment factors.

Shareholders and potential investors should note that past dividend distributions should not be taken as an indication of future dividend distributions, and this statement is a statement of our present intention and shall not constitute a legally binding commitment in respect of the Company's future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

CHAIRMAN'S MESSAGE

'Yuchai continued to maintain its strong position as the leading diesel engine supplier in China, with 500,756 units sold in 2013. This was a 16.1 per cent increase from the 431,350 units sold in 2012.'

Photo courtesy of
TTG Asia Media

On behalf of the Board of Directors, I wish to present the Annual Report for 2013. I am pleased to inform that the Group returned to the black with a net profit attributable to shareholders of $45.3 million, compared to a net loss of $34.9 million in 2012. This creditable performance came on the back of higher revenue of $4.6 billion, up 10.7 per cent in 2013 against $4.1 billion revenue achieved in 2012.

The improvement in revenue was largely due to higher sales of $598.5 million attributed by the diesel engines unit ("Yuchai"). Sales of the Group's consumer products unit ("Xinfei"), industrial packaging unit ("Rex") and building materials unit ("BMU") declined by $140.6 million, $9.9 million and $4.0 million respectively compared to the year before. Sales of the air-conditioning systems unit ("Airwell") increased by $10.4 million.

Gross profit for 2013 was $968.5 million against $918.8 million in 2012 largely due to higher sales. Gross margins declined slightly to 21.3 per cent from 22.3 per cent in 2012, due to higher raw material and labour costs.

Selling and distribution ("S&D") expenses, general and administrative expenses ("G&A") and finance costs declined in 2013 despite the increase in sales. Research and development ("R&D") expenses increased due to more engine development costs in Yuchai.

$240 MILLION

PROFIT BEFORE TAX IN 2013

The improved profit performance of $45.3 million was mainly due to higher profit from Yuchai, as well as lower operating loss and the absence of an impairment of fixed assets incurred by Xinfei in 2012. The impairment of fixed assets was done in 2012 in accordance with the requirement of Financial Reporting Standard (FRS) 36. The Group would have reported a profit of $16.8 million for 2012, had the fixed assets impairment been excluded.

At Group level, the net asset value per share was $2.25 in 2013 ($2.07 in 2012). Earnings per share both on a weighted and on a fully diluted basis in 2013 were 12.11 cents.

CONSUMER PRODUCTS UNIT ("XINFEI")

The Chinese economy grew 7.7 per cent in 2013, its slowest expansion since 2008. China's white goods sales declined in response to the slowdown in the country's economic growth. In spite of a nation-wide implementation of an energy savings programme, the situation did not improve as demand for white goods remained challenging.

Xinfei recorded sales of $619.9 million in 2013, a decline of 18.5 per cent compared to the previous year. However, gross profit margin rose slightly, by 1.1 per cent to 22.7 per cent due to the lower costs of raw materials and other cost reduction initiatives. Rising labour costs and strong pricing competition continued to weigh down profit margins. Xinfei incurred a lower operating loss during the year due to reduction in S&D, R&D and G&A expenses.

With the implementation of new marketing plans and media advertising, the fall in sales of Xinfei for the fourth quarter ("4Q") of 2013 improved compared to the same period last year, thus helping to narrow the decline in sales for the full 2013.

Xinfei reported an after tax loss of $40.1 million in 2013, compared to a loss of $125.8 million in 2012 which included the fixed assets impairment of $57.4 million. Xinfei would have incurred a loss of $68.4 million in 2012 had the assets impairment been excluded.

Xinfei successfully launched its new Libra range of refrigerators which was well received when it launched in November 2013. Libra refrigerators continue to remain popular in the Chinese market and are exported under the FEDDERS brand. It received a Merit Recognition in the Design for Asia category at the 2013 Hong Kong Design Centre Awards Ceremony.

DIESEL ENGINES UNIT ("YUCHAI")

The China Association of Automobile Manufacturers reported that diesel powered engine sales grew by 10.8 per cent in 2013 as compared to 2012. Yuchai continued to maintain its strong position as the leading diesel engine supplier in China, with 500,756 units sold in 2013. This was a 16.1 per cent increase from the 431,350 units sold in 2012. Yuchai's revenue increased by 22.5 per cent primarily attributed to higher unit sales of truck, bus and agricultural engines despite the lower sales from industrial, marine and other engines.

With the completion of the new R&D center in Nanning which is now operational, the R&D center will focus on the development and testing of new engine products and components, especially emission control and fuel saving systems, as well as on the improvement of product quality.

Construction of phase 2 of the new foundry was completed in early 2013 and is now fully operational. The new foundry has not only raised productivity but also improved quality of the casting.

Yuchai reported profit after tax of $199.2 million in 2013 compared to $162.1 million in 2012.

BUILDING MATERIALS UNIT ("BMU")

Revenue declined mainly due to lower sales from the "Precast" division. This was due to project delays caused by shortage in foreign labour. However, it was mitigated by higher sales from the ready-mixed concrete and trading divisions.

In Malaysia, Tasek Corporation Berhad ("Tasek") achieved slightly higher revenue due to higher volume of cement sales as compared to the previous year. However, the intense price competition led to slightly lower margins. Overall, Tasek's profit after tax was slightly higher than the previous year.

In 2013, BMU's revenue was $531.5 million with a profit after tax of $66.8 million, as compared to a revenue of $535.5 million with a profit of $67.8 million in 2012.

INDUSTRIAL PACKAGING UNIT ("REX")

Revenue of Rex declined 10.8 per cent to $82.1 million against $92.1 million the year before. The decline was mainly due to a key customer engaging alternative sources of suppliers. A sales recovery plan has been established but it would take time for Rex to fully recover from the lost sales.

The performance of Rex was also affected by lower sales volume and higher raw material costs.

In 2013, Rex suffered a loss after tax of $1.6 million as compared to a loss of $2.2 million in 2012.

AIR-CONDITIONING SYSTEMS UNIT ("AIRWELL")

Airwell sold 63,810 units of air-conditioner in 2013 which amounted to $36.4 million in revenue. The products were largely sold to its customers in Europe.

Airwell incurred a higher loss after tax of $22.3 million in 2013 which included an obsolete stock provision of $3.8 million and impairment of patent and development costs of $5.7 million. Excluding such stock provision and impairment costs, the operating loss would have been $12.8 million. Its loss after tax was $10.0 million in 2012.

CASH FLOW AND LIQUIDITY

The Group had cash and short-term deposits of $1.1 billion at the end of 2013 compared with $1.0 billion as at the end of year 2012, an increase of $0.1 billion. A substantial portion of approximately $0.8 billion of the cash and short-term deposits are held by Yuchai.

The Group generated cash from operating activities of $173.4 million. The cash generated was derived from operating profit. It was used to increase inventories, trade and other receivables but it was partially offset by trade and other payables.

During the year, the Group invested $112.2 million for the purchase of property, plant and equipment and $18.6 million on land use rights.

For financing activities, the Group had loans of $996.3 million at the end of 2013 as compared to $914.5 million during the same period in 2012, an increase of $81.8 million.

OUTLOOK

The global 2013 economic growth of 3.0 per cent was marginally higher than the forecast issued in October 2013 by International Monetary Fund (IMF) of 2.9 per cent. China's GDP rose 7.7 per cent in 2013 after supporting measures implemented by its government to boost output, retail sales and investments exceeded the previous growth target of 7.5 per cent. Singapore's economy grew 4.1 per cent in FY2013, exceeding the top end of the official forecast of between 3.5 per cent and 4.0 per cent.

The projection for global economic growth is 3.7 per cent for 2014, as issued in January 2014 by the IMF. The projected growth for 2014 in the United States of America and Emerging Markets are 2.8 per cent and 5.1 per cent respectively. In China, where the Group has the most exposure, the growth is projected to slow down to 7.5 per cent in 2014.

The demand for diesel engines is likely to grow more moderately in 2014 following the tapering off the pre-buy impact arising from the implementation of The National IV emission standards for diesel engines in China on 1 July 2013.

The white goods industry relating to consumer appliances is expected to remain challenging and continues to be highly competitive with over capacity and lower consumer demand. These challenges would continue to impact on Xinfei's performance in 2014.

In Singapore, the demand for building materials has weakened considerably in line with the slowdown in the construction industry as a whole. The average selling price of ready-mixed concrete has fallen due to over capacity and competitors reducing prices to gain market share. The Indonesian government banned a wide range of minerals including granite aggregate from being exported globally on 12 January 2014. Despite the Singapore government releasing the national stockpile to ease the temporary disruption in supply, the price of granite has continued to increase. However, the Group owns and operates a granite quarry in Johor which will continue to supply granite products to its Singapore operations.

In Malaysia, the construction sector recorded slower growth of 9.7 per cent for 4Q 2013, a decline from a year ago of 17.6 per cent for 4Q 2012. Despite signs of slowing down, mega projects such as Mass Rapid Transit ("MRT") and Light Rail Transit ("LRT") extensions are expected to keep the construction activities' momentum going for the next few quarters.

The air-conditioning industry which Airwell operates in China is huge but very competitive. Airwell will remain focused on the domestic market to boost its sales.

Overall, the Group expects Yuchai and BMU to continue to perform well while the other business units will continue to face challenging business conditions.

Barring any unforeseen circumstances including any change in policies of the Chinese government and any adverse change in business climate, the Group expects to report a profit in the first quarter of 2014 and in the current financial year. The Group continues to be exposed to currency fluctuation risk as the bulk of its businesses are located outside of Singapore.

DIVIDENDS

In view of the improved 2013 performance despite the challenging operating environment, the Board of Directors is recommending an increase in the final dividend payout to 3 cents per share as compared to the preceding financial year of 2 cents per share. If approved by the members of the Company at the forthcoming annual general meeting, this will bring the total dividend for 2013 to 4 cents per share, including the interim dividend of 1 cent per share paid during the year.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, customers, business associates, management and employees for their continuing support.

Kwek Leng Beng
Chairman
17 March 2014

主席报告书

‘玉柴在 2013 年的中国柴油引擎市场继续保留其领先地位，总共售出了 500,756 台。这比 2012 年售出的 431,350 台多了 16.1% 。’

照片由
TTG Asia Media

我谨代表董事会介绍 2013 年度常年报告。我非常高兴的向大家宣布集团已经恢复盈利。股东应得净利润达 4,530 万新元，远远超越 2012 年 3,490 万新元的净亏损。这主要归因予 2013 年更高的营收，达 46 亿新元，比 2012 年的 41 亿新元营收高出10.7%。

集团营收之所以有这么大的跃进有很大的部分归因于引擎单元（“玉柴”）较高的销售额，增加了 5.985 亿新元。然而，和去年相比，集团的家电产品单元的销售额（“新飞”）滑落了 1.406 亿新元、工业包装单元（“利士”）少了 990 万新元，而建筑材料单元（“BMU”）也下降了 400 万新元。空调系统部门（“欧威尔”）的营业额则上升了 1,040 万新元。与 2012 年的 9.188 亿新元毛利相比，2013 年的毛利达 9.685 亿新元有些许进步，其中一大原因是较高的销售额。毛利润率则从 2012 年的 22.3% 稍微下降至 21.3%，原因是原料与劳工成本的增加。

虽然销售额增加了，但 2013 年的销售费用，管理费用以及财务费用则有所降低。另一方面，研发费用的开销因更多的玉柴引擎的研发费用而有所增加。

本年度归属于母公司所有者的净利润增加至 4,530 万新元主要是归因于玉柴的利润增长，新飞损失减少以及 2012 年度新飞计提的资产减值准备。该固定资产减值损失是依据财务报告准则 (FRS) 第 36 条款于 2012 年进行。如不包括该固定资产减值，集团在 2012 年的盈利应是 1,680 万新元。

$2.4亿
新元
2013 年
税前利润

集团每股的净资产值于 2013 年是 2.25 新元（在 2012 年则是 2.07 新元）。每股按加权基础及全面稀释基准计算的净盈利为 12.11 分。

家电产品单元（“新飞”）

2013 年，中国经济成长了 7.7%，这是自 2008 年以来最缓慢的增长幅度。中国的白色家电销量随着国家经济增长减缓而降低。尽管节能计划在全国范围内开展，白色家电的需求量仍然面临挑战。

2013 年，新飞的销售记录是 6.199 亿新元，比前一年少了 18.5%。然而，毛利润率稍微上升了 1.1%，达 22.7%。这是因为较低的原料成本及其他降低成本的措施。不断上升的劳工成本与激烈的价格竞争一直对利润施加压力。新飞在这年的较低运作损失是因为销售费用, 研发费用 与 管理费用的降低。

随着新市场营业计划的实施与媒体广告的展开，新飞在 2013 年第四季度的销售额的下降与前一年同时期相比有所进步，因而缩小了 2013 年全年的销售额下滑度。

2013 年，新飞的税后亏损为 4,010 万新元，比起 2012 年的 1.258 亿新元的亏损有所改善，原因是 2012 年度的亏损包括了 5,740 万新元的固定资产减值。如不包括该固定资产减值，新飞在 2012 年的亏损应只有 6,840 万新元。

在 2013 年 11 月，新飞成功推出了莱铂锐冰箱系列 。该系列冰箱在中国市场继续受欢迎，并以飞达仕 (FEDDERS) 品牌出口至其他国家。莱铂锐的冰箱系列设计也受到了肯定，在香港组办的 “亚洲最具影响力设计奖” 中获得优异奖。

柴油引擎单元（“玉柴”）

中国汽车工业协会汇报了 2013 年度的柴油引擎销售额比 2012 年增长了 10.8%。玉柴在 2013 年的中国柴油引擎市场继续保留其领先地位，总共售出了 500,756 台。这比 2012 年售出的 431,350 台多了 16.1%。玉柴之 22.5% 的营收增加主要是由于卡车、巴士和农用发动机的强劲增长，不受较低的工业、船用和其他发动机的销售额影响。

位于南宁的新研究与开发中心的完成并已经启用。该研究与开发中心将注重于新发动机产品与部件的研发，尤其是排放控制和节省燃油系统，也同时专注于提高产品品质。

新铸造厂第二阶段的工程已在 2013 年初竣工，现已全面运作。新铸造厂不只提高生产力，也改善铸件的质量。

2013 年，玉柴的税后利润是 1.992 亿新元，超越了 2012 年的 1.621 亿新元。

建筑材料单元（“BMU”）

“预制件” 支部的较低销售额大大降低了营收，主要是因为外劳短缺所导致的工程延误所造成的。然而，预拌混凝土和贸易部门的较高销售额减缓了营收的下滑。

在马来西亚，大石有限公司（“大石”）的销售比去年稍微增加，主要是水泥销量增。但是激烈的价格竞争使到利润下降少许。总的来说，大石的税后利润比前一年来的高。

2013 年，BMU 的营收是 5.315 亿新元，税后利润为 6,680 万新元。2012 年度的的营收则是 5.355 亿新元，税后利润为 6, 780 万新元。

工业包装单元（“利士”）

利士的营收是 8,210 万新元，比起前一年的 9,210 万新元下跌了 10.8%。营收下跌主要是因为一个大客户转向其他供应商。集团已拟定一份销售额挽回计划，但要利士完完全全地从损失的销售额中恢复过来需要一段时间。

利士的营业表现也受较低的销售额与较高的原料成本影响。

2013 年，利士承受的税后亏损达 160 万新元，少于 2012 年的 220 万新元。

空调系统单元（“欧威尔”）

欧威尔在 2013 年售出了 63,810 台的空调机，总营收是 3,640 万新元。产品主要是销售到欧洲国家的客户。

欧威尔于 2013 年蒙受了较高的税后亏损，达 2,230 万新元。这包括了 380 万新元的存货跌价准备及 570 万新元的专利及开发成本减值准备。如不包括

该存货跌价及成本减值准备，营运亏损应为 1,280 万新元。其部门于 2012 年的税后亏损是 1,000 万新 元 。

现金流量

2013 年底，集团的现金和短期存款余额为 11 亿新元，比 2012 年底的 10 亿新元多了 1 亿新元。其中玉柴拥有约8亿元绝大多数的现金与短期存款。

集团经营活动共产生 1.734 亿新元的现金。现金是从营业利润中取得的，并用来提高存货及应收账款，及其它应收款，但有一部分被应付账款及其它应付款抵 销。

在这一年中，集团投资了 1.122 亿新元购买物业、厂房及设备，以及 1,860 万新元购买土地使用权。

在财务活动方面，集团于 2013 年底的贷款额是 9.963 亿新元，与 2012 年同时期的 9.145 亿新元相比，增加了 8,180 万新元。

展望

2013 年的全球 3% 的经济成长只比国际货币基金组织 (IMF) 于 2013 年 10 月发表的 2.9% 预测稍微高了一点。中国的国内生产总值于 2013 年在中国政府为提高产量、零售及投资而作的各项支援措施提升至 7.7 %，超越了之前的 7.5% 的增长目标。新加坡的经济于 2013 年的财政年度增长了 4.1%，超出了官方预测的 3.5% 至 4.0% 最高点。

国际货币基金组织在 2014 年 1 月发表的 2014 年全球经济增长预测为 3.7%，而美国与新兴市场 2014 年的增长预测分别为 2.8% 与 5.1%。在集团拥有最大曝险的中国，2014 年的增长将放缓至 7.5%。

柴油引擎于 2014 年的需求因中国于 2013 年 7 月 1 日实施的国四柴油引擎的排放标准而产生的预先购买潮逐渐减弱而应有较舒缓的增长。

与消费类电子产品挂钩的白色家电预计将面临挑战，并持续因产能过剩和低消费需求而保留其高竞争性。这些挑战将继续影响新飞 于 2014 年的营业表 现。

在新加坡，建筑材料的需求已因整个建筑业的放缓逐渐疲弱。预拌混凝土的平均售价已因产能过剩及竞争者压低价格以抢占市场份额而滑落。印尼政府于 2014 年 1 月 12 日禁止输出包括花岗石在内的多种矿石。尽管新加坡政府已从全国储备中拨出存货以暂时舒缓中断的供应，花岗岩 的价格继续攀升。然而，集团在柔佛州拥有并营运花岗岩采石场，将继续供应花岗岩给其新加坡的业务。

在马来西亚，建筑业在 2013 年第四季度取得较缓慢的经济增长，只得 9.7%，比 2012 年第四季度的 17.6% 少了许多。即使已出现放缓的迹象，许多大型项目如大众交通地铁（“MRT”）与轻轨列车（“LRT”）扩建工程将预计能使建筑行业持续蓬勃至少几个季度。

中国的空调市场业非常庞大，但竞争也非常激烈。欧威尔将继续注重于内销市场以提高业绩。

总体来说，集团预计玉柴与 BMU 将继续表现优异，但其他业务单元的业务状况将继续面临挑战。

如无意外，包括中国政府政策的任何变化及任何极端的商业环境变化在内，集团预计于 2014 年第一季度与全年出现盈余。集团将继续因其多数业务在新加坡境外而得承受汇率波动风险。

股息

鉴于 2013 年的较优越业务表现，尽管面临极具挑战性的营业环境，董事会提议将末期派息提高至每股 3 分，比前个财政年度的每股 2 分来的多。如经公司成员于即将举行的常年股东大会上通过，这将使 2013 年度的总股息为每股 4 分，包括年中已分发的每股 1 分的中期股息。

致谢

我谨代表董事会感谢股东、客户、业务伙伴、管理人员和员工提供一如既往的支持！

郭令明
主席
2014 年 3 月 17 日

CORPORATE STRUCTURE

CONSUMER PRODUCTS

CHINA
Henan Xinfei Electric Co., Ltd.
Henan Xinfei Household Appliance Co., Ltd.
Henan Xinfei Refrigeration Appliances Co., Ltd.

DIESEL ENGINES

BERMUDA
China Yuchai International Limited

CHINA
Guangxi Yuchai Machinery Company Limited

BUILDING MATERIALS

Cement & Granite Division
SINGAPORE
HL Building Materials Pte. Ltd.
Singapore Cement Manufacturing Company (Private) Limited

MALAYSIA
Tasek Corporation Berhad

Ready-Mix Concrete Division
SINGAPORE
Island Concrete (Private) Limited

Pre-Cast Concrete Division
SINGAPORE
HL Building Materials Pte. Ltd.

MALAYSIA
HL-Manufacturing Industries Sdn. Bhd.

Quarry Division
MALAYSIA
Hayford Holdings Sdn. Bhd.

AIR-CONDITIONING SYSTEMS

CHINA
Airwell Air-conditioning Technology (China) Co., Ltd

S.E.A.
Fedders International Pte Ltd

INDUSTRIAL PACKAGING

CHINA
Shanghai Rex Packaging Co., Ltd.
Tianjin Rex Packaging Co., Ltd.
Donguan Rex Packaging Company Limited

HONG KONG
Rex Packaging (Hong Kong) Limited

MALAYSIA
Rex Plastics (Malaysia) Sdn. Bhd.
Rexpak Sdn. Bhd.

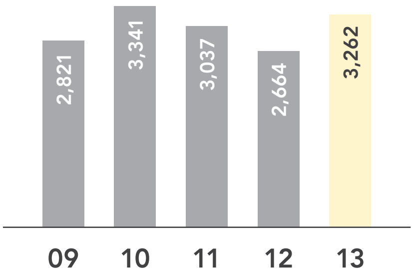
SINGAPORE
Hong Leong (China) Limited
Rex Holdings Pte Ltd
Rex Plastics Pte. Ltd.

OTHERS

HOSPITALITY & PROPERTY DEVELOPMENT
HL Global Enterprises Limited

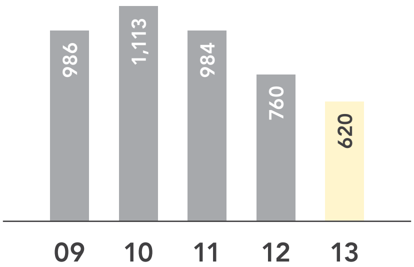
OPERATIONS HIGHLIGHTS

DIESEL ENGINES



REVENUE
(in $ million)

CONSUMER PRODUCTS



REVENUE
(in $ million)

AIR-CONDITIONING SYSTEMS

REVENUE
(in $ million)

DIESEL ENGINES

China Yuchai International is listed on the New York Stock Exchange. Its principal subsidiary, Guangxi Yuchai manufactures, assembles and sells diesel engines for trucks, buses, vans, construction/agricultural applications. Guangxi Yuchai evolved into the largest single diesel engine facility and has been ranked one of the largest diesel engine manufacturers in unit sales by the China Association of Automobile Manufacturers for the past several years. Guangxi Yuchai expanded its manufacturing facility in Xiamen and established joint ventures in Zhejiang, Shandong, Anhui and Suzhou to manufacture diesel engines for passenger vehicles, heavy duty trucks and also remanufactured components to service Yuchai engines.

CONSUMER PRODUCTS

Xinfei is one of the leading manufacturers of major consumer appliances in China. Through its well-established nationwide distribution network in China, Xinfei offers a range of major consumer appliances which include fridges, freezers, wine chillers, air conditioners and washing machines to its consumers and commercial customers in China. Xinfei is known for its high quality products and reliable after-sales service. Xinfei exports its products to various overseas markets.

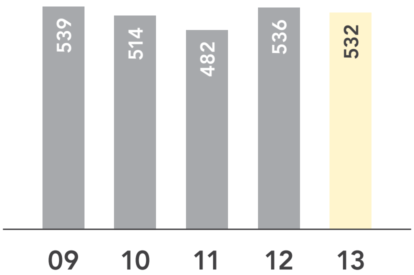
AIR-CONDITIONING SYSTEMS

Airwell Air-conditioning Technology (China) Co., Ltd. (AAT) is engaged in the design, manufacture and distribution of air-conditioning systems, offering central AC systems, multi-split, residential heat pump, floor heating, variable refrigerant flow systems (VRF), fan coil, air cooled and water cooled chillers and air handling units. Its products are used in private households, large residential, commercial and industrial applications. AAT exports its products overseas to Asia and to Europe.

BUILDING MATERIALS

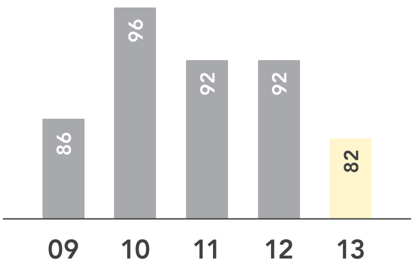
Hong Leong Asia Ltd.'s Building Materials unit ("BMU") is one of the largest suppliers of essential building materials to the construction industry of Singapore. BMU sells all grades of ready mixed concrete out of nine separate locations in Singapore. It is also the largest producer of precast concrete elements for public housing construction, all of which are fabricated in its factories

BUILDING MATERIALS



REVENUE
(in $ million)

INDUSTRIAL PACKAGING



REVENUE
(in $ million)

in Singapore and Senai, Malaysia. BMU imports and distributes cement in Singapore and also operates a granite quarry in Johor, Malaysia. BMU is reputable for the quality of its products, and for the reliability in its deliveries. The proof of this can be seen in the many buildings and infra-structure developments in Singapore, which have been constructed using BMU's products. In Malaysia, Hong Leong Asia Ltd.'s subsidiary, Tasek Corporation Berhad is the fourth largest cement producer, which is now going through a period of major growth.

INDUSTRIAL PACKAGING

Rex Industrial Packaging unit has manufacturing operations in China and Malaysia Rex packaging covers key markets such as personal care, household, food and beverage, lubricant and chemicals and has manufacturing operations in China and Malaysia.

OTHERS

This is Hong Leong Asia's indirect investment in HL Global Enterprises Limited ("HLGE"). HLGE is primarily engaged in investment holding, hospitality and property development businesses.

BOARD OF DIRECTORS

KWEK LENG BENG

KWEK LENG PECK

PHILIP TING SII TIEN @ YAO SIK TIEN

KWEK LENG BENG

Appointed non-executive Chairman since 3 January 1995 and non-executive Director since 25 November 1981, Mr Kwek also sits on the Nominating Committee ("NC") of Hong Leong Asia Ltd. ("HLA"). He was last re-appointed a Director of HLA on 25 April 2013. He is the Executive Chairman of City Developments Limited ("CDL"), Chairman and Managing Director of Hong Leong Finance Limited ("HLF") and City e-Solutions Limited ("CES"), and non-executive Chairman of Millennium & Copthorne Hotels plc ("M&C"). He is also the Executive Chairman of Hong Leong Investment Holdings Pte. Ltd., the Company's ultimate holding company.

Mr Kwek holds a law degree, LL.B. (London) and is also a fellow of The Institute of Chartered Secretaries and Administrators. He has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as HLF). He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr Kwek's other appointments include being a member of the East Asia Council of INSEAD since its inception in 2003 and board member of Singapore Hotel Association. He was also conferred Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) and Honorary Doctorate from Oxford Brookes University (UK).

At the Securities Investors Association Singapore (SIAS) Investors' Choice Awards in October 2012, Mr Kwek (as Executive Chairman of CDL), together with Mr Kwek Leng Joo (as Managing Director of CDL), emerged joint winners as "Partners in the Office of the CEO" in the Brendan Wood International – SIAS TopGun CEO Designation Award. This Award is accorded to CEOs who are best in class rated by shareholders.

In February 2014, Mr Kwek was also presented with the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award which was introduced to honour a pioneering group of real estate industry leaders in Singapore.

KWEK LENG PECK

Appointed to the Board since 1 September 1982 and is now an Executive Director of HLA, Mr Kwek also sits on the Hong Leong Asia Share Option Scheme 2000 Committee ("SOSC"). He was last re-elected a Director of HLA on 25 April 2013. He is the non-executive Chairman of Tasek Corporation Berhad ("TCB") and a non-executive Director of CDL, HLF, M&C and China Yuchai International Limited ("CYI").

Mr Kwek holds a Diploma in Accountancy and has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management.

PHILIP TING SII TIEN @ YAO SIK TIEN

Appointed as Director and Chief Executive Officer ("CEO") of HLA since 14 January 2013, Mr Ting was

ERNEST COLIN LEE

GOH KIAN HWEE

QUEK SHI KUI

re-elected on 25 April 2013. He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd, Executive Director and Group CEO of TCB and a non-executive Director of HL Global Enterprises Limited and Thakral Corporation Ltd.

Mr Ting was previously the Group Chief Financial Officer ("CFO") of HLA and CFO of CYI. He has over 28 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft (Singapore) and Bank of Montreal, Singapore. He is an associate member of the Institute of Chartered Accountants in England and Wales.

ERNEST COLIN LEE

Appointed a non-executive Director of HLA since 3 April 2000, Mr Lee was last re-appointed on 25 April 2013. He is also the chairman of the NC, Remuneration Committee ("RC") and SOSC as well as a member of the Audit Committee ("AC") of HLA. He was also appointed as Lead Independent Director of HLA on 26 February 2013.

Mr Lee holds a Bachelor of Civil Engineering (Honours) degree (University of Queensland, Australia). He is a professional project consultant and has extensive experience in management, engineering and business development in Singapore and Australia.

GOH KIAN HWEE

Appointed a non-executive Director of HLA since 15 March 2004, Mr Goh was last re-elected on 25 April 2012. He also sits on the AC, RC and SOSC of HLA. He is also a non-executive Director of Hwa Hong Corporation Limited and CapitaCommercial Trust Management Limited. In the preceding 3-year period, he was a non-executive Director of Achieva Limited until his retirement in April 2011.

Mr Goh is a Senior Partner of Rajah & Tann LLP, a legal firm, and has over 30 years' experience in corporate and capital markets law. He holds a LL.B. (Honours) degree (University of Singapore) and has been a practising lawyer since 1980.

QUEK SHI KUI

Appointed a non-executive Director of HLA since 28 April 2005, Mr Quek was last re-appointed on 25 April 2013. He is also the chairman of the AC and a member of the NC, RC and SOSC of HLA.

A Chartered Accountant, Mr Quek has extensive auditing, accounting and financial experience in Singapore and overseas. He was previously a managing partner of an international accounting firm in Singapore.

Mr Quek is a member of the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore ("ICPAS")), the ACCA United Kingdom, the Malaysia Institute of Accountants and the Singapore Institute of Directors. He also serves as Chairman of the Board of Trustees, ACCA Singapore. He was formerly a council member of ICPAS and was awarded an ICPAS Gold medal for his contributions and services to the accountancy profession and the community on 3 November 2011.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Board Chairman
Kwek Leng Beng - *Non-executive*

Executive
Kwek Leng Peck
Philip Ting Sii Tien @ Yao Sik Tien
- *Chief Executive Officer*

Lead Independent Director
Ernest Colin Lee

Non-Executive
Goh Kian Hwee - *Independent*
Quek Shi Kui - *Independent*

AUDIT COMMITTEE

Quek Shi Kui - *Chairman*
Ernest Colin Lee
Goh Kian Hwee

NOMINATING COMMITTEE

Ernest Colin Lee - *Chairman*
Kwek Leng Beng
Quek Shi Kui

REMUNERATION COMMITTEE

Ernest Colin Lee - *Chairman*
Quek Shi Kui
Goh Kian Hwee

HONG LEONG ASIA SHARE OPTION SCHEME 2000 COMMITTEE

Ernest Colin Lee - *Chairman*
Kwek Leng Peck
Quek Shi Kui
Goh Kian Hwee

SECRETARIES

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin

INVESTOR RELATIONS

Goh Cher Shua
Chief Financial Officer
Email : csgoh@corp.hla-grp.com
Tel : (65) 6220 8411
Fax : (65) 6226 0502

REGISTERED OFFICE

16 Raffles Quay
#26-00 Hong Leong Building
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Tel : (65) 6220 8411
Fax : (65) 6222 0087 / 6226 0502
Website : www.hlasia.com.sg

REGISTRARS & TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel : (65) 6227 6660
Fax : (65) 6225 1452

AUDITORS

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

(Partner-in-charge : Chan Yew Kiang, appointed from commencement of the financial year ended 31 December 2013)

PRINCIPAL BANKERS

CIMB Bank Berhad
DBS Bank Ltd
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE GOVERNANCE REPORT

Hong Leong Asia Ltd. ("**HLA**" or the "**Company**") is committed to maintaining good corporate governance and business integrity in all its business activities.

This report sets out HLA's corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). Where the Company's practices differ from the recommendations under the 2012 Code, the Company's position in respect of the same is also set out in this report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Primary Functions of the Board

The Board oversees the Company's business and its performance. Its primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial and human resources are in place for the Company to meet its objectives, review the Group's performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("**IT**") controls) and risk management for the safeguarding of shareholders' interests and the Company's assets, and assume responsibility for good corporate governance.

Independent Judgment

All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and also voluntarily abstain from deliberation on the same. The Board has established the Nominating Committee ("**NC**") which recommends to the Board, the appointments/re-appointments to the Board and Board Committees and assesses the independence of Directors. When assessing the independence of Directors, the NC takes into account the individual Director's objectivity, independent thinking and judgment.

Delegation by the Board

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Audit Committee ("**AC**"), the NC, the Remuneration Committee ("**RC**"), and the Hong Leong Asia Share Option Scheme 2000 ("**SOS**") Committee ("**SOSC**"), all collectively referred to hereafter as the Board Committees. Clear written terms of reference for each of the Board Committees set out the authority and duties of the Board Committees. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance. The composition of each Board Committee can be found under the 'Corporate Directory' section in this Annual Report 2013 ("**AR**").

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective written terms of reference and/or limits of delegated authority, and yet without abdicating its responsibility. Please refer to the sections on Principles 4, 5, 7, 11 and 12 in this report for further information on the activities of the NC, RC and AC. Information on the activities of the SOSC is set out in the Directors' Report on pages 41 to 43 and the Financial Statements on pages 131 to 134 of the AR.

Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than 4 times a year. The proposed meetings for the Board and all Board Committees except for the SOSC for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of the calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including key deliberations and decisions taken are maintained by the Company Secretary. The Company's Articles of Association allow for the meetings of its Board and the Board Committees to be held *via* teleconferencing. The Board and Board Committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at meetings of the Board and the Board Committees as well as the frequency of such meetings during the financial year ended 31 December 2013 ("**FY 2013**"), are disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group.

Directors' Attendance at Board and Board Committee Meetings in 2013

Number of meetings held in 2013:	**Board**	**AC**	**NC**	**RC**
	4	5	1	2
Name of Directors	**Number of meetings attended in 2013**			
Kwek Leng Beng	4	N.A.	1	N.A.
Kwek Leng Peck	4	N.A.	N.A.	2[(a)]
Philip Ting Sii Tien @ Yao Sik Tien[(b)]	4	4[(a)]	N.A.	N.A.
Francis Yuen Kin Pheng[(b)]	N.A.	1[(a)]	N.A.	N.A.
Ernest Colin Lee	4	5	1	2
Goh Kian Hwee	4	5	N.A.	2
Quek Shi Kui	4	5	1	2

Notes:

(a) Attendance by invitation for all or part of the meeting.

(b) Mr Philip Ting was appointed a Director and Chief Executive Officer of the Company on 14 January 2013 in place of Mr Francis Yuen.

No meeting of the SOSC was held in 2013.

Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board such as the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the relevant business units, decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector, corporate or financial restructuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Articles of Association. Management is fully apprised of such matters.

Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director, the Group's businesses, Board processes, corporate governance practices, relevant policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Group's businesses, board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access in future to the Management team. The programme also includes briefings by the Management team on key areas of the Group's operations. Mr Philip Ting, who was appointed a Director and Chief Executive Officer ("**CEO**") of the Company on 14 January 2013, was briefed by the Company Secretary on the obligations as a director under the relevant legislations and regulations and the Company's internal corporate governance practices.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Company Director ("**LCD**") Programme conducted by the Singapore Institute of Directors ("**SID**") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the 2012 Code. The Company Secretary will co-ordinate with such Director to endeavor to complete the LCD Programme within one year from his date of appointment subject to SID's training schedule and the Director's availability.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID, and the Directors are encouraged to attend such training at the Company's expense. Three in-house seminars were conducted by invited speakers in 2013 on topics relating to highlights of the Singapore 2013 Budget, the obligations under the Personal Data Protection Act 2012 and changes to financial reporting standards and the tax landscape. In addition to the training courses/programs, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

Senior Management Team

The Board through the NC reviews the appointments and reasons for resignations and terminations of the CEO (if not a Director), Chief Operating Officer ("**COO**"), Chief Financial Officer ("**CFO**") and other relevant Senior Management staff.

Corporate Values and Conduct of Business

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has in place an internal code of business and ethical conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Group's businesses in their relationships with customers, suppliers and amongst employees, including situations where there are potential conflicts of interests.

Internal Code on Dealing in Securities

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such securities, and (c) during the "closed period" which is defined as 2 weeks before the date of announcement of results for each of the first 3 quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Group are notified prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises 6 members, 2 of whom are executive Directors, while the other members of the Board are non-executive Directors ("**NEDs**"). Of the 4 NEDs, the NC has recommended and the Board has determined 3 of them, being half of the Board, to be independent ("**3 IDs**"), thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. For purposes of determination of independence, the 3 IDs, namely Mr Ernest Colin Lee, Mr Goh Kian Hwee and Mr Quek Shi Kui also provided annual declarations regarding their independence.

When reviewing the independence of the 3 IDs, the NC has considered their other directorships, annual declaration regarding their independence, and their ability to maintain objectivity in their conduct as Directors of the Company. In addition, when determining the independence of Messrs Ernest Colin Lee and Goh Kian Hwee who have served on the Board for more than 9 years, the NC has given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond 9 years be subject to particularly rigorous review. Mr Goh Kian Hwee is a partner of a legal firm (with less than 5% stake) which renders professional legal services to the Group from time to time. The amount of the fees paid to his legal firm for FY 2013 was less than $200,000. Having reviewed the NC's recommendation, the Board (with Mr Lee and Mr Goh abstaining) have determined both of them to be independent notwithstanding that they have served on the Board beyond 9 years as they have continued to demonstrate independence in character and judgment in the discharge of their responsibilities as Directors of the Company.

Board Composition and Size

The NC reviews the size and composition mix of the Board and Board Committees annually. The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Taking into account the scope and nature of the operations of the Group, the current composition mix and size of the Board facilitates effective decision making by the Board. The NC has noted the results of a study done on the percentage of female representation on SGX-listed boards and female representation in boardrooms globally. It is generally supportive of gender diversity on the board and the Board would continue to review and take the same into consideration in any new appointment of director.

NEDs' Participation

NEDs are encouraged to participate actively in Board meetings in the development of the Group's strategic plans and direction, and in the review and monitoring of Management's performance against budgets. To facilitate this, they are kept informed of the Group's businesses and performance through monthly and quarterly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees established by the Board to provide constructive input and the necessary review and monitoring of performance of the Group and Management.

Principle 3: Chairman and CEO

Role of Chairman and the CEO

The Chairman of the Board is Mr Kwek Leng Beng who is a NED while the CEO is Mr Philip Ting, who was appointed on 14 January 2013. There is a clear division of responsibilities between the Chairman and the CEO. As Chairman of the Board, Mr Kwek bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring that sufficient time is allocated for discussion of agenda items at Board meetings, promoting an open environment within the Board room for constructive debate, encouraging the NEDs to speak freely, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At annual general meetings and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The CEO, Mr Ting who is a key management staff, bears executive responsibility for the performance of the Group and the achievement of the corporate goals set for the Group. The CEO is not related to the Chairman.

Lead Independent Director

In view that the Chairman of the Board, Mr Kwek Leng Beng is not an independent Director, the Board in line with the recommendation under the 2012 Code has appointed Mr Ernest Colin Lee as Lead Independent Director ("**Lead ID**") on 26 February 2013 to serve as a sounding board for the Chairman of the Board and also as an intermediary between the NEDs and the Chairman of the Board. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. Under the chairmanship of the Lead ID, a meeting of the independent Directors was convened in 2013 without the presence of Management or the Chairman of the Board.

Principle 4: Board Membership

NC Composition and Role

2 out of the 3 members of the NC are independent. The NC chairman is also the Lead ID. Please refer to the 'Corporate Directory' section on page 16 of the AR, for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference, approved by the Board, is to review all Board and Board Committee composition and membership, determine Director's independence, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of Senior Management which includes the Executive Director ("**ED**"), CEO, COO, CFO and other relevant senior management staff and review Directors' training and continuous professional development programme. The Company Secretary maintains records of all NC meetings including records of key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**NC Self-Assessment Checklist**").

The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference, and considered also the contribution of NC members to the deliberation and decision-making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Re-nomination of Directors

The NC reviews annually the nomination of the relevant Directors for re-election and re-appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and re-appointment, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple board representations and/or other principal commitments, and also reviews their independence.

The Articles of Association of the Company provide that not less than one-third of the Directors for the time being shall retire as Directors at each annual general meeting of the Company ("**AGM**"). All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for re-election at the said AGM.

Excluding the Directors above 70 years of age who are subject to annual re-nomination, namely Messrs Kwek Leng Beng, Ernest Colin Lee and Quek Shi Kui, the remaining Directors of the Company will retire about once in every 3 years. In accordance with the Articles of Association of the Company, Mr Goh Kian Hwee retiring by rotation, has offered himself for re-election at the forthcoming AGM ("**2014 AGM**").

Criteria and Process for Nomination and Selection of New Directors

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in the related industries, and finance, legal and accounting professions. Assistance may also be obtained from professional executive search firms engaged to source for suitable candidates for the NC's consideration.

The NC meets with the proposed candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an independent NED; (b) the composition requirements for the Board and Board Committees (if the candidate is proposed to be appointed to any of the Board Committees); (c) the candidate's age, gender, track record, experience and capabilities or such other factors as may be determined by the NC to be relevant and which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations and/or other principal commitments.

The NC had recommended the appointment of Mr Philip Ting as a Director and CEO of the Company, taking into consideration the wealth of his financial and business experience. The Board accepted the NC's recommendation and Mr Ting was appointed on 14 January 2013.

Directors' Time Commitments

When considering the nomination of Directors for appointment or re-election/re-appointment, the NC also takes into account the competing time commitments faced by Directors with multiple board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which is also evident in their level of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. Having considered this issue, the NC does not recommend setting a maximum number of listed board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

Key Information on Directors

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and additional information in the notice of AGM for Directors proposed for re-election and re-appointment at the 2014 AGM. Currently, no alternate Directors have been appointed in respect of any of the Directors.

Succession Planning for the Board

The Board believes in carrying out succession planning for itself to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Group's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

Board Development

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2013 are set out in the paragraph above under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The NC's assessment of the performance of the Board Committees is assisted by the reports provided by the chairmen of the Board Committees.

The annual evaluation process for each individual Director's performance comprises 3 parts: (a) background information concerning the Directors including their attendance records at Board and Board Committee meetings; (b) questionnaires for completion by each individual Board member; and (c) NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors. When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of each of the Directors are also used by the NC, in its consultation with the Chairman of the Board (who is also a member of the NC), to review, where appropriate, the composition of the Board and Board Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the re-appointment and re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria
The qualitative criteria are set out in a questionnaire covering 3 main areas relating to Board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprise quarterly performance indicators which include a comparison of the Group's performance (including segmental performance) for the financial period under review against that of the corresponding period of the previous year and the Group's budget as well as longer term indicators such as the Company's share price performance over a 5-year period and *vis-à-vis* the Singapore Straits Times Index.

Individual Director Evaluation Criteria
Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and Board Committee meetings including his contribution to Board processes and the business strategies and performance of the Group.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management
Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing where possible and practicable, complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. Directors have separate and independent access to Management.

Draft agendas for Board and Board Committee meetings are circulated to the Chairman of the Board and the chairmen of the Board Committees, in advance, for them to review and suggest items for the agenda. The Board and the Board Committees are also furnished with routine reports, where applicable from the various departments of the Company. Each of the chairmen of the AC, NC, RC and SOSC provides an annual report of the respective committees' activities during the year under review to the Board. The minutes of meetings of the Board Committees are circulated to all Board members.

Company Secretary
The Company Secretary, whose appointment and removal are subject to the Board's approval, attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all applicable statutory and regulatory rules. Together with Management, she also advises the Board Chairman, the Board and Board Committees on corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Board Committees, and continuing training and development for the Directors.

On an ongoing basis, the Directors have separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined.

Independent Professional Advice

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

RC Composition and Role

The RC comprises 3 NEDs, all of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("**KMP**").

The Company has in place a remuneration framework for the Directors and the KMP. The Company currently identifies its ED, CEO and CFO who is a member of the Senior Management team outside the Board, as its KMP. On an annual basis, the RC reviews the annual increments, and year-end and variable bonuses to be granted to the KMP.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC has access to appropriate advice from the Company's Head of Group Human Resources ("**HR Head**"), who attends all RC meetings. In addition, Mercer (Singapore) Pte Ltd ("**Mercer**"), a remuneration consultant firm from outside the Company was appointed to provide advice on the level of remuneration appropriate for positions equivalent to the KMP. The Company does not have any relationship with Mercer. The Company Secretary maintains records of all RC and SOSC meetings including records of key deliberations and decisions taken.

Two meetings of the RC were convened during 2013. For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**RC Self-Assessment Checklist**").

The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision-making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Principle 8: Level and Mix of Remuneration

Remuneration of Directors and KMP

In reviewing the remuneration packages of the KMP, the RC, with the assistance of the HR Head, considers the level of remuneration based on the Company's remuneration policy which comprises the following 3 distinct objectives:

- to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;
- to reward employees for achieving corporate and individual performance targets in a fair and equitable way; and
- to ensure that the remuneration reflects employees' duties and responsibilities.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, the Group's business units and individual employee's performance. In designing the compensation structure, the Company seek to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between the current and longer term.

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances which the Company benchmarks with the relevant industry market median), a variable component (comprising short-term incentives in the form of year-end and variable bonuses and long-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable. The variable components take into account amongst other factors, the KMP's performance, the Group's performance, the business unit's performance and industry practices. The Company exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promote the long-term success of the Company.

The mix of fix and variable reward is considered appropriate for the Group and for each individual role. The overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Group's risk profile. The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth.

The KMP are remunerated on an earned basis and there are no termination, retirement and post-employment benefits in their contracts of employment.

The SOS is a long term incentive plan. KMP who have a greater ability to influence the Group's outcomes have a greater proportion of overall reward at risk. It is put in place to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key good employees to achieve superior performance and to motivate them to continue to strive for the Group's long-term shareholder value. It also aims to strengthen the Group's competitiveness in attracting and retaining talented key senior management employees. There is no provision in the SOS which requires the EDs and KMP to continue to hold their shares upon exercise of the options. Options granted under the SOS to EDs and KMP are already deferred and vest progressively over a period of 3 years. To-date, the Company has granted only Market Price Options (as defined in the SOS). Information on the SOS is set out in the Directors' Report on pages 41 to 43 and the Financial Statements on pages 131 to 134 of the AR.

The Company has the discretion not to award variable incentives in any year to an executive if he/she is directly involved in a material restatement of financial statements or of misconduct resulting in restatement of financial statements or of misconduct resulting in financial loss to the Group.

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compares the Company's fee structure against industry practices. Other factors taken into consideration in the fee review includes frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review and changes. No Director is involved in deciding his own remuneration.

There is no restriction on Directors holding shares in the Company. The NEDs are eligible to participate in the SOS. The grant of options under the SOS to the NEDs is subject to the SOSC's recommendation and the Board's endorsement.

The SOSC has adopted the use of a claw-back provision within the letter of offer for the grant of options in 2014, to the employees of the Group (including the EDs and KMP) to allow the Company to recover or cancel the options in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (comprising short-term incentives in the form of year-end and variable bonuses and longer-term incentives in the form of the grant of share option subject to a vesting schedule) and benefits-in-kind, where applicable.

Information on the SOS is set out in the Directors' Report on pages 41 to 43 and the Financial Statements on pages 131 to 134 of the AR.

Each of the Directors receives a base Director's fee. The Board Chairman receives an additional fee and Directors who serve on the various Board Committees (other than the SOSC) also receive additional fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees receiving a higher fee in respect of their service as chairman of the respective committees. An additional fee is also proposed for payment to the Lead ID to reflect his expanded responsibility.

The Directors' remuneration for FY 2013 with the breakdown in percentage terms, is set out below.

Directors' Remuneration for FY 2013

	Base Salary [1]	Variable Bonuses/ Allowances [1]	Board/ Board Committee Fees [2]	Share Option Grants [5]	Other Benefits	Total
	%	%	%	%	%	%
Executive Directors						
Above $1,250,000 up to $1,500,000						
Philip Ting Sii Tien @ Yao Sik Tien [6]	48 [3]	44 [3]	5 [4]	-	3	100
Above $750,000 up to $1,000,000						
Kwek Leng Peck	51	25	18 [4]	5	1	100
$250,000 and below						
Francis Yuen Kin Pheng [7]	101	-	3 [4]	-19	15	100
Non-executive Directors						
Kwek Leng Beng	-	-	100	-	-	100
Ernest Colin Lee	-	-	100	-	-	100
Goh Kian Hwee	-	-	100	-	-	100
Quek Shi Kui	-	-	100	-	-	100

Notes:

1. The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.
2. These fees comprise Board and Board Committee fees (excluding AC fees) for FY 2013, which are subject to approval by shareholders as a lump sum at the 2014 AGM as well as the AC fees for FY 2013 that had already been approved by shareholders at the 2012 and 2013 AGMs.
3. Include salary and variable bonuses/allowances for FY 2013 paid or payable by subsidiary(ies) of the Company.
4. Includes Directors' fees paid or payable by subsidiaries of the Company.
5. These relate to options granted during FY 2011. The fair value of the options as at the date of grant ranges from $0.98 to $1.44 for each share under option taking into account the vesting schedule using the Black Scholes method.
6. Mr Philip Ting was appointed a Director and CEO on 14 January 2013 and the Board fee payable to him for FY 2013 is pro-rated accordingly.
7. Mr Francis Yuen resigned as a Director and CEO on 14 January 2013. The base salary includes payment for his annual leave and notice in-lieu and the Board fee payable to him for FY 2013 is pro-rated accordingly.

Having considered the recommendations in the 2012 Code on disclosure of Directors' remuneration, the Board does not believe it is in the interest of the Company to disclose the Directors' remuneration to the nearest thousand dollars, and that the current disclosure on a named basis and in bands of $250,000 including the provision of a breakdown in percentage terms is sufficient.

The Board does not believe it to be in its interest to disclose the identity and remuneration of its CFO, being currently identified as the only KMP (not being a Director) having regard to the highly competitive human resource environment.

Remuneration of Director's Immediate Family Member for FY 2013
During FY 2013, none of the Directors had immediate family members not disclosed above who were or are employees of the Company and whose personal annual remuneration exceeded or exceeds $50,000.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of Board and Management
The Board provides shareholders with quarterly and annual financial results. Results for the first 3 quarters are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the CEO and the CFO provided assurance to the Board on the integrity of the quarterly and the full year unaudited financial statements. The CEO and the CFO also received similar representation letters from the various business units within the Group. The Board in turn provided a negative assurance confirmation in respect of the unaudited financial statements for the first 3 quarters to the shareholders in accordance with the regulatory requirements.

Management provides all Directors with monthly financial summary of the Group's performance including analysis of the same.

Principle 11: Risk Management and Internal Controls

Risk Management
An Enterprise Risk Management ("**ERM**") framework has been established by Management to formalise and document the internal processes to enable significant strategic, financial, operational, compliance and IT risks within the relevant Group companies to be identified, assessed, monitored, managed and evaluated. Strong emphasis is placed on creating risk awareness, promoting accountability and setting the appropriate tone at the top. Risk management training is conducted to communicate and enhance the Group's risk culture.

Risk committees (consisting of cross functional personnel) have been set up at both corporate and business unit levels to implement and maintain risk management policies and initiatives across the Group. The risk management processes at the key business units are driven by their respective risk committees, with regular reporting to the corporate risk committee (comprising members of senior management and headed by the CEO), who in turn reports to the AC. On an ongoing basis, Management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits.

Reports on risk management issues are presented by the ERM Manager to the AC on a regular basis. The IA's role includes independent review of the Group's risk management policies and systems.

Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls including financial, operational, compliance and IT controls, and risk management policies and systems. The boards of the Group's separately listed subsidiaries, namely China Yuchai International Limited and Tasek Corporation Berhad, are responsible for the oversight of their respective groups' internal control and risk management systems and the Directors rely on the Company's nominees to the board of directors of these listed subsidiaries to provide oversight together with the other board members on the adoption and implementation of appropriate corporate governance practices, internal control and risk management systems.

The internal controls structure of the Group has been designed and put in place by management of the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

The AC reviewed the adequacy of the Group's key internal controls that address the Group's financial, operational, compliance and IT controls, and risk management systems, with the assistance of the internal and external auditors and Management, who provide regular reports during the year to the AC in addition to the briefings and updates provided at the AC meetings.

Based on the work performed by IA during the financial year, as well as the statutory audit by EY, and the written assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls in place as at 31 December 2013 is adequate and effective in all material respects in the context of the current scope of the Group's business operations though improvements are needed especially on the Group's China operations.

The Board wishes to highlight that the majority of the Group's businesses are located in China, which is a challenging control environment to operate in.

As part of internal audit program for FY 2013, audit findings identified control weaknesses at some of the Group's other China subsidiaries. Management action plans based on IA's recommendations were developed to address these weaknesses. EY, during the audit of the financial statements of the Group, have also identified certain deficiencies in internal controls, which have been reported to the AC and are currently in the process of being rectified by management. Management has assessed and determined that the deficiencies do not have significant financial impact on the financial statements of the Group for FY 2013.

Management will continue to review and strengthen the Group's control environment, and further refine its internal policies and procedures. Management continues to devote resources and expertise towards improving the level of governance and internal controls, in particular for the Group's subsidiaries in China.

Principle 12: Audit Committee

Composition of AC

The AC comprises 3 NEDs, all of whom including the chairman of the AC are independent. 2 members including the AC chairman possess the relevant accounting or related financial management expertise and experience. With the current composition, the AC believes that it has the relevant accounting or related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Powers and Duties of the AC

The AC is authorised by the Board to investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external auditors, the internal auditors and Management. It may invite any Director, Management, officer or employee of the Group, the external auditors and internal auditors to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's financial reporting process (including reviewing the accounting policies and practices of the Company) and key internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements to be issued by the Group before their submission to the Board to ensure their completeness, consistency and fairness;

- to review the integrity of the financial statements of the Group to be announced or reported and any other formal announcements relating to the Group's financial performance;

- to assess the role and effectiveness of the internal audit ("**IA**") function in the overall context of the Group's internal controls and risk management systems;

- to review and approve the annual audit plans of the external and internal auditors;

- to review, on an annual basis, the scope and results of the external audit and its cost-effectiveness and the independence and objectivity of the external auditors, and also to review on a periodic basis the nature and extent of any non-audit services provided by the external auditors to the Group;

- to review quarterly and/or annually, as applicable, with Management, the internal and external auditors the results of their review and evaluation of the relevant Group companies' key internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems and report to the Board annually the adequacy and effectiveness of such internal controls;

- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;

- to approve the appointment, resignation or dismissal of the Head of IA;

- to review interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

- to review the Company's whistle-blowing policy and arrangements put in place for raising in confidence concerns about possible improprieties in matters relating to financial reporting or other matters; and

- to provide oversight of the risk management framework designed, established and implemented by Management for the identification, assessment, management and monitoring of risks, with the objective of embedding risk management processes into existing management processes.

The AC held 5 meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings including records of key deliberations and decisions taken. The AC meets with the internal and external auditors, each separately without the presence of Management, at least once annually.

For the financial year under review, the AC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("**AC Self-Assessment Checklist**"), based on the guidance from the Guidebook for Audit Committees in Singapore issued in October 2008 ("**ACGC Guidebook**").

The AC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the AC under its terms of reference, and also considered the contribution of AC members to the AC's deliberation and decision-making process.

Based on the self-assessment, the AC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

Taking cognizance that the external auditors should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of Ernst & Young LLP ("**EY**") and gave careful consideration to the Group's relationships with them during 2013. In determining the independence of EY, the AC reviewed the Group's relationships with them and considered the nature of the provision of the non-audit services in 2013 and the corresponding fees. The AC is of the opinion that the nature and amount of such non-audit services and fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that EY is, and is perceived to be, independent for the purpose of the Group's statutory financial audit. For details of the fees paid and/or payable to EY in respect of audit and non-audit services for FY 2013, please refer to note 24 of the Notes to the Financial Statements on page 127.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2014, the AC had considered the adequacy of the resources, experience and competence of EY. Consideration was also given to the engagement partner and key team members' experience in handling the audit of multi-listed entities under different jurisdictions. The size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into account. The AC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity.

EY has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 (read with Rule 716) of the Listing Manual in relation to the appointment of the Group's auditors.

On the basis of the above, the AC has recommended to the Board the nomination of EY for re-appointment as external auditors of the Company at the 2014 AGM.

Interested Person Transactions

On 30 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control, to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). The IPT Mandate was last renewed at the AGM held on 25 April 2013. As such Interested Person Transactions may occur at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the 2014 AGM for the renewal of the IPT Mandate.

The AC has confirmed that an independent financial adviser's opinion is not required for the renewal of the IPT Mandate as the methods and procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the IPT Mandate was obtained on 30 May 2003, and such methods and procedures continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Particulars of Interested Person Transactions required to be disclosed under Rule 907 of the Listing Manual are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions in FY 2013 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920) $'000	Aggregate value of all Interested Person Transactions conducted in FY 2013 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	Provision of management services by Interested Persons to the Group: 695 Purchases of raw materials by the Group from Interested Persons: 257	Nil

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

Whistle-blowing Policy

HLA has in place a whistle-blowing policy where staff of the Group or other persons can raise in confidence concerns on possible improprieties in matters relating to financial reporting or other matters. The AC has the responsibility of overseeing this policy which is administered by the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised (where appropriate) and for appropriate follow up action to be taken. A dedicated whistle-blowing email account at hla999@hla-grp.com has been set up to receive complaints and information from all employees of the Group or other persons in order to facilitate and encourage the reporting of such matters. Details on the dedicated channels of communication have also been made available on the Company's website and intranet.

Principle 13: Internal Audit

Reporting Line and Qualifications

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the AC chairman with an administrative line of reporting to the CEO of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the AC. The AC also provides input on the annual performance appraisal of the Head of IA and the AC chairman is consulted on all bonus payments and salary adjustments for this position. The AC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the AC, the Board and Management.

IA operates within the framework stated in its IA Charter which is approved by the AC. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Role and Activities of IA

The primary role of the IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group (other than the Group's separately listed subsidiaries which have their own IA functions). IA's coverage extends to the review and testing of controls in areas of key risks which include sales and channels operations, procurement, inventory management, information systems and compliance with company policies and procedures.

The AC approved the annual IA plan and received regular reports during 2013 on the progress of the audit work under the IA plan. Copies of IA reports are extended to relevant members of Management. IA reports are also provided to the external auditors. Processes are in place such that recommendations raised in IA reports are followed up to ensure that they are dealt with within a reasonable time frame, taking into account the severity and nature of the control weaknesses identified. The AC is apprised regularly on the implementation by Management of the recommendations of IA.

Adequacy of IA Function

The Company has a well-established IA function with formal procedures for the internal auditors to report their audit findings to the AC and to Management. The IA attends outside training programmes to keep abreast of developments. As the IA team members are members of the Institute of Internal Auditors of Singapore and/or chartered member of professional bodies, the team receives regular updates on the latest development of IA policies and practices, accounting pronouncements, risk-based audit information and other audit related knowledge from time to time. The AC reviews the adequacy of the IA function including its resources through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function facilitated through the use of a checklist, based on the guidance from the ACGC Guidebook. The AC is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Group and its financial performance is disclosed in an accurate and timely manner *via* SGXNET.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the Articles of Association of the Company, shareholders may appoint one or 2 proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the Company not less than 48 hours before the time set for the general meetings. As it is logistically challenging to allow corporations providing nominee or custodial services to appoint more than 2 proxies, the Company has decided not to implement the same for the time being. CPF investors of the Company's securities may nevertheless attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe.

Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. The Company notifies its investors in advance of the date of release of its financial results *via* SGXNET. The Company's quarterly and full year results are announced within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released *via* SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET. Shareholders and investors can contact the Company or access information on the Company at its website at www.hlasia.com.sg which provides, *inter alia*, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, and contact details of its Investor Relations.

The Company has adopted a dividend policy, which is set out on page 3 of the AR.

Principle 16: Conduct of Shareholder Meetings

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The chairmen of all the Board Committees and the external auditors are present at general meetings to assist in addressing queries raised by the shareholders.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

In support of greater transparency and to allow for a more efficient voting system, the Company will be introducing electronic poll voting instead of voting by show of hands at the 2014 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the 2014 AGM will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced *via* SGXNET after the 2014 AGM. The rules including voting procedures that govern general meetings of shareholders are set out within the notice of 2014 AGM.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election or re-appointment of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the annual report. The Company also maintains minutes of AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors.

17 March 2014

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DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), for the financial year ended 31 December 2013.

DIRECTORS

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

Kwek Leng Beng
Kwek Leng Peck
Ting Sii Tien @ Yao Sik Tien, Philip (appointed on 14 January 2013)
Ernest Colin Lee
Goh Kian Hwee
Quek Shi Kui

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed under the section on "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 arrangements 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

The following directors who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Companies Act"), interests (including those of their spouses and infant children) in the following shares and/or share options of the Company and its related corporations:

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year or date of appointment	**At end of the year**
The Company		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,680,000	1,680,000
Ting Sii Tien @ Yao Sik Tien, Philip	280,000	280,000
Ernest Colin Lee	50,000	50,000

DIRECTORS' REPORT

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year or date of appointment	At end of the year
The Company		
Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	470,000	470,000
Ting Sii Tien @ Yao Sik Tien, Philip	300,000	300,000
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares		
Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Subsidiary		
Tasek Corporation Berhad Ordinary Shares of RM1 each		
Ting Sii Tien @ Yao Sik Tien, Philip	50,000	50,000
Related Corporations		
Hong Leong Finance Limited Ordinary Shares		
Kwek Leng Beng	5,203,567	5,603,567
Kwek Leng Peck	517,359	517,359
Options to subscribe for ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	3,576,000	3,336,000
Hong Leong Holdings Limited Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Hong Realty (Private) Limited Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150

DIRECTORS' REPORT

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year or date of appointment	At end of the year
Related Corporations (cont'd)		
City Developments Limited Ordinary Shares		
Kwek Leng Beng	397,226	397,226
Kwek Leng Peck	43,758	43,758
Preference Shares		
Kwek Leng Beng	144,445	144,445
City e-Solutions Limited Ordinary Shares of HK$1 each		
Kwek Leng Beng	3,286,980	3,286,980
Kwek Leng Peck	2,082,200	2,082,200
Millennium & Copthorne Hotels New Zealand Limited Ordinary Shares		
Kwek Leng Beng	3,000,000	3,000,000
Sun Yuan Holdings Pte. Ltd. Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000

	Other holdings in which the director is deemed to have an interest	
	At beginning of the year or date of appointment	At end of the year
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares		
Kwek Leng Beng	40,744	40,744

DIRECTORS' REPORT

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

The directors' interests in the Company as at 31 December 2013 disclosed above remained unchanged as at 21 January 2014.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase/sale of investments, property, industrial and consumer products, goods including vehicles, parts and accessories and provision and receipt of after-sales services, hotel-related transactions, procurement services, information technology services, e-commerce-related transactions, management and consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations.

However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as customers, suppliers, directors and members of these corporations.

Except as disclosed above and in the financial statements, and except for remuneration and professional fees received from the related corporations, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

(a) Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme")

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 30 December 2000 for an initial duration of 10 years (from 30 December 2000 to 29 December 2010). At the annual general meeting ("AGM") of the Company held on 29 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 30 December 2010 to 29 December 2020. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

The Share Option Scheme is administered by a committee comprising the following members:

Ernest Colin Lee – Chairman
Kwek Leng Peck
Quek Shi Kui
Goh Kian Hwee

The Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the Share Option Scheme) and/or with a discount (either up-front or on a deferred basis) to the Market Price. All options granted to date under the Share Option Scheme are at Market Price.

DIRECTORS' REPORT

SHARE OPTIONS (CONT'D)

(a) Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") (cont'd)

Under the Share Option Scheme, Market Price Options (as defined in the Share Option Scheme) granted to:

(i) Group Employees and Parent Group Employees (both as defined in the Share Option Scheme) may be exercised one year after the date of the grant and will have a term of ten years from the date of the grant; and

(ii) Group Non-Executive Directors, Parent Group Non-Executive Directors and Associated Company Employees (all three as defined in the Share Option Scheme) may be exercised one year after the date of the grant and will have a term of five years from the date of the grant.

The aggregate number of ordinary shares in the capital of the Company ("Shares") over which options may be granted under the Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares, if any, on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the Share Option Scheme shall not exceed 20% of the total number of Shares available under the Share Option Scheme.

(b) Options granted under the Share Option Scheme

No options were granted under the Share Option Scheme during the financial year under review.

(i) Details of options granted to the directors of the Company who held office at the end of the financial year are as follows:

Name of director	Aggregate Shares under option granted since commencement of the Share Option Scheme to end of financial year	Aggregate Shares under option exercised since commencement of the Share Option Scheme to end of financial year	Aggregate Shares under option outstanding as at end of financial year
Kwek Leng Beng	660,000	660,000	–
Kwek Leng Peck	2,150,000	1,680,000	470,000
Ting Sii Tien @ Yao Sik Tien, Philip	760,000	460,000	300,000
Ernest Colin Lee	150,000	150,000	–

There were no issuances of new Shares or transfers of existing Shares to the directors during the financial year.

(ii) None of the participants were regarded by the directors as controlling shareholders of the Company.

(iii) None of the participants were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme.

(iv) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 1,080,000 Shares under option were granted to Parent Group Employees since the commencement of the Share Option Scheme to the end of the financial year under review.

DIRECTORS' REPORT

SHARE OPTIONS (CONT'D)

(b) Options granted under the Share Option Scheme (cont'd)

(v) Except for options granted to persons in their capacity as Group Employees or Group Non-Executive Directors or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the Share Option Scheme.

(vi) All options granted under the Share Option Scheme are subject to a vesting schedule as follows:

(1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;

(2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and

(3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.

(vii) The persons to whom these options have been granted do not have the right to participate by virtue of the options in any share issue of any other company.

(c) Unissued shares under option

There were a total of 930,000 unissued Shares under option granted pursuant to the Share Option Scheme at the end of the financial year. Details of the options to subscribe for Shares including those granted to the directors of the Company are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2013	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 December 2013	Number of option holders at 31 December 2013	Exercise period
15/5/2008	$2.36	470,000*	–	–	–	470,000*	2	15/5/2009 to 14/5/2018
5/1/2011	$3.17	510,000	–	–	(50,000)	460,000	4	5/1/2012 to 4/1/2021
18/5/2011	$2.62	200,000	–	–	(200,000)	–	–	18/5/2012 to 17/5/2021
Total		1,180,000	–	–	(250,000)	930,000		

* Includes 300,000 options granted to a Group Non-Executive Director who became an Executive Director of the Company during the year. The said Executive Director was granted an extension of time up till 14 May 2018 to exercise his outstanding 300,000 options, which would have lapsed on 14 May 2013.

Except as disclosed above, during the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares of the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Audit Committee ("AC") comprises three members who are independent. The members of the AC at the date of this report are:

Quek Shi Kui – Chairman
Ernest Colin Lee
Goh Kian Hwee

The AC has held five meetings since the date of the last directors' report and carried out the functions of an audit committee as specified in the Companies Act. In carrying out its functions, the AC reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal controls. The AC also reviewed the consolidated financial statements and the financial statements of the Company for the year ended 31 December 2013 as well as the auditors' report thereon.

The AC has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

AUDITOR

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

On behalf of the Board of Directors

Kwek Leng Peck Director	**Ting Sii Tien @ Yao Sik Tien, Philip** Director

17 March 2014

STATEMENT BY DIRECTORS

We, Kwek Leng Peck and Ting Sii Tien @ Yao Sik Tien, Philip, being two of the directors of Hong Leong Asia Ltd., 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 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 2013 and the results of the business and changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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 Board of Directors

Kwek Leng Peck	**Ting Sii Tien @ Yao Sik Tien, Philip**
Director	Director

17 March 2014

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2013

TO THE MEMBERS OF HONG LEONG ASIA LTD.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 48 to 161, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated 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, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for 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 accounts and balance sheets and to maintain accountability of assets.

Auditor's 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 about 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 auditor considers 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2013

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the 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 2013 and the results and changes in equity and cash flows of the Group for the year ended on that date.

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
Chartered Accountants
Singapore

17 March 2014

BALANCE SHEETS AS AT 31 DECEMBER 2013

	Note	Group			Company	
		2013 $'000	2012 $'000 (restated)	1.1.2012 $'000 (restated)	2013 $'000	2012 $'000
Non-current assets						
Property, plant and equipment	3	1,275,520	1,233,263	1,275,919	312	502
Land use rights	4	147,289	127,195	135,309	–	–
Intangible assets	5	107,987	110,200	72,117	275	320
Investment in subsidiaries	7	–	–	–	204,455	213,344
Interests in associates	8	61,000	56,492	61,449	13,726	13,726
Interests in jointly-controlled entities	9	–	–	23	–	–
Other investments	10	1,738	716	4,007	–	–
Non-current receivables	11	8,723	10,423	5,684	–	–
Deferred tax assets	12	104,694	94,536	101,352	11	25
		1,706,951	1,632,825	1,655,860	218,779	227,917
Current assets						
Inventories	13	683,477	602,242	733,424	–	–
Development properties	14	8,215	10,288	11,390	–	–
Other investments	10	5,923	10,900	9,265	6	4
Trade and other receivables	15	2,027,445	1,699,447	1,927,723	285,480	247,117
Cash and short-term deposits	16	1,068,246	1,000,806	1,208,450	2,010	10,868
Derivatives		571	–	–	–	–
Assets classified as held-for-sale	17	–	21,087	15,285	–	–
		3,793,877	3,344,770	3,905,537	287,496	257,989
Total assets		5,500,828	4,977,595	5,561,397	506,275	485,906

BALANCE SHEETS AS AT 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000 (restated)	Group 1.1.2012 $'000 (restated)	Company 2013 $'000	Company 2012 $'000
Current liabilities						
Trade and other payables	21	2,020,809	1,807,519	2,016,558	41,740	39,653
Provisions	22	80,128	69,297	82,602	–	–
Loans and borrowings	20	571,478	711,330	964,080	84,698	139,078
Current tax payable		32,579	26,591	35,605	374	331
Derivatives		962	–	–	–	–
Liabilities classified as held-for-sale	17	–	3,771	7,635	–	–
		2,705,956	2,618,508	3,106,480	126,812	179,062
Net current assets		1,087,921	726,262	799,057	160,684	78,927
Non-current liabilities						
Loans and borrowings	20	424,789	203,201	233,656	60,000	–
Deferred tax liabilities	12	50,240	45,534	42,047	1,837	1,421
Deferred grants		69,042	65,891	65,404	–	–
Other non-current payables	21	24,408	32,561	17,125	–	–
Retirement benefits		564	200	233	–	–
		569,043	347,387	358,465	61,837	1,421
Total liabilities		3,274,999	2,965,895	3,464,945	188,649	180,483
Net assets		2,225,829	2,011,700	2,096,452	317,626	305,423
Equity attributable to owners of the Company						
Share capital	18	266,830	266,830	266,830	266,830	266,830
Reserves	19	574,449	507,401	587,387	50,796	38,593
		841,279	774,231	854,217	317,626	305,423
Non-controlling interests		1,384,550	1,237,469	1,242,235	–	–
Total equity		2,225,829	2,011,700	2,096,452	317,626	305,423
Total equity and liabilities		5,500,828	4,977,595	5,561,397	506,275	485,906

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000
Revenue	23	4,550,381	4,112,138
Cost of sales		(3,581,918)	(3,193,342)
Gross profit		968,463	918,796
Other item of income/(expense) (net)			
Other income/(expenses)		45,128	(1,129)
Other items of expense			
Selling and distribution expenses		(412,109)	(437,322)
Research and development expenses		(108,725)	(93,441)
General and administrative expenses		(194,998)	(195,714)
Finance costs	25	(66,011)	(72,016)
Share of profit of associates and jointly-controlled entities, net of income tax		8,643	7,647
Profit before income tax	24	240,391	126,821
Income tax expense	27	(60,078)	(51,822)
Profit for the year		180,313	74,999
Attributable to:			
Owners of the Company		45,284	(34,910)
Non-controlling interests		135,029	109,909
		180,313	74,999
Earnings/(loss) per share (cents per share)			
- Basic	28	12.11	(9.34)
- Diluted	28	12.11	(9.34)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Group	
	2013 **$'000**	**2012** **$'000**
Profit for the year	180,313	74,999
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign subsidiaries and associates	102,496	(72,574)
Net fair value changes	(264)	(971)
Other comprehensive income/(loss) for the year, net of income tax	102,232	(73,545)
Total comprehensive income for the year	282,545	1,454
Attributable to:		
Owners of the Company	75,778	(56,087)
Non-controlling interests	206,767	57,541
Total comprehensive income for the year	282,545	1,454

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Group	**Note**	**Share capital**	**Capital reserve**	**Statutory reserve**	**Fair value reserve**	**Equity compensation reserve**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2013		266,830	(1,604)	34,217	45,789	2,347
Total comprehensive income for the year		–	–	–	(264)	–
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	26	–	–	–	–	43
Transfer to statutory reserve		–	–	724	–	–
Dividends paid to shareholders	29	–	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–
Reserve attributable to disposal group classified as held-for-sale	17	–	–	–	–	–
Realisation of reserves upon disposal of assets classified as held-for-sale		–	–	–	–	–
Realisation of reserves upon liquidation of subsidiaries		–	–	(45)	–	–
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests		–	35	–	–	–
At 31 December 2013		266,830	(1,569)	34,896	45,525	2,390

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

Translation reserve	Discount/ (Premium paid) on acquisition of non-controlling interests	Reserve of disposal group classified as held-for-sale	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700
30,758	–	–	45,284	75,778	206,767	282,545
–	–	–	–	43	–	43
–	–	–	(724)	–	–	–
–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	(58,816)	(58,816)
(359)	–	359	–	–	–	–
–	–	2,454	–	2,454	–	2,454
–	–	–	–	(45)	–	(45)
–	–	–	–	35	(870)	(835)
(19,313)	13,173	–	499,347	841,279	1,384,550	2,225,829

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Group	**Note**	**Share capital $'000**	**Capital reserve $'000**	**Statutory reserve $'000**	**Fair value reserve $'000**	**Equity compensation reserve $'000**
At 1 January 2012		266,830	(2,437)	33,802	46,760	2,047
Total comprehensive income for the year		–	–	–	(971)	–
Transactions with owners,recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	26	–	–	–	–	300
Transfer to statutory reserve		–	–	432	–	–
Shares issued to non-controlling interests of subsidiaries		–	(33)	–	–	–
Effect of treasury shares in a subsidiary acquired from non-controlling interests		–	–	–	–	–
Acquisition of subsidiaries		–	–	–	–	–
Dividends paid to shareholders	29	–	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–
Reserve attributable to disposal group classified as held-for-sale	17	–	–	–	–	–
Realisation of reserves upon disposal of assets classified as held-for-sale		–	866	–	–	–
Realisation of reserves upon disposal of subsidiaries		–	–	(17)	–	–
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests		–	–	–	–	–
At 31 December 2012		266,830	(1,604)	34,217	45,789	2,347

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

Translation reserve $'000	Discount/(Premium paid) on acquisition of non-controlling interests $'000	Reserve of disposal group classified as held-for-sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
(27,714)	11,146	–	523,783	854,217	1,242,235	2,096,452
(20,206)	–	–	(34,910)	(56,087)	57,541	1,454
–	–	–	–	300	–	300
–	–	–	(432)	–	–	–
–	–	–	–	(33)	5,411	5,378
–	–	–	–	–	(8,224)	(8,224)
–	–	–	–	–	6,048	6,048
–	–	–	(22,434)	(22,434)	–	(22,434)
–	–	–	–	–	(52,603)	(52,603)
2,813	–	(2,813)	–	–	–	–
(4,605)	–	–	–	(3,739)	–	(3,739)
–	2,027	–	(3)	2,007	–	2,007
–	–	–	–	–	(12,939)	(12,939)
(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Company	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Equity compensation reserve $'000	Accumulated profits $'000	Total equity $'000
At 1 January 2013		266,830	9,199	–	2,294	27,100	305,423
Total comprehensive income for the year		–	–	2	–	23,375	23,377
Transactions with owners,recorded directly in equity							
Contributions by and distributions to owners							
Cost of share-based payments	26	–	–	–	43	–	43
Dividends paid to shareholders	29	–	–	–	–	(11,217)	(11,217)
At 31 December 2013		266,830	9,199	2	2,337	39,258	317,626
At 1 January 2012		266,830	9,199	–	1,994	33,673	311,696
Total comprehensive income for the year		–	–	–	–	15,861	15,861
Transactions with owners,recorded directly in equity							
Contributions by and distributions to owners							
Cost of share-based payments	26	–	–	–	300	–	300
Dividends paid to shareholders	29	–	–	–	–	(22,434)	(22,434)
At 31 December 2012		266,830	9,199	–	2,294	27,100	305,423

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000 (restated)
Operating activities			
Profit before income tax		240,391	126,821
Adjustments for:			
Share of profit of associates and jointly-controlled entities, net of income tax		(8,643)	(7,647)
Cost of share-based payments	26	43	300
Depreciation and amortisation	24	123,566	118,934
Allowance written back for inventories write-down	24	(880)	(209)
Impairment losses written back for trade and other receivables	24	(2,481)	(1,902)
Impairment losses recognised on property, plant and equipment and intangible assets	24	15,005	59,950
Property, plant and equipment written off	24	186	748
Intangible assets written off	24	15	1,313
Finance costs	25	66,011	72,016
Dividend income from other investments	24	(259)	(689)
Interest income	24	(23,849)	(28,163)
(Gain)/loss on disposal of:			
- subsidiaries	24	74	1,980
- property, plant and equipment	24	445	4,324
- land use rights		(2,334)	–
- intangible assets		–	(64)
- assets held-for-sale	24	1,471	–
- other investments		(712)	162
Fair value loss/(gain) on investments		585	(1,630)
Fair value loss on derivatives		312	–
Provisions for warranties and other costs, net	24	93,740	76,242
Operating cash flows before changes in working capital		502,686	422,486
Changes in working capital:			
Inventories		(42,450)	120,636
Trade and other receivables		(324,970)	33,486
Trade and other payables		182,332	(35,825)
Provisions utilised	22	(87,285)	(86,672)
Cash flows from operations		230,313	454,111
Income taxes paid		(56,944)	(50,019)
Net cash flows from operating activities		173,369	404,092

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000 (restated)
Investing activities			
Acquisition of subsidiaries, net of cash acquired		–	(5,956)
Purchase of treasury shares in a subsidiary from non-controlling interests		–	(8,224)
Dividends received from:			
- associates		2,785	3,255
- other investments	24	259	689
Interest received		28,491	34,896
Purchase of:			
- property, plant and equipment (including capitalisation of borrowing costs)	3	(112,191)	(210,006)
- intangible assets	5	(2,735)	(22,703)
- other investments		–	(5)
Payment for land use rights	4	(18,617)	(4,588)
Proceeds from disposal of:			
- subsidiaries, net of cash disposed		1,940	20,438
- property, plant and equipment		8,425	14,765
- intangible assets		–	184
- land use rights		4,039	–
- assets held-for-sale		16,881	7,650
- other investments		4,317	1,161
Net cash flows used in investing activities		(66,406)	(168,444)
Financing activities			
Dividends paid to:			
- non-controlling interests of subsidiaries		(58,816)	(52,603)
- shareholders of the Company	29	(11,217)	(22,434)
Interest paid		(67,930)	(78,406)
Proceeds from borrowings		620,996	576,807
Proceeds from issuance of bonds		202,821	197,900
(Repayment)/advances from a related company		(2,942)	2,942
Release/(placement) of restricted deposits with banks		14,945	(47,153)
Capital contribution by non-controlling interests of subsidiaries		–	5,411
Grant received from government		11,510	7,182
Repayments in respect of borrowings		(572,221)	(554,851)
Repayment of obligation under finance leases		(1,120)	(488)
Redemption of short-term bonds		(204,067)	(472,981)
Net cash flows used in financing activities		(68,041)	(438,674)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000 (restated)
Net increase/(decrease) in cash and cash equivalents		38,922	(203,026)
Cash and cash equivalents at the beginning of the financial year	16	953,270	1,208,271
Effect of exchange rate changes on balances held in foreign currencies		42,133	(42,870)
Cash and cash equivalents reclassified to assets held-for-sale		–	(9,105)
Cash and cash equivalents at the end of the financial year	16	1,034,325	953,270

Note:

Cash and bank balances totalling $806,697,000 (2012: $675,222,000) are held in countries which have foreign exchange controls.

The value of assets and liabilities of subsidiaries that were liquidated/disposed as at the date of liquidation/disposal, and the cash flow effect of the liquidation/disposal were:

	Group 2013 $'000	Group 2012 $'000
Liquidation/disposal		
Non-current assets	–	21,739
Net current assets	3,237	12,798
Non-controlling interests	–	(12,854)
Realisation of reserves	–	2,047
Loss on disposal/liquidation of subsidiaries	(74)	(1,980)
Currency translation differences	–	181
Total cash consideration	3,163	21,931
Less: Cash and bank balance of subsidiaries disposed	(1,223)	(1,493)
Disposal of subsidiaries, net of cash disposed	1,940	20,438

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

1. CORPORATE INFORMATION

Hong Leong Asia Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The registered office of the Company is located at 16 Raffles Quay, #26-00 Hong Leong Building, Singapore 048581.

The principal activities of the Group and the Company have been those relating to the manufacturing and distribution of consumer products, air-conditioning systems, diesel engines and related products, industrial packaging products, building materials, and of investment holding and dealing.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interests in associates and jointly-controlled entities.

The immediate and ultimate holding companies during the financial year are Hong Leong Corporation Holdings Pte Ltd and Hong Leong Investment Holdings Pte. Ltd. respectively. These companies are incorporated in Singapore.

Related corporations during the financial year relate to companies within the Hong Leong Investment Holdings Pte. Ltd. group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and 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 the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

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 which are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company, except as disclosed below:

<u>Revised FRS 19 Employee Benefits</u>

On 1 January 2013, the Group adopted the Revised FRS 19 Employee Benefits.

The Revised FRS 19 amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

The change in accounting policy has been applied retrospectively. The effects of adopting Revised FRS 19 on the financial statements are as follows:

	As at 31 December 2012 $'000	As at 1 January 2012 $'000
Increase/(decrease) in:		
Consolidated balance sheet		
Trade and other payables	(17,868)	(17,125)
Other non-current payables	17,868	17,125

This change in accounting policy does not have a material effect on the profits for the year and the net assets position as of the balance sheet dates.

FRS 113 Fair Value Measurement

According to the transition provisions of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 January 2013.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 36 Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to FRS 19 Defined Benefit Plans: Employee Contributions	1 January 2014
Improvements to FRSs 2012	1 January 2014

Except for FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards 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 FRS 111, Revised FRS 28 and FRS 112 are described below.

<u>FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures</u>

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures are effective for financial periods beginning on or after 1 January 2014.

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 of 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 ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will result in decrease in total assets and total liabilities.

<u>FRS 112 Disclosure of Interests in Other Entities</u>

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in 2014.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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 control 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:

– Acquisition 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 was recognised in goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010 (cont'd)

– 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 have not been restated.

(b) Business combinations

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 contract 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 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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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 2.12(a). 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Business combinations (cont'd)

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.

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.

2.5 Transactions with non-controlling interests

Non-controlling interest represents 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 sheets, separately from equity attributable to owners of the Company.

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 owners of the Company.

Acquisition of non-controlling interests

Goodwill represents the excess of the additional investment over the Group's additional interest in the net fair value of the identifiable net assets, liabilities and contingent liabilities at the date of exchange. The excess of the net assets, liabilities and contingent liabilities over the carrying value in respect of the Group's existing interest is recorded as a fair value adjustment and taken to equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. 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 assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss 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 associate.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period 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 profit or loss.

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.

Upon loss of significant influence over the associate, the Group measures and recognises 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Joint venture

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 the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated 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 such 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 and recognises any retained investment at its fair value. Any difference between the carrying amount of the former jointly-controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 Foreign currency

The 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 measured.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD 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.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of 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 accounting policy for borrowing costs is set out in Note 2.27. 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	: Over the period of the lease ranging from 3 to a maximum of 70 years
Leasehold improvements	: Over the period of the lease ranging from 3 to a maximum of 50 years
Plant and machinery	: 3 to 30 years
Office furniture, fittings and equipment	: 3 to 20 years
Motor and transport vehicles	: 3.5 to 15 years
Quarry site preparation costs	: 10 years

Construction-in-progress is not depreciated as it is not yet available for use.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment (cont'd)

The residual value, useful life and depreciation method 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 on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.11 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

Deferred grants

Grants received for investment in machinery and equipment used for the development of diesel engines are recorded as deferred income and taken to income over the same period over which the machinery and equipment are being depreciated.

2.12 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets (cont'd)

(a) Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating 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 fair values of the operations 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 are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.9.

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 SGD at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(i) Trademarks

The useful lives of trademarks acquired are assessed as either finite or indefinite.

Trademarks acquired are assessed as either finite or indefinite. Trademark with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that trademark may be impaired. The amortisation expense is recognised in profit or loss in the expenses category consistent with the function of the trademarks.

Trademarks with indefinite useful lives are tested for impairment annually, if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

(ii) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. The expenditure capitalised includes the cost of materials, direct labour and overhead cost directly attributable to prepare the assets for its intended use. Other development expenditure is recognised in profit or loss as an expense when incurred. Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised in profit or loss using the straight-line method over the estimated useful lives of not more than 10 years, commencing from the date the asset is available for use.

(iii) Club membership

Club membership was acquired separately and is amortised on a straight-line basis over its finite useful life of 10 to 25 years.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

(i) 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, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) 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.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss 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.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

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 profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Financial assets at fair value through profit or loss (cont'd)

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

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.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(i) Financial liabilities at fair value through profit or loss (cont'd)

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.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.14 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.

2.15 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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 the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the end of the reporting period, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses 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.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan 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 impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Impairment of financial assets (cont'd)

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

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are 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 or 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 profit or loss.

(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 been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(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 or obligor; (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 the 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.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase 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 profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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 as part of finance income. 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 profit or loss, the impairment loss is reversed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 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 indication exists, or when an 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 of disposal 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 group of assets. Where the carrying amount of an asset or cash-generating unit 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 expected to be generated by the asset 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. In determining fair value less costs of disposal, 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 traded 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 profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.20 Transfer between levels of the fair value hierarchy

Transfer between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

2.21 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore and Malaysia companies in the Group make contributions to the Central Provident Fund scheme in Singapore and the Employee Provident Fund in Malaysia respectively, a defined contribution pension scheme. The China companies participate in and make contributions to the national pension schemes at a fixed proportion of the basic salary of the employee. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (cont'd)

(b) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Employment benefits are classified as short term or non-current based on expected timing of settlement.

(c) Share-based payments

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense with a corresponding adjustment to equity over the remaining vesting period.

2.22 Provisions

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

Provisions are reviewed at the end of each reporting period 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.

(a) Claims

A provision for claims is recognised when delays arise or complaints from customers are received as the contract progresses. The provision is made based on management estimates from prior experience on similar projects with customers.

(b) Warranties

A provision for warranties is recognised when the product is sold or service provided. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Costs incurred are charged against the provision and any over or under provision is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Provisions (cont'd)

(c) Onerous contracts

A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

2.23 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, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and the possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(b) Rendering of services

Revenue from rendering services relates to project management contracts, hotel room and restaurant operations.

Revenue is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(c) Development properties for sale

Revenue from property development is recognised on a percentage of completion basis only in respect of units sold when construction of the property is at an advanced stage and aggregate sales proceeds and costs can be reasonably estimated.

Under the percentage of completion method, the percentage of completion is measured by reference to the work performed, based on the ratio of costs incurred to date to the estimated total costs for each contract. Profits are recognised only in respect of finalised sales agreements to the extent that such profits relate to the progress of the construction work.

(d) Rental income

Rental income arising from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue recognition (cont'd)

(e) *Dividend income*

Dividend income from unquoted investments is recognised when the Group's right to receive payment is established.

Dividend income from quoted investments is recognised when dividends are received.

(f) *Interest income*

Interest income is recognised using the effective interest method.

2.24 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 to 50 years.

2.25 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Leases (cont'd)

(b) As lessor

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 2.23 (d). Contingent rents are recognised as revenue in the period in which they are earned.

2.26 Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their 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 separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, 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 profit or loss.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

2.27 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.28 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Taxes (cont'd)

(a) Current income tax (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenue, 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.

2.29 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.30 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.31 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.32 Contingencies

A contingent liability is:

(a) a possible obligation 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; 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 the 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.

2.33 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.33 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings $'000	Leasehold improvements $'000
Cost			
At 1 January 2012	54,157	540,226	5,739
Translation differences	(392)	(26,438)	(822)
Additions	6,319	25,498	5
Transfers	–	15,177	–
Disposals	–	(11,412)	(6)
Transfer to assets classified as held-for-sale	–	(30,271)	–
Write-off	–	(486)	–
Acquisition of subsidiaries	–	–	–
Disposal of subsidiaries	–	–	–
At 31 December 2012 and 1 January 2013	60,084	512,294	4,916
Translation differences	(707)	34,463	946
Additions	18	2,178	343
Transfers	–	45,118	–
Disposals	–	(5,107)	–
Write-off	–	(1,399)	–
At 31 December 2013	59,395	587,547	6,205

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
777,712	41,201	40,157	209,492	1,668,684
(41,024)	(2,468)	(1,098)	(8,923)	(81,165)
24,183	4,172	4,113	145,716	210,006
82,714	1,540	3,964	(103,395)	–
(26,185)	(4,594)	(3,405)	–	(45,602)
(2,449)	(2,119)	(299)	–	(35,138)
(4,519)	(905)	(25)	(297)	(6,232)
–	37	–	6,288	6,325
(1,575)	(315)	(15)	(12,187)	(14,092)
808,857	36,549	43,392	236,694	1,702,786
60,010	3,672	1,876	12,897	113,157
23,337	5,307	5,640	75,368	112,191
97,668	3,151	214	(146,151)	–
(28,996)	(2,619)	(3,100)	–	(39,822)
(2,995)	(488)	(2)	(331)	(5,215)
957,881	45,572	48,020	178,477	1,883,097

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land $'000	Buildings $'000	Leasehold improvements $'000
Accumulated depreciation and impairment losses			
At 1 January 2012	1,460	119,735	4,279
Translation differences	(5)	(8,410)	(494)
Charge for the year	–	21,409	1,394
Transfers	–	1,327	(1,327)
Impairment losses	–	38,187	–
Transfer to assets classified as held-for-sale	–	(28,882)	–
Disposals	–	(5,129)	(6)
Write-off	–	(374)	–
Disposal of subsidiaries	–	–	–
At 31 December 2012 and 1 January 2013	1,455	137,863	3,846
Translation differences	(5)	10,200	554
Charge for the year	–	19,788	226
Impairment losses made/(reversed)	–	5,166	–
Disposals	–	(1,287)	–
Write-off	–	(1,397)	–
At 31 December 2013	1,450	170,333	4,626
Net book value			
At 31 December 2012	58,629	374,431	1,070
At 31 December 2013	57,945	417,214	1,579

* An amount of $1,069,000 (2012: $509,000) was capitalized as intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
218,977	18,446	27,797	2,071	392,765
(19,772)	(1,835)	(832)	(198)	(31,546)
78,953	7,261	4,308	–	113,325*
59	(59)	–	–	–
21,733	–	–	58	59,978
(2,022)	(1,614)	(144)	–	(32,662)
(14,479)	(3,981)	(2,917)	–	(26,512)
(3,964)	(836)	(13)	(297)	(5,484)
(84)	(249)	(8)	–	(341)
279,401	17,133	28,191	1,634	469,523
30,629	3,094	1,780	209	46,461
86,387	7,245	4,581	–	118,227*
4,184	95	1	(99)	9,347
(24,931)	(2,532)	(2,202)	–	(30,952)
(2,820)	(480)	(1)	(331)	(5,029)
372,850	24,555	32,350	1,413	607,577
529,456	19,416	15,201	235,060	1,233,263
585,031	21,017	15,670	177,064	1,275,520

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold improvements	Office furniture, fittings and equipment	Motor and transport vehicles	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2012	133	939	568	1,640
Additions	–	39	–	39
At 31 December 2012 and 1 January 2013	133	978	568	1,679
Additions	284	62	–	346
Disposals	–	(5)	(568)	(573)
At 31 December 2013	417	1,035	–	1,452
Accumulated depreciation				
At 1 January 2012	133	779	43	955
Charge for the year	–	108	114	222
At 31 December 2012 and 1 January 2013	133	887	157	1,177
Charge for the year	87	34	42	163
Disposals	–	(1)	(199)	(200)
At 31 December 2013	220	920	–	1,140
Net book value				
At 31 December 2012	–	91	411	502
At 31 December 2013	197	115	–	312

Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant and equipment. During the financial year, the borrowing costs capitalised as cost of plant and equipment amounted to $5,590,000 (2012: $6,598,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.56% (2012: 5.61%) per annum, which is the effective interest rate of the specific borrowing.

Assets held under finance lease

The carrying amount of plant and equipment held under finance leases at the end of the reporting period was $33,000 (2012: $33,000).

Leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

The Group's freehold land, buildings and property, plant and equipment with a carrying amount of $47,683,000 (2012: $41,776,000) are mortgaged to secure the Group's bank loans (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

4. LAND USE RIGHTS

	Group 2013 $'000	Group 2012 $'000
Cost		
At 1 January	152,644	159,027
Additions	18,617	4,588
Acquisition of subsidiaries	–	2,757
Disposals	(2,618)	(7,585)
Translation differences	8,166	(6,143)
At 31 December	176,809	152,644
Accumulated amortisation		
At 1 January	25,449	23,718
Amortisation for the year	3,464	3,663
Disposals	(913)	(587)
Translation differences	1,520	(1,345)
At 31 December	29,520	25,449
Net carrying amount	147,289	127,195
Amount to be amortised:		
– Not later than one year	3,432	3,717
– Later than one year but not later than five years	13,517	14,708
– Later than five years	130,340	108,770

The Group has land use rights over 53 (2012: 51) plots of land in the People's Republic of China, Singapore and Malaysia where the Group's manufacturing and storage facilities reside. The transferable land use rights have a remaining tenure of 27 to 50 years (2012: 28 to 50 years) and the non-transferable land use rights have a remaining tenure of 10 to 18 years (2012: 11 to 19 years).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

5. INTANGIBLE ASSETS

Group	Patents and development expenditure	Trade-marks	Club Membership	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
At 1 January 2012	13,207	62,697	451	10,748	87,103
Additions	22,703	–	–	–	22,703
Acquisition of subsidiaries	8,070	10,518	–	54	18,642
Disposals	–	–	(143)	–	(143)
Write-off	(1,616)	–	–	–	(1,616)
Translation differences	(664)	(90)	5	796	47
At 31 December 2012 and 1 January 2013	41,700	73,125	313	11,598	126,736
Additions	2,735	–	–	–	2,735
Write-off	(25)	–	–	–	(25)
Translation differences	2,089	543	–	(5)	2,627
At 31 December 2013	46,499	73,668	313	11,593	132,073
Accumulated amortisation and impairment losses					
At 1 January 2012	4,724	–	26	10,236	14,986
Amortisation charge for the year	1,664	250	32	–	1,946
Disposals	–	–	(23)	–	(23)
Write-off	(303)	–	–	–	(303)
Translation differences	(73)	(2)	5	–	(70)
At 31 December 2012 and 1 January 2013	6,012	248	40	10,236	16,536
Amortisation charge for the year	1,648	196	31	–	1,875
Impairment losses	5,658	–	–	–	5,658
Write-off	(10)	–	–	–	(10)
Translation differences	10	17	–	–	27
At 31 December 2013	13,318	461	71	10,236	24,086
Net carrying amount					
At 31 December 2012	35,688	72,877	273	1,362	110,200
At 31 December 2013	33,181	73,207	242	1,357	107,987

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

5. INTANGIBLE ASSETS (CONT'D)

Patents and development expenditure

Patents and development expenditure relate to costs incurred for the following:
- exploration and evaluation expenditure of quarries
- design, construction and testing of new diesel engines

The patents and development expenditure have remaining amortisation periods ranging from 2 to 8 years (2012: 3 to 9 years).

Trademarks

Trademarks belonging to the Group's consumer product segment are estimated to have an indefinite useful life because management believe that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group. Trademarks acquired in respect of the Group's air-conditioning systems operations are estimated to have useful life of 50 years.

Company	Computer software and related costs	Club Membership	Total
	$'000	$'000	$'000
Cost			
At 1 January 2012	1,421	313	1,734
Additions	40	–	40
At 31 December 2012 and 1 January 2013	1,461	313	1,774
Additions	26	–	26
Write-off	(26)	–	(26)
At 31 December 2013	1,461	313	1,774
Accumulated amortisation and impairment losses			
At 1 January 2012	1,121	10	1,131
Amortisation charge for the year	293	30	323
At 31 December 2012 and 1 January 2013	1,414	40	1,454
Amortisation charge for the year	26	31	57
Write-off	(12)	–	(12)
At 31 December 2013	1,428	71	1,499
Net carrying amount			
At 31 December 2012	47	273	320
At 31 December 2013	33	242	275

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

6. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Diesel engines segment

The Group recognised an impairment loss of $2,412,000 (2012: $1,588,000) in the income statement in respect of specific property, plant and equipment which are no longer in use.

The Group recognised impairment loss of $2,116,000 (2012: $Nil) in one of the Group's jointly-controlled entity. Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in China market. The Group uses a 8-year forecast annual revenue growth rate of 5% to 15% per annum. A discount rate of 8.7% was used.

Consumer products segment

Trademarks relate to the Group's consumer products segment which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $62,697,000 (2012: $62,697,000) as at 31 December 2013. The recoverable amount of trademarks was determined based on their value in use using the royalty relief method.

Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in China market. The Group uses a 5-year forecast annual revenue growth rate of 14% (2012: 12%) per annum. A discount rate of 17% (2012: 17%) was used.

The Group recognised impairment loss of $Nil (2012: $57,790,000) on the carrying amount of property, plant and equipment.

Air-conditioning systems segment

The Group recognised impairment loss of $5,658,000 mainly in respect of the patent and developments costs (2012: $Nil) and $95,000 (2012: $Nil) in respect of plant and equipment in the Group's air-conditioning systems unit. Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in China market. The Group uses a 5-year forecast annual revenue growth rate of 20% (2012: 2% to 40%) per annum. A discount rate of 17% (2012: 23%) was used.

Others – hospitality and property development

The Group recognised impairment loss of $4,476,000 (2012: $Nil) in one of the Group's hospitality unit. Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in China market. The Group uses a 11-year forecast annual revenue growth rate of 3% per annum. A discount rate of 10% was used.

The Group recognised impairment loss of $Nil (2012: $600,000) in one of the Group's hospitality unit. Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in China market. The Group uses a 2-year forecast annual revenue growth rate of 10% to 15% per annum. A discount rate of 12% was used.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

6. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Sensitivity to changes in assumptions

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the past one year preceding the start of the budget period. An improvement of 1.7% to 2.9% per annum was applied.

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, regard has been given to the yield of the industries relevant to the CGUs.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 $'000	**2012 $'000**
Shares, at cost	232,387	241,276
Impairment losses	(27,932)	(27,932)
	204,455	213,344

Names of significant subsidiaries	**Country of incorporation**	**Effective equity interest**	
		2013 %	**2012 %**
Held by the Company			
Fedders Hong Kong Company Limited (1)	Hong Kong	100	100
Fedders Investment Holdings Pte. Ltd.	Singapore	100	100
Hayford Holdings Sdn. Bhd.	Malaysia	100	100
HL Building Materials Pte. Ltd.	Singapore	100	100
HL-Manufacturing Industries Sdn. Bhd.	Malaysia	100	100
Hong Leong (China) Limited	Singapore	100	100
Hong Leong Climate Control Holdings Pte. Ltd.	Singapore	100	100
Island Concrete (Private) Limited	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2013 %	Effective equity interest 2012 %
Held by the Group			
Airwell Air-conditioning (Asia) Company Limited (1)	Hong Kong	80.00	80.00
Airwell Air-conditioning (Hong Kong) Company Limited (1)	Hong Kong	53.60	53.60
Airwell Air-conditioning Technology (China) Co., Ltd.	The People's Republic of China	53.60	53.60
China Yuchai International Limited ("CYI") (2)	Bermuda	34.88	34.88
Fedders International Pte. Ltd.	Singapore	100	100
Guangxi Yuchai Machinery Company Limited (3)	The People's Republic of China	26.65	26.65
Guangxi Yuchai Machinery Monopoly Development Co., Ltd (3)	The People's Republic of China	19.14	19.14
Guangxi Yulin Hotel Company Limited (3)	The People's Republic of China	26.65	26.65
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited (3)	The People's Republic of China	25.89	25.89
Henan Xinfei Electric Co., Ltd.	The People's Republic of China	90	90
Henan Xinfei Household Appliance Co., Ltd.	The People's Republic of China	90	90
Henan Xinfei Refrigeration Appliances Co., Ltd.	The People's Republic of China	90	90
HL Cement (Malaysia) Sdn. Bhd.	Malaysia	100	100
HL Global Enterprises Limited ("HLGE") (4)	Singapore	17.04	17.04
Hong Leong Electric Pte Ltd	Singapore	100	100
HL Technology Systems Pte Ltd	Singapore	100	100
Jining Yuchai Engine Company Limited (3)	The People's Republic of China	18.66	18.66
Qian Hong Packaging Company Limited (5)	Hong Kong	100	100
Rex Holdings Pte Ltd	Singapore	100	100
Tasek Corporation Berhad ("Tasek") (6)	Malaysia	74.28	74.28
Xiamen Yuchai Diesel Engines Co., Ltd. (3)	The People's Republic of China	26.65	26.65

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Ernst & Young LLP, Singapore, is the auditor of all significant Singapore-incorporated subsidiaries while other member firms of Ernst & Young Global are auditors of significant foreign incorporated subsidiaries except for those companies marked with footnotes (1) and (5).

(1) Audited by Mark K. Lam & Co.

(2) The directors consider CYI as a subsidiary of the Company as the Group owns 12,998,040 or 34.88% of the ordinary shares and a special share of CYI that entitles the Group to elect a majority of directors in CYI.

(3) These companies are subsidiaries of CYI.

(4) The Group considers HLGE a subsidiary as it is able to govern the financial and operating policies of HLGE.

(5) Audited by Lam, Lee & So C.P.A. Company Limited.

(6) The effective equity interest was computed based on the total number of ordinary shares excluding treasury shares.

Acquisition of non-controlling interests

In 2012, one of the Group's subsidiaries entered into a share swap agreement whereby the subsidiary disposed its 52% equity interest in a subsidiary for 18% equity interest in another subsidiary. The share swap consideration was based on historical cost of investment and the Group's subsidiary received a sum of $5,000,000 and recorded a gain of $294,000 for this transaction.

Acquisition of subsidiaries

In April 2012, the Group entered into a share purchase agreement with ACE SAS (the "Vendor"), Elco Holland BV ("EHL") and Elco Holdings Ltd. for the acquisition from the Vendor of 80% of the issued share capital of Airwell Air-conditioning (Asia) Company Limited. It had also entered into a share purchase agreement with EHL for the acquisition of the entire issued share capital of Fedders Hong Kong Company Limited. The total consideration for the above two acquisitions was $10,068,000.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

The fair value of the identifiable assets and liabilities at the acquisition date were:

	2012 **$'000**
Property, plant and equipment	6,325
Land use rights	2,757
Intangible assets	18,588
Inventories	17,208
Trade and other receivables	8,540
Cash and short-term deposits	4,112
	57,530
Trade and other payables	(34,612)
Provisions	(187)
Loans and borrowings	(5,919)
Deferred tax liabilities	(750)
	(41,468)
Total identifiable net assets at fair value	16,062
Non-controlling interests	(6,048)
Goodwill arising from acquisition	54
Consideration transferred for the acquisition	10,068
Effect of the acquisition of subsidiaries on cash flows	
Total consideration for equity interests acquired	10,068
Less: Cash and cash equivalents of subsidiaries acquired	(4,112)
Net cash inflows on acquisition	5,956

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Impact of the acquisition on profit or loss

From the acquisition date, the subsidiaries have contributed $25,970,000 of revenue and loss of $9,972,000 to the Group's profit for the year ended 31 December 2012. If the business combination had taken place at the beginning of 2012, the revenue would have been $4,120,270,000 and the Group's profit net of tax would have been $73,927,000 for the year ended 31 December 2012.

Transaction costs

Transaction costs related to the acquisition of $872,000 have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2012.

8. INTERESTS IN ASSOCIATES

	Group	
	2013 **$'000**	**2012** **$'000**
Shares, at cost	18,812	18,974
Share of post-acquisition reserves	42,188	37,518
	61,000	56,492

	Company	
	2013 **$'000**	**2012** **$'000**
Shares, at cost	14,605	14,605
Impairment losses	(879)	(879)
	13,726	13,726

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

8. INTERESTS IN ASSOCIATES (CONT'D)

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest	
			2013 %	2012 %
Held by the Company				
Singapore Cement Manufacturing Company (Private) Limited [(1)]	Singapore	Storage, packaging and distribution of cement	50	50
Held by the Group				
Cement Industries (Sabah) Sdn. Bhd. [(2)]	Malaysia	Manufacture and sale of cement	22.28	22.28

1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of Ernst & Young Global

Summarised financial information of the associates, which are not adjusted for the percentage of ownership held by the Group, is as follows:

	2013 $'000	2012 $'000
Assets and liabilities:		
Total assets	201,894	197,858
Total liabilities	(33,328)	(30,043)
Results:		
Revenue	277,719	269,696
Profit for the year	25,913	21,295

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2013 $'000	2012 $'000
Unquoted equity shares, at cost	– *	– *

* Amount less than $1,000

In 2012, the Group classified interests in a jointly-controlled entity to assets and liabilities classified as held-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONT'D)

Particulars of the jointly-controlled entities are as follows:

Names of jointly-controlled entities	Country of incorporation	Principal activities	Effective equity interest 2013 %	Effective equity interest 2012 %
Jointly-controlled entities of HL Global Enterprises Limited				
Augustland Hotel Sdn. Bhd. (1)	Malaysia	Hotel development and operation	7.67	7.67
Copthorne Hotel Qingdao Co., Ltd. (2)	The People's Republic of China	Owns and operates a hotel in Qingdao	10.23	10.23
HL Heritage Sdn. Bhd. (3)	Malaysia	Property development and property investment holdings	8.52	–
Shanghai Equatorial Hotel Management Co., Ltd (4)	The People's Republic of China	Hotel management and consultancy	8.35	8.35
Jointly-controlled entities of China Yuchai International Limited				
Guangxi Yineng IOT Science & Technology Co., Ltd. (5)	The People's Republic of China	Design, development, management and marketing of an electronic operations management platform	10.66	–
Y&C Engine Co., Ltd. (6)	The People's Republic of China	Manufacture and sale of automobile parts and components	11.99	11.99
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. (7)	The People's Republic of China	Remanufacture and sale of automobile parts, engineering machinery, diesel engines and components as well as research and development on remanufacturing technology	13.59	13.59

(1) Audited by SJ Grant Thornton, Kuala Lumpur, Malaysia.

(2) Audited by member firms of Ernst & Young Global.

(3) Not required to be audited. HL Heritage Sdn Bhd ("HL Heritage") was incorporated during the year. The registered and paid-up capital of HL Heritage as at 31 December 2013 was RM2.00 and the percentage of interest to be held by the Group's subsidiary is 60% pursuant to the joint venture agreement entered.

(4) Audited by Baker Tilly China Certified Public Accountants, the People's Republic of China, for the financial year ended 31 December 2013.

(5) Audited by Guangxi Xin Tian Xiang CPAs Co., Ltd, the People's Republic of China.

(6) Audited by An Hui Xin Zhong Tian CPAs Co., Ltd, the People's Republic of China.

(7) Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, the People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONT'D)

The Group's share of the jointly-controlled entities' results, assets and liabilities are as follows:

	2013 $'000	2012 $'000
Results:		
Revenue	57,270	49,168
Expenses	(65,762)	(55,183)
Loss before taxation	(8,492)	(6,015)
Income tax expense	(65)	(562)
Loss after taxation	(8,557)	(6,577)
Assets and liabilities:		
Non-current assets	109,484	99,527
Current assets	53,913	56,817
Current liabilities	(77,572)	(67,113)
Non-current liabilities	(33,350)	(26,562)
Net assets	52,475	62,669

The Group's share of contingent liabilities is $2,682,000 (2012: $2,516,000).

According to Qingdao Municipal Government's regulation, all hotels in Qingdao, the People's Republic of China, are imposed for tourism development levy and hotel augmentation levy which are equivalent to 1% of total revenue and 3% of room revenue respectively. According to releases made by the Qingdao Local Taxation Bureau, the tourism development levy and the hotel augmentation levy were withdrawn effective from 1 January 2009 and 1 September 2010 respectively. As of 31 December 2013, the estimated tourism development levy and hotel augmentation levy payable by the joint venture in Qingdao was $783,000 (2012: $735,000) and $1,899,000 (2012: $1,781,000) respectively. The joint venture, together with other hotel owners in Qingdao, is currently negotiating with Qingdao Municipal Government to waive such levies. Management of the joint venture is of the view that the authority is unlikely to collect such levies and accordingly, no provision has been made.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

10. OTHER INVESTMENTS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-current				
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	1,738	716	–	–
	1,738	716	–	–
Current				
Held for trading				
Quoted equity securities	5,871	9,562	–	–
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	–	1,290	–	–
- other companies	52	48	6	4
	5,923	10,900	6	4

The quoted equity securities are listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

11. NON-CURRENT RECEIVABLES

The non-trade receivables comprise leases receivable, retention sums and amounts due from joint venture partners which are unsecured and not expected to be repaid within the next 12 months. The amount is non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

12. DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1 January 2013 $'000	Recognised in income statement $'000
Deferred tax liabilities		
Property, plant and equipment	(17,096)	922
Unremitted income	(3,360)	(413)
Withholding tax on dividend income	(23,131)	(4,713)
Other items	(1,947)	656
Total	(45,534)	(3,548)
Deferred tax assets		
Property, plant and equipment	1,212	345
Inventories	6,208	(596)
Intangible assets	1,505	(221)
Trade and other receivables	3,252	(128)
Provisions	65,196	6,739
Tax value of loss carried forward	316	(329)
Deferred grants	14,379	(1,479)
Other items	2,468	(184)
Total	94,536	4,147

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Acquired in business combination $'000	Transfer to assets classified as held-for-sale $'000	Translation differences $'000	At 31 December 2013 $'000
–	–	465	(15,709)
–	–	(6)	(3,779)
–	–	(1,621)	(29,465)
–	–	4	(1,287)
–	–	(1,158)	(50,240)
–	–	15	1,572
–	–	391	6,003
–	–	94	1,378
–	–	203	3,327
–	–	4,316	76,251
–	–	13	-
–	–	903	13,803
–	–	76	2,360
–	–	6,011	104,694

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

12. DEFERRED TAX (CONT'D)

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1 January 2012 $'000	Recognised in income statement $'000
Deferred tax liabilities		
Property, plant and equipment	(18,391)	837
Unremitted income	(1,955)	(1,405)
Withholding tax on dividend income	(20,508)	(3,497)
Other items	(1,193)	–
Total	(42,047)	(4,065)
Deferred tax assets		
Property, plant and equipment	2,226	(966)
Inventories	8,005	(1,482)
Intangible assets	1,437	129
Trade and other receivables	4,512	(1,093)
Provisions	71,992	(3,891)
Tax value of loss carried forward	337	(3)
Deferred grants	11,331	3,546
Other items	1,512	1,143
Total	101,352	(2,617)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Acquired in business combination	Transfer to assets classified as held-for-sale	Translation differences	At 31 December 2012
$'000	$'000	$'000	$'000
–	–	458	(17,096)
–	–	–	(3,360)
–	–	874	(23,131)
(750)	–	(4)	(1,947)
(750)	–	1,328	(45,534)
–	–	(48)	1,212
–	–	(315)	6,208
–	–	(61)	1,505
–	–	(167)	3,252
–	–	(2,905)	65,196
–	–	(18)	316
–	–	(498)	14,379
–	(168)	(19)	2,468
–	(168)	(4,031)	94,536

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

12. DEFERRED TAX (CONT'D)

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company	
	2013 $'000	**2012 $'000**
Deferred tax liabilities		
Property, plant and equipment	(19)	(16)
Unremitted income	(1,818)	(1,405)
	(1,837)	(1,421)
Deferred tax assets		
Provisions	11	25

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Deferred tax assets	104,694	94,536	11	25
Deferred tax liabilities	(50,240)	(45,534)	(1,837)	(1,421)
	54,454	49,002	(1,826)	(1,396)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2013 $'000	**2012 $'000**
Unutilised tax losses	140,030	119,401
Unabsorbed capital allowances	5,007	4,900
	145,037	124,301

Unutilised tax losses and unabsorbed capital allowances for the Group are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which the Group operates. The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

13. INVENTORIES

	Group	
	2013 $'000	2012 $'000
Raw materials and consumables (at cost)	375,711	354,531
Allowance for inventories written down	(24,188)	(23,426)
	351,523	331,105
Manufacturing work-in-progress (at cost)	19,374	18,809
Allowance for inventories written down	(104)	(75)
	19,270	18,734
Finished goods (at cost or net realisable value)	324,177	264,768
Allowance for inventories written down	(11,493)	(12,365)
	312,684	252,403
Total	683,477	602,242
Inventories recognised as an expense in cost of sales (Note 24)	2,980,236	2,639,904
Inclusive of the following charge/(credit):		
- Inventories written down	9,787	9,458
- Reversal of inventories written down	(10,667)	(9,667)

The reversal of inventories written down was made when the related inventories were sold above their carrying value.

14. DEVELOPMENT PROPERTIES

	Group	
	2013 $'000	2012 $'000
Properties held-for-sale (net)		
Freehold land	4,686	4,984
Development costs	1,517	2,837
Overhead expenditure capitalised	2,012	2,467
	8,215	10,288

The income statement includes allowance for impairment written back for development properties of $Nil (2012: $28,000) (Note 24).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

15. TRADE AND OTHER RECEIVABLES

	Group	
	2013 $'000	2012 $'000 (restated)
Trade receivables	330,392	287,202
Bill receivables	1,592,860	1,307,460
Impairment losses	(6,314)	(8,989)
Net trade receivables	1,916,938	1,585,673
Amounts receivable from:		
- ultimate holding company (non-trade)	–	42
- immediate holding company (non-trade)	30	77
- associates (non-trade)	442	213
- other related corporations (trade)	861	2,313
- other related corporations (non-trade)	785	1,621
Advances paid to suppliers	26,878	24,370
Prepaid expenses	9,176	10,508
Refundable deposits	3,819	3,884
Tax recoverable	37,354	34,075
Lease receivables	1,102	1,102
Other receivables	31,407	37,046
Impairment losses - other receivables	(1,347)	(1,477)
	110,507	113,774
Total trade and other receivables	2,027,445	1,699,447

	Company	
	2013 $'000	2012 $'000
Trade receivables	118	978
Amounts receivable from:		
- ultimate holding company (non-trade)	–	42
- immediate holding company (non-trade)	21	77
- subsidiaries (non-trade)	284,966	245,683
- associates (non-trade)	–	4
- other related corporations (non-trade)	–	1
Prepaid expenses	26	56
Refundable deposits	59	189
Other receivables	290	87
	285,362	246,139
Total trade and other receivables	285,480	247,117

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Group

The non-trade balances due from the minority shareholders of subsidiaries and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

Company

The non-trade balances due from subsidiaries include loans and advances of $178,936,000 (2012: $170,870,000) which bear interest at rates ranging from 0.69% to 4.38% (2012: 0.85% to 4.40%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 1.78% (2012: 1.92%) per annum. Interest rates will be repriced within 12 months. These balances are repayable on demand and are to be settled in cash.

The remaining non-trade balances are unsecured, interest-free, repayable on demand and are to be settled in cash.

The maximum exposure to credit risk for trade and other receivables (excluding advances paid to suppliers, prepaid expenses, refundable deposits and tax recoverable), non-current receivables (Note 11) and amounts due from subsidiaries at the reporting date (by business activities) is as follows:

	Group	
	2013 **$'000**	**2012** **$'000** (restated)
Diesel engines	1,591,608	1,317,749
Consumer products	224,043	172,768
Building materials	111,342	116,322
Industrial packaging	13,315	17,630
Air-conditioning systems	18,520	12,355
Others	113	209
	1,958,941	1,637,033

	Company	
	2013 **$'000**	**2012** **$'000**
Diesel engines	–	6
Consumer products	7,932	4,373
Building materials	92	489
Air-conditioning systems	35,512	26,591
Others	241,859	215,413
	285,395	246,872

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade and other receivables (excluding advances paid to suppliers, prepaid expenses, refundable deposits and tax recoverable), non-current receivables and amounts due from subsidiaries at reporting date is as follows:

	2013 Gross $'000	2012 Gross $'000 (restated)
Group		
Not past due	1,794,363	1,483,408
Past due 0 to 30 days	81,585	69,394
Past due 31 to 120 days	47,812	57,465
Past due 121 days to one year	18,202	13,825
More than one year	24,640	23,407
	1,966,602	1,647,499
	Impairment losses $'000	**Impairment losses $'000**
Past due 0 to 30 days	(238)	(71)
Past due 31 to 120 days	(63)	(170)
Past due 121 days to one year	(1,102)	(4,285)
More than one year	(6,258)	(5,940)
	(7,661)	(10,466)
Company		
Not past due	2,505	1,850
Past due 0 to 30 days	346	567
Past due 31 to 120 days	1,424	1,952
Past due 121 days to one year	42,763	114,291
More than one year	238,357	128,212
	285,395	246,872

There was no impairment losses recognised at Company level for both financial years.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

15. TRADE AND OTHER RECEIVABLES (CONT'D)

The Group's movement in allowances for trade and other receivables and non-current receivables at the end of the reporting period are as follows:

	Group	
	2013 $'000	2012 $'000
At 1 January	10,466	15,567
Impairment losses written back	(2,481)	(1,902)
Impairment losses utilised	(852)	(2,633)
Translation differences	528	(566)
At 31 December	7,661	10,466

The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond the amount provided for collection losses are inherent in the Group's trade and other receivables.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. These receivables are mainly from customers that have a good record with the Group.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the reporting date, financial guarantees received by the Group up to a limit of $23,665,000 (2012: $23,796,000) from certain trade receivables. These guarantees included cash collateral held from certain customers of $906,000 (2012: $638,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

Trade and bills receivables amounting to $167,120,000 (2012: Nil) had been pledged as collaterals for a loan by a subsidiary in China.

Receivables subject to offsetting arrangements

The Group and Company had certain counterparties with receivables and payables that are off-set as follows:

Group 2013	Gross carrying amounts $'000	Gross amounts offset in the balance sheet $'000	Net amounts in the balance sheet $'000
Non-current			
Non-trade receivables	1,335	(372)	963
Non-trade payables	(372)	372	–
Current			
Non-trade receivables	637	(218)	419
Non-trade payables	(218)	218	–
Trade receivables	3	(3)	–
Trade payables	(1,568)	3	(1,565)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables subject to offsetting arrangements (cont'd)

Group 2012	Gross carrying amounts $'000	Gross amounts offset in the balance sheet $'000	Net amounts in the balance sheet $'000
Non-current			
Non-trade receivables	1,378	(743)	635
Non-trade payables	(743)	743	–
Current			
Trade receivables	20	(20)	–
Trade payables	(2,007)	20	(1,987)

Company 2013	Gross carrying amounts $'000	Gross amounts offset in the balance sheet $'000	Net amounts in the balance sheet $'000
Current			
Amounts due from subsidiaries	1,106	(1,106)	–
Amounts due to subsidiaries	(1,116)	1,106	(10)

Receivables subject to an enforceable master netting arrangement that are not otherwise set-off

The Group had certain counterparties with receivables and payables subject to an enforceable master netting arrangement that are not otherwise set-off as follows:

	Gross carrying amounts $'000	Related amounts not set off in the balance sheet $'000	Net amounts $'000
2013			
Description			
Trade and other receivables	26,366	(10,023)	16,343
Trade and other payables	(11,657)	10,023	(1,634)
2012			
Description			
Trade and other receivables	38,116	(10,065)	28,051
Trade and other payables	(11,857)	10,065	(1,792)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

16. CASH AND SHORT-TERM DEPOSITS

	Note	Group		Company	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Fixed deposits		449,196	375,855	79	8,529
Cash at banks and in hand		619,050	624,951	1,931	2,339
		1,068,246	1,000,806	2,010	10,868
Bank overdrafts (unsecured)	20	–	(361)		
Restricted deposits		(33,921)	(47,175)		
Cash and cash equivalents in the cash flow statement		1,034,325	953,270		

Restricted deposits represent bank balances of certain subsidiaries pledged as security to obtain credit facilities and loans.

The weighted average effective interest rates per annum of the fixed deposits and bank overdrafts at the balance sheet date are as follows:

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Fixed deposits	3.11	3.04	1.16	2.40
Bank overdrafts	–	7.85	–	–

Interest rates will be repriced within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17. ASSETS/(LIABILITIES) CLASSIFIED AS HELD-FOR-SALE

In 2012, the Group divested its remaining investment in a CGU of building materials segment which was classified as held-for-sale in 2010 and divested one jointly-controlled entity and one associate of the Group.

The major classes of assets and liabilities classified as held-for-sale and the related reserves as at 31 December are as follows:

	Group	
	2013 $'000	2012 $'000
Assets:		
Property, plant and equipment	–	2,476
Inventories	–	287
Trade and other receivables	–	1,404
Deferred tax assets	–	168
Cash and short-term deposits	–	9,105
Interests in associates	–	7,647
	–	21,087
Liabilities:		
Trade and other payables	–	(3,380)
Provisions	–	(391)
	–	(3,771)
Reserve:		
Translation reserve	–	2,813

18. SHARE CAPITAL

	2013		2012	
	No. of shares '000	Amount $'000	No. of shares '000	Amount $'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	373,908	266,830	373,908	266,830

During the year, there was no option exercised under its Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") (Note 30).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

19. RESERVES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Capital reserve	(1,569)	(1,604)	9,199	9,199
Statutory reserve	34,896	34,217	–	–
Translation reserve	(19,313)	(49,712)	–	–
Fair value reserve	45,525	45,789	2	–
Equity compensation reserve	2,390	2,347	2,337	2,294
Accumulated profits	499,347	466,004	39,258	27,100
Reserve of disposal group classified as held-for-sale	–	(2,813)	–	–
Discount on acquisition of non-controlling interests	13,173	13,173	–	–
	574,449	507,401	50,796	38,593

(a) Capital reserve comprises:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Merger reserve	392	392	–	–
Business participation fee and realised capital gain on disposal of investments	3,046	3,046	9,199	9,199
Adjustment relating to shares of the Company issued to an associate for assets transferred to the Company	(11,380)	(11,380)	–	–
Others	6,373	6,338	–	–
	(1,569)	(1,604)	9,199	9,199

The merger reserve relates to reserve arising from certain acquisitions accounted for under the pooling of interests method.

(b) Statutory reserve comprises the Group's share of general reserves of its subsidiaries in China which are not available for dividends or other payments. The transfers are required to be made at the rate of 10% to 15% (2012: 10% to 15%) of profit after tax of subsidiaries arrived at under generally accepted accounting principles applicable in the People's Republic of China. The transfer to the statutory reserve is mandatory until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to the approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The statutory reserve is not available for dividend distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

19. RESERVES (CONT'D)

(c) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

(d) The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised and the Group's share of the post-acquisition fair value adjustments arising from the allocation of purchases price to the identifiable net assets and contingent liabilities of subsidiaries.

(e) The equity compensation reserve comprises the cumulative value of employee services received for the issue of share options. The amount in the reserve is retained when the option is exercised or expired.

(f) The reserve of disposal group classified as held-for-sale comprises assets revaluation reserve and translation reserve of the disposal group.

20. LOANS AND BORROWINGS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current liabilities				
Unsecured bank overdrafts (Note 16)	–	361	–	–
Unsecured bank loans	413,247	443,936	84,698	139,078
Secured bank loans	157,117	70,027	–	–
Obligations under finance leases (Note 31)	1,114	1,111	–	–
Short-term bonds	–	195,895	–	–
	571,478	711,330	84,698	139,078
Non-current liabilities				
Unsecured bank loans	74,758	29,119	60,000	–
Secured bank loans	139,366	170,106	–	–
Obligations under finance leases (Note 31)	2,883	3,976	–	–
Medium-term bonds	207,782	–	–	–
	424,789	203,201	60,000	–
Total loans and borrowings	996,267	914,531	144,698	139,078

The obligations under finance leases are secured by a charge over the leased assets (Note 3). The average discount rate implicit in the leases is 1.41% (2012: 1.41%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

20. LOANS AND BORROWINGS (CONT'D)

The secured bank loans are secured on assets with the following carrying values:

	Group	
	2013 **$'000**	**2012** **$'000**
Property, plant and equipment	32,377	41,776
Land use rights	17,991	16,888
Investment in subsidiaries	179,993	186,158
Fixed deposits	33,921	45,395
Trade receivables	167,120	–
Inventories	8,711	–

These loans and borrowings have externally imposed capital requirements on certain subsidiaries of the Group which have been complied with by the respective subsidiaries for the financial years ended 31 December 2013 and 2012.

Terms and conditions of outstanding loans and borrowings are as follows:

	2013		
	Weighted average interest rate	**Year of maturity**	**Carrying amount**
Group	**%**		**$'000**
Secured bank loans:			
- RMB floating rate loans	8.2	2014	3,309
- RMB floating rate loans	7.0	2016	18,092
- MYR floating rate loans	9.6	2015	114,464
- MYR floating rate loans	6.0	2014	3,939
- EURO floating rate loans	2.3	2014	4,697
- USD floating rate loans	2.2	2014	5,453
- USD floating rate loans	3.4	2016	6,810
- CAD floating rate loans	5.3	2014	33,342
- RMB fixed rate loans	6.0	2014	104,450
- MYR fixed rate loans	4.4	2014	1,927
			296,483
Unsecured bank loans:			
- RMB floating rate loans	5.5	2014	146,363
- USD floating rate loans	0.7	2014	29,786
- HKD floating rate loans	1.7	2014	242
- RMB floating rate loans	7.3	2015	1,597
- RMB floating rate loans	6.4	2016	13,161
- SGD floating rate loans	1.0	2014	94,092
- SGD floating rate loans	1.4	2016	60,000
- RMB fixed rate loans	6.7	2014	91,248
- MYR fixed rate loans	5.0	2014	1,542
- SGD fixed rate loans	4.9	2014	49,974
			488,005

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

20. LOANS AND BORROWINGS (CONT'D)

	2013		
Group	**Weighted average interest rate**	**Year of maturity**	**Carrying amount**
	%		**$'000**
Obligations under finance leases:			
- MYR fixed rate loans	2.7	2014	9
- MYR fixed rate loans	2.7	2018	18
- SGD fixed rate loans	1.4	2014	1,105
- SGD fixed rate loans	1.4	2017	2,865
			3,997
Medium-term bonds:			
- RMB fixed rate medium-term bonds	4.9	2016	207,782
			996,267
Company			
Unsecured bank loans:			
- USD floating rate loans	0.7	2014	29,785
- SGD floating rate loans	0.8	2014	54,913
- SGD floating rate loans	1.4	2016	60,000
			144,698

	2012		
Group	**Weighted average interest rate**	**Year of maturity**	**Carrying amount**
	%		**$'000**
Secured bank loans:			
- RMB floating rate loans	6.2	2013	10,531
- RMB floating rate loans	8.3	2016	11,766
- MYR floating rate loans	6.0	2013	450
- MYR floating rate loans	9.5	2014	158,340
- EURO floating rate loans	2.5	2013	1,099
- USD floating rate loans	3.9	2013	57,947
			240,133

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

20. LOANS AND BORROWINGS (CONT'D)

	2012		
Group	**Weighted average interest rate**	**Year of maturity**	**Carrying amount**
	%		**$'000**
Unsecured bank loans:			
- RMB fixed rate loans	6.1	2013	39,089
- RMB floating rate loans	5.3	2013	234,486
- RMB floating rate loans	6.4	2014	4,413
- RMB floating rate loans	7.3	2015	1,999
- RMB floating rate loans	6.4	2016	12,707
- USD floating rate loans	1.1	2013	87,394
- HKD floating rate loans	1.4	2013	236
- MYR fixed rate loans	7.6	2013	1,262
- SGD floating rate loans	1.0	2013	81,469
- SGD floating rate loans	1.3	2014	10,000
- bank overdrafts	7.9	2013	361
			473,416
Obligations under finance leases:			
- RMB fixed rate loans	3.1	2013	9
- RMB fixed rate loans	3.1	2016	15
- SGD fixed rate loans	1.4	2013	1,102
- SGD fixed rate loans	1.4	2017	3,961
			5,087
Short-term bonds:			
- RMB fixed rate short-term bonds	4.8	2013	195,895
			914,531
Company			
Unsecured bank loans:			
- USD floating rate loans	1.1	2013	87,394
- SGD floating rate loans	0.8	2013	51,684
			139,078

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

20. LOANS AND BORROWINGS (CONT'D)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash flows			
	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2013					
Floating interest rate loans	535,347	555,018	332,003	223,015	–
Fixed interest rate loans	253,138	265,483	262,394	3,089	–
Medium-term bonds	207,782	238,592	–	238,592	–
Trade and other payables*	1,964,139	1,964,139	1,964,139	–	–
Non-current payables	24,408	24,408	–	24,408	–
	2,984,814	3,047,640	2,558,536	489,104	–
2012 (restated)					
Floating interest rate loans	672,837	710,335	659,139	51,196	–
Fixed interest rate loans	45,438	46,780	42,509	4,271	–
Bank overdrafts	361	361	361	–	–
Short-term bonds	195,895	195,895	195,895	–	–
Trade and other payables*	1,762,623	1,762,623	1,762,623	–	–
Non-current payables	32,561	32,561	–	32,561	–
	2,709,715	2,748,555	2,660,527	88,028	–

* Excludes advances from customers.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

20. LOANS AND BORROWINGS (CONT'D)

		Cash flows			
	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
Company	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2013					
Floating interest rate loans	144,698	145,364	145,364	–	–
Trade and other payables	41,740	41,740	41,740	–	–
	186,438	187,104	187,104	–	–
2012					
Floating interest rate loans	139,078	140,431	140,431	–	–
Trade and other payables	39,653	39,653	39,653	–	–
	178,731	180,084	180,084	–	–

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 $'000	**2012 $'000** (restated)	**2013 $'000**	**2012 $'000**
Trade payables	1,288,775	1,159,075	–	–
Accrued expenses	505,172	456,317	1,902	2,301
Other payables	102,431	82,530	4	124
Deferred grants	7,418	5,360	–	–
Advances from customers	56,670	44,896	–	–
Trust receipts	2,322	1,532	–	–
Amounts due to:				
- immediate holding company (non-trade)	100	344	45	244
- subsidiaries (trade)	–	–	739	1,985
- subsidiaries (non-trade)	–	–	39,050	34,462
- associates (trade)	6,979	10,082	–	–
- other related corporations (trade)	44,863	46,239	–	–
- other related corporations (non-trade)	6,079	1,144	–	537
Total trade and other payables (current)	2,020,809	1,807,519	41,740	39,653

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

21. TRADE AND OTHER PAYABLES (CONT'D)

	Group	
	2013 $'000	2012 $'000 (restated)
Loan due to other related corporation (non-trade)	–	2,942
Amount due to joint venture partner	2,141	11,751
Provision for bonus	22,267	17,868
Other payables (non-current)	24,408	32,561

Trade payables / other payables

Current trade and other payables are normally settled on agreed credit terms ranging from 7-day to 90-day terms and are non-interest bearing. Loan due to a related corporation is unsecured and bear interest at 5.6% per annum. The amount due to joint venture partner is interest-free.

Amounts due to related corporations

The balances with the immediate holding company, subsidiaries, associates and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

Purchases from related corporations are made at terms equivalent to those prevailing in arm's length transactions with third parties.

The weighted average effective annual interest rates at the balance sheet date in respect of interest-bearing balances are as follows:

	Group	
	2013 %	2012 %
Trust receipts	3.35	3.00

Interest rates will be repriced within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

22. PROVISIONS

Group	Onerous contracts $'000	Claims $'000	Warranties $'000	Total $'000
At 1 January 2012	4,553	2,422	75,627	82,602
Provision made	22	1,123	78,557	79,702
Provision utilised	–	(390)	(86,282)	(86,672)
Provision reversed	(2,794)	(635)	(31)	(3,460)
Acquisition of subsidiary	–	–	187	187
Translation differences	–	(25)	(3,037)	(3,062)
At 31 December 2012 and 1 January 2013	1,781	2,495	65,021	69,297
Provision made	–	2,903	93,571	96,474
Provision utilised	–	(32)	(87,253)	(87,285)
Provision reversed	(1,781)	(953)	–	(2,734)
Translation differences	–	(19)	4,395	4,376
At 31 December 2013	–	4,394	75,734	80,128

Onerous contracts

The provision for onerous contracts relates to the expected losses arising from existing customers' contracts, whereby the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received.

Claims

The provision for claims relates to costs arising from delays in the completion of contracts or complaints from customers. The provision is made based on estimates from prior experience on similar projects with customers.

Warranties

The provision for warranties relates to products sold during the year. The provision is made based on estimates from historical warranty data.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

23. REVENUE

	Group	
	2013 $'000	2012 $'000
Sale of goods	4,519,812	4,070,401
Services rendered	29,106	40,746
Sale of development properties	1,463	991
	4,550,381	4,112,138

Revenue of the Group comprises:

(a) Sales of goods delivered less trade discounts. Intra-group sales are eliminated in arriving at the turnover of the Group.

(b) Revenue from rendering services relates to project management contracts, hotel room and restaurant operations, including rental income.

(c) Revenue from sale of development properties.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

24. PROFIT BEFORE INCOME TAX

Profit before income tax includes the following:

	Note	Group 2013 $'000	Group 2012 $'000
Impairment losses written back for trade and other receivables	15	(2,481)	(1,902)
Inventories recognised as an expense in cost of sales	13	2,980,236	2,639,904
Amortisation of intangible assets	5	1,875	1,946
Depreciation of property, plant and equipment	3	118,227	113,325
Amortisation of land use rights	4	3,464	3,663
Property, plant and equipment written off	3	186	748
Intangible assets written off	5	15	1,313
Audit fees paid/payable:			
- auditors of the Company		1,390	1,255
- other auditors		1,260	1,349
Non-audit fees paid/payable to:			
- auditors of the Company		137	138
- other auditors		431	461
Exchange loss/(gain), net		382	(1,732)
Operating lease expense		16,468	15,666
Loss on disposal of property, plant and equipment		445	4,324
Loss on disposal of subsidiaries		74	1,980
Gain on disposal of assets classified as held-for-sale		1,471	–
Provisions made, net	22	93,740	76,242
Allowance written back for inventories written down	13	(880)	(209)
Impairment losses on property, plant and equipment	3	9,446	59,978
Reversal of impairment losses on property, plant and equipment	3	(99)	–
Impairment losses on intangible assets	5	5,658	–
Allowance written back for development properties	14	–	(28)
Dividend income from other investments		(259)	(689)
Interest income:			
- cash and short-term deposits		(23,697)	(28,078)
- other related corporations		(152)	(85)
Sale of scrap		(2,055)	(4,203)
Government grant		(12,831)	(5,655)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

25. FINANCE COSTS

	Group	
	2013 $'000	2012 $'000
Bank term loans	33,927	31,974
Bank overdrafts	11	16
Fixed interest rate bonds	12,273	17,271
Trust receipts	131	149
Bills discounting	17,480	20,490
Bank charges	2,080	2,085
Finance leases	2	1
Facilities fees	107	30
	66,011	72,016

26. EMPLOYEE BENEFITS

	Group	
	2013 $'000	2012 $'000
Wages and salaries	330,429	283,429
Cost of share-based payments	43	300
Contributions to defined contribution plans	64,098	64,636
	394,570	348,365

27. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013 $'000	2012 $'000
Consolidated income statement:		
Current tax charge		
- Current year	60,678	38,611
- (Over)/under provision in respect of prior years	(1)	6,529
	60,677	45,140

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

27. INCOME TAX EXPENSE (CONT'D)

Major components of income tax expense (cont'd)

	Group	
	2013 $'000	**2012 $'000**
Deferred tax (credit)/expense		
- Movements in temporary differences	(5,255)	2,256
- (Over)/under provision in respect of prior years	(57)	929
	(5,312)	3,185
Withholding tax	4,713	3,497
Income tax expense recognised in profit or loss	60,078	51,822

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013 $'000	**2012 $'000**
Profit before income tax	240,391	126,821
Income tax using China tax rate of 25% (2012: 25%)	60,098	31,705
Adjustments:		
Effect of different tax rates in other countries	(6,562)	(10,685)
Effect of tax concessions	(17,865)	(10,648)
Non-deductible expenses	16,075	24,615
Tax-exempt income	(11,240)	(5,969)
Utilisation of deferred tax benefits previously not recognised	(128)	(364)
Deferred tax benefits not recognised	19,709	18,898
Tax credits for research and development expense	(4,616)	(5,651)
(Over)/under provision in respect of prior years:		
- current	(1)	6,529
- deferred	(57)	929
Withholding tax expenses	4,713	3,497
Others	(48)	(1,034)
	60,078	51,822

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

27. INCOME TAX EXPENSE (CONT'D)

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

In accordance with the new corporate income tax law ("CIT law") of the People's Republic of China ("PRC"), which became effective 1 January 2008, foreign invested enterprises and domestic companies are subject to a uniform tax rate of 25%. Under the new CIT law, those foreign enterprises incorporated before the promulgation date of the new tax law are entitled to a preferential lower tax rate for a transition period of 1 January 2008 to 31 December 2012. During this period, the new CIT law provides for a graduated tax rate increase over five-year from an existing reduced tax rate to the uniform tax rate of 25%.

Certain of the Group's subsidiaries in the PRC have been granted concessionary tax rate under the Corporate Income Tax Law of the PRC. Income from these entities is subject to tax at the concessionary rate of 15% instead of the national standard income tax rate of 25% (2012: 25%). This concession is available subject to certain conditions including these entities remain engaged in advanced and new technology.

The Group has been granted tax credits in relation to approved research and development costs. According to relevant laws and regulations in the PRC prior to the new CIT law, the amount of credits relating to the purchase of certain domestic equipment entitled for deduction each year is limited to the incremental current income tax expense of the subsidiary for the year compared to the income tax expense of the subsidiary in the year immediately prior to the year the credit was approved.

28. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on:

	Group	
	2013 $'000	**2012 $'000**
(i) Net profit/(loss) attributable to owners of the Company	45,284	(34,910)
	2013 No. of shares	**2012 No. of shares**
(ii) Number of issued ordinary shares at beginning and end of the year	373,908,559	373,908,559

Diluted earnings per share

The weighted average number of ordinary shares adjusted for the effect of unissued ordinary shares under the Share Option Scheme is determined as follows:

	Group	
	2013 No. of shares	**2012 No. of shares**
Weighted average number of shares issued, used in the calculation of basic earnings per share	373,908,559	373,908,559
Dilutive effect of share options	–	–
Weighted average number of ordinary shares (diluted)	373,908,559	373,908,559

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

28. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share (cont'd)

930,000 (2012: 1,180,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

29. DIVIDENDS

	Group	
	2013 **$'000**	**2012** **$'000**
Interim tax exempt dividend paid of 1 cent per share in respect of year 2013 (2012: 1 cent per share in respect of year 2012)	3,739	3,739
Final tax exempt dividend paid of 2 cents per share in respect of year 2012 (2012: 5 cents per share in respect of year 2011)	7,478	18,695
	11,217	22,434

After the balance sheet date, the directors proposed a final tax exempt dividend of 3 cents (2012: 2 cents) per ordinary share in respect of year 2013 amounting to approximately $11,217,000 (2012: $7,478,000) on the basis that the number of shares (373,908,559 shares) in issue at the time of payment remains the same as at 28 February 2014. The dividends have not been provided for.

30. SHARE OPTIONS

The Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") was approved by the shareholders at the extraordinary general meeting of the Company held on 30 December 2000 for an initial duration of 10 years (from 30 December 2000 to 29 December 2010). At the annual general meeting ("AGM") of the Company held on 29 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 30 December 2010 to 29 December 2020. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

The Share Option Scheme is administered by a committee comprising the following members:

Ernest Colin Lee – Chairman
Kwek Leng Peck
Quek Shi Kui
Goh Kian Hwee

All options granted under the Share Option Scheme are subject to a vesting schedule as follows:

(1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;

(2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and

(3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

30. SHARE OPTIONS (CONT'D)

Details of the options granted under the Share Option Scheme to subscribe for ordinary shares of the Company as at the end of the financial year are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2013	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year
15/5/2008	$2.36	470,000*	–	–	–
5/1/2011	$3.17	510,000	–	–	(50,000)
18/5/2011	$2.62	200,000	–	–	(200,000)
Total		1,180,000	–	–	(250,000)

* Includes 300,000 options granted to a Group Non-Executive Director who became an Executive Director of the Company during the year. The said Executive Director was granted an extension of time up till 14 May 2018 to exercise his outstanding 300,000 options, which would have lapsed on 14 May 2013. The financial impact of extending the exercisable period is not material.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Number of options outstanding at 31 December 2013	Number of options exercisable at 1 January 2013	Number of options exercisable at 31 December 2013	Proceeds on options exercised during the year credited to share capital	Market price of Shares at exercise date of option	Exercise period
470,000*	470,000*	470,000*	–	–	15/5/2009 to 14/5/2018
460,000	168,300	303,600	–	–	5/1/2012 to 4/1/2021
–	66,000	–	–	–	18/5/2012 to 17/5/2021
930,000	704,300	773,600	–		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

30. SHARE OPTIONS (CONT'D)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions:

Date of grant of options	**On 15 May 2008**	**On 5 January 2011**	**On 18 May 2011**
Fair value at measurement date ($)	0.53 – 0.66	1.18 – 1.44	0.98 – 1.17
Share price ($)	2.36	3.17	2.62
Exercise price ($)	2.36	3.17	2.62
Expected volatility (%)	43.9 – 45.2	72.0 – 79.0	66.8 – 74.6
Expected option life (years)	2 – 4	2 – 4	2 – 4
Expected dividends (%)	2.5	3.0	3.7
Risk-free interest rate (%)	1.1 – 1.4	0.9 – 1.4	0.9 – 1.3

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

The range of exercise prices for options outstanding at the end of the year was $2.36 to $3.17 (2012: $2.36 to $3.17). The weighted average remaining contractual life for these options is 5.68 years (2012: 7.02 years).

31. COMMITMENTS

Capital commitments

Capital expenditure contracted for as at the end of the year but not recognised in the financial statements are as follows:

	Group		**Company**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Capital commitments in respect of property, plant and equipment	202,756	194,769	–	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

31. COMMITMENTS (CONT'D)

Operating lease commitments as lessee

At 31 December, commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Within 1 year	8,966	12,247	515	592
After 1 year but within 5 years	12,068	13,829	395	1,036
After 5 years	5,354	6,071	–	–
	26,388	32,147	910	1,628

Annual rentals payable for the leases of land by the Group under non-cancellable operating leases are subjected to revision at fixed intervals ranging from one to five years. Any increase will not exceed 5.5% to 7.6% (2012: 5.5% to 7.6%) on an annualised basis, provided that any rent after such increase shall not exceed the prevailing market rent. The leases expire between 2014 and 2025.

Operating lease commitments as lessor

The Group has entered into commercial property leases on its surplus office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease receivables under non-cancellable operating leases are as follows:

	Group	
	2013 $'000	**2012 $'000**
Within 1 year	778	801
After 1 year but within 5 years	1,805	1,731
After 5 years	4,980	4,777
	7,563	7,309

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

31. COMMITMENTS (CONT'D)

Finance lease commitments

The Group has finance leases for various plant and machinery. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2013		2012	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Within 1 year	1,193	1,114	1,175	1,111
After 1 year but within 5 years	3,089	2,883	4,271	3,976
Total minimum lease payments	4,282	3,997	5,446	5,087
Less: Amounts representing finance charges	(285)	–	(359)	–
Present value of minimum lease payments	3,997	3,997	5,087	5,087

32. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Group	
	2013 $'000	2012 $'000
Short-term employee benefits	11,622	9,486
Defined contribution plans	146	77
Equity compensation benefits	17	216
	11,785	9,779

Directors' remuneration included in key management personnel compensation amounted to $2,818,000 (2012: $2,171,000).

Key management personnel of the Group participate in the Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") as described in Note 30. No options were granted to key management personnel pursuant to the Share Option Scheme during the year (2012: Nil). All Options are subject to a vesting schedule.

As at the end of the year, 770,000 (2012: 1,020,000) Options granted to key management personnel were outstanding, and this 770,000 (2012: 670,000) were the Options granted to the Executive Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

32. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Sale and purchase of goods and services

During the year, the Group made payments to a firm, in which a director has an interest, in respect of professional services rendered. This amounted to $46,000 (2012: $327,000). There was no amount outstanding at the balance sheet date (2012: $Nil).

Significant transactions with related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

	Group	
	2013 **$'000**	**2012** **$'000**
Sales of diesel engines and raw materials		
– related corporations	199,012	56,444
Purchase of raw materials		
– associates	45,993	44,649
– related corporations	351,456	282,937
Management services paid and payable		
– related corporations	689	572
Rental paid and payable		
– immediate holding company	451	91
– related corporations	85	283
Interest expenses		
– related corporations	171	40
General and administrative expenses		
– related corporations	6,272	6,904
Delivery expenses		
– related corporations	43,824	37,087

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is integral to the whole business of the Group and the Company. The management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. The Group's and the Company's policies and financial authority limits are documented and reviewed periodically. The financial authority limits seek to limit and mitigate operational risk by setting threshold of approvals required for the entry into contractual obligations and investments.

(a) Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group and the Company require collateral in respect of financial assets in certain circumstances.

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and short-term deposits are placed with banks and financial institutions which are regulated.

At the balance sheet date, a subsidiary of the Group has trade receivables due from a major Chinese customer, amounting to $505 million (2012: $354 million), representing 26% (2012: 23%) of total gross trade and bill receivables of the Group as at 31 December 2013. Of this balance, $446 million (2012: $287 million), or 88% (2012: 81%) is supported by bill receivables from Chinese banks. Except for this, there is no significant concentration of credit risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and short-term deposits. Refer to Note 34 (e).

The Group's and the Company's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts. The Group's and the Company's debt obligations are mainly denominated in Singapore Dollar, United States Dollar, Chinese Renminbi, Ringgit Malaysia and Canadian Dollar, and at fixed and floating rates of interest. For variable rate financial instruments, a change of 100 bp in interest rate at the reporting date would increase/(decrease) profit before income tax by the amounts shown below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Interest rate risk (cont'd)*

	Profit before income tax	
	100 bp Increase $'000	**100 bp Decrease $'000**
Group		
31 December 2013		
Floating rate instruments	(862)	862
31 December 2012		
Floating rate instruments	(4,932)	4,932

	Profit before income tax	
	100 bp Increase $'000	**100 bp Decrease $'000**
Company		
31 December 2013		
Floating rate instruments	(1,446)	1,446
31 December 2012		
Floating rate instruments	(1,305)	1,305

(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 maintain a balance between continuity of funding and flexibility through the use of bank credit facilities.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows, and having adequate amounts of committed credit facilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access of sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash outflows are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) *Foreign currency risk*

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily the Singapore Dollar, Chinese Renminbi, United States Dollar, Ringgit Malaysia, Sterling Pound, Canadian Dollar, Euro and Hong Kong Dollar.

Foreign currency translation exposure is managed by incurring debt in the operating currency so that where possible operating cash flows can be primarily used to repay obligations in the local currency. This also has the effect of minimising the exchange differences recorded against income, as the exchange differences on the net investment are recorded directly against equity.

The Group does not apply hedge accounting for such foreign currency denominated sales, purchases and borrowings.

The Group's and the Company's financial assets and liabilities balances that have exposures to foreign currencies are as follows:

	2013						
	Singapore Dollar	Chinese Renminbi	United States Dollar	Ringgit Malaysia	Canadian Dollar	Euro	Hong Kong Dollar
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Other investments	5,871	–	571	–	–	–	–
Trade and other receivables	41,576	250,954	58,902	1	–	7,532	2,604
Cash and cash equivalents	35,970	72,197	35,207	81	–	345	–
Loans and borrowings	(10,000)	–	(42,043)	–	(33,342)	(4,697)	–
Trade and other payables	(73,167)	(305,873)	(4,970)	(442)	–	(6)	(1,075)
	250	17,278	47,667	(360)	(33,342)	3,174	1,529

	2013	
	Chinese Renminbi	United States Dollar
Company	**$'000**	**$'000**
Trade and other receivables	–	54,588
Cash and cash equivalents	100	145
Loans and borrowings	–	(29,785)
	100	24,948

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

	2012				
	Singapore Dollar	Chinese Renminbi	United States Dollar	Ringgit Malaysia	Sterling Pound
	$'000	$'000	$'000	$'000	$'000
Group					
Other investments	9,562	–	–	–	–
Trade and other receivables	34,998	198,317	116,213	2	–
Cash and cash equivalents	27,790	47,756	988	96	47,175
Loans and borrowings	(67,874)	–	(145,346)	–	–
Trade and other payables	(10,127)	(339,105)	(14,251)	(5,387)	(429)
	(5,651)	(93,032)	(42,396)	(5,289)	46,746

	2012	
	Chinese Renminbi	United States Dollar
	$'000	$'000
Company		
Trade and other receivables	–	110,651
Cash and cash equivalents	8,529	65
Loans and borrowings	–	(87,394)
	8,529	23,322

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would increase/(decrease) profit before income tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

	Profit before income tax	
	Group $'000	**Company $'000**
2013		
Singapore Dollar	25	–
Chinese Renminbi	1,728	10
United States Dollar	4,767	2,495
Ringgit Malaysia	(36)	–
Canadian Dollar	(3,334)	–
Euro	317	–
Hong Kong Dollar	153	–
2012		
Singapore Dollar	(565)	–
Chinese Renminbi	(9,303)	853
United States Dollar	(4,240)	2,332
Ringgit Malaysia	(529)	–
Sterling Pound	4,675	–

A 10% weakening of the above would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the assets or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS
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34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

	Group $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
2013				
Financial assets				
Other investments	7,661	–	–	7,661
Derivatives	–	571	–	571
At 31 December 2013	7,661	571	–	8,232
Financial liabilities				
Derivatives	–	(962)	–	(962)
At 31 December 2013	–	(962)	–	(962)
2012				
Financial assets				
Other investments	11,616	–	–	11,616
At 31 December 2012	11,616	–	–	11,616

(c) Level 2 fair value measurements

The Group's derivatives consist of the following:

i. The Group entered into a coupon swap with range forward with a bank to hedge against foreign currency risk on the borrowings of SGD50 million.

ii. The Group entered into non-deliverable forward ("NDF") foreign exchange contract with a bank to purchase CAD27.9 million at the forward exchange rate (CAD/USD) of 1.082 on 7 June 2014.

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial assets measured at fair value based on significant unobservable inputs (Level 3).

	Group Available-for-sale financial assets	
	2013 $'000	**2012 $'000**
Equity securities (unquoted)		
Opening balance	–	3,413
Loss recognised in profit or loss	–	(162)
Sales	–	(3,140)
Translation differences	–	(111)
Closing balance	–	–

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

The carrying amounts of current trade and other receivables (Note 15), cash and short-term deposits (Note 16), trade and other payables (Note 21), and current loans and borrowings (Note 20) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of non-current receivables (Note 11), other non-current payables (Note 21) and non-current loans and borrowings (Note 20) are reasonable approximation of fair values as their interest rates approximate the market lending rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

Set out below is a comparison by category of carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements:

Classification of financial instruments

Group	Loans and receivables	Fair value through profit or loss	Available for sale	Liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000
2013					
Assets					
Other investments	–	5,871	1,790	–	7,661
Non-current receivables	8,723	–	–	–	8,723
Trade receivables	1,916,938	–	–	–	1,916,938
Due from related corporations	2,118	–	–	–	2,118
Other receivables and deposits	72,335	–	–	–	72,335
Derivatives	–	571	–	–	571
Cash and short-term deposits	1,068,246	–	–	–	1,068,246
	3,068,360	6,442	1,790	–	3,076,592
Liabilities					
Trade and other payables	–	–	–	1,898,700	1,898,700
Due to related corporations	–	–	–	58,021	58,021
Loans and borrowings	–	–	–	996,267	996,267
Other non-current payables	–	–	–	24,408	24,408
Derivatives	–	962	–	–	962
	–	962	–	2,977,396	2,978,358

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

Classification of financial instruments (cont'd)

Group	Loans and receivables	Fair value through profit or loss	Available for sale	Liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000
2012 (restated)					
Assets					
Other investments	–	9,562	2,054	–	11,616
Non-current receivables	10,423	–	–	–	10,423
Trade receivables	1,585,673	–	–	–	1,585,673
Due from related corporations	4,266	–	–	–	4,266
Other receivables and deposits	74,630	–	–	–	74,630
Cash and short-term deposits	1,000,806	–	–	–	1,000,806
	2,675,798	9,562	2,054	–	2,687,414
Liabilities					
Trade and other payables	–	–	–	1,699,454	1,699,454
Due to related corporations	–	–	–	57,809	57,809
Loans and borrowings	–	–	–	914,531	914,531
Other non-current payables	–	–	–	32,561	32,561
	–	–	–	2,704,355	2,704,355

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(e) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)*

Classification of financial instruments (cont'd)

Company	Loans and receivables	Fair value through profit or loss	Available for sale	Liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000
2013					
Assets					
Other investments	–	–	6	–	6
Trade receivables	118	–	–	–	118
Due from related corporations	284,987	–	–	–	284,987
Other receivables and deposits	349	–	–	–	349
Cash and short-term deposits	2,010	–	–	–	2,010
	287,464	–	6	–	287,470
Liabilities					
Trade and other payables	–	–	–	1,906	1,906
Due to related corporations	–	–	–	39,834	39,834
Loans and borrowings	–	–	–	144,698	144,698
	–	–	–	186,438	186,438
2012					
Assets					
Other investments	–	–	4	–	4
Trade receivables	978	–	–	–	978
Due from related corporations	245,807	–	–	–	245,807
Other receivables and deposits	276	–	–	–	276
Cash and short-term deposits	10,868	–	–	–	10,868
	257,929	–	4	–	257,933
Liabilities					
Trade and other payables	–	–	–	2,425	2,425
Due to related corporations	–	–	–	37,228	37,228
Loans and borrowings	–	–	–	139,078	139,078
	–	–	–	178,731	178,731

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For the financial year ended 31 December 2013

35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

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 shareholders' 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 or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

As disclosed in Note 19(b), the Group's subsidiaries in China is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial years ended 31 December 2013 and 2012.

There were no changes in the Group's approach to capital management during the year.

	Group	
	2013	**2012**
	$'000	**$'000**
		(restated)
Loans and borrowings	996,267	914,531
Trade and other payables	2,045,217	1,840,080
Less: Cash and short-term deposits	(1,068,246)	(1,000,806)
Financial liabilities, net of cash and short-term deposits attributable to discontinued operations	–	(5,725)
Net debt	1,973,238	1,748,080
Equity attributable to the owners of the Company	841,279	774,231
Less: Fair value reserve	(45,525)	(45,789)
Statutory reserve	(34,896)	(34,217)
Total capital	760,858	694,225
Capital and net debt	2,734,096	2,442,305

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For the financial year ended 31 December 2013

36. CONTINGENT LIABILITIES (UNSECURED)

As part of the Group's cash management policy, the Group may receive bill receivables from customers in settlement of outstanding trade debts. These bill receivables are issued by banks in China. In the event that the Group uses the bill receivables to pay suppliers or discount them with its bankers, the recipients of bills have a recourse to the Group if the issuing bank defaults on the settlement on the maturity dates of the bills. In such a circumstance, the Group will also have recourse to the customers who have settled the outstanding trade debts through bill receivables.

	Group	
	2013 **$'000**	**2012** **$'000**
Outstanding bills endorsed to suppliers with recourse obligations	321,690	262,898
Outstanding bills discounted with banks with recourse obligations	308,386	186,127

37. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

Reportable segments

(i) Diesel engines: diesel engines and automobile spare parts.

(ii) Consumer products: refrigerators, freezers and washing machines.

(iii) Building materials: cement, pre-cast concrete products, ready-mix concrete and quarry products.

(iv) Industrial packaging: plastic packaging related products and container components.

(v) Air-conditioning systems: commercial and residential air-conditioning products.

Other operations include hospitality and property development. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2013 or 2012.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment report is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

During the year, management has identified air-conditioning systems as a reportable segment. The corresponding segment information for the previous year has been restated accordingly.

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37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

	Diesel engines $'000	Consumer products $'000
2013		
Total external revenue	3,262,278	619,895
Interest income	15,823	633
Interest expense	(33,669)	(10,625)
Depreciation and amortisation	(82,035)	(9,112)
Reportable segment profit/(loss) before income tax	244,426	(37,630)
Share of profit of associates and jointly-controlled entities, net of income tax	29	–
Reportable segment profit/(loss) after income tax	199,183	(40,066)
Other material non-cash items:		
- Impairment losses on property, plant and equipment and intangible assets	4,528	–
- Claims	–	–
- Onerous contracts	–	–
- Warranties	80,875	11,948
Assets and liabilities		
Reportable segment assets	3,989,462	608,681
Interests in associates	1,197	–
Capital expenditure ^	83,222	2,923
Reportable segment liabilities	2,230,940	573,147

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Building materials	Industrial packaging	Air-conditioning systems	Others*	Total
$'000	$'000	$'000	$'000	$'000
531,539	82,142	36,401	18,226	4,550,481
5,758	523	38	426	23,201
(544)	(732)	(2,849)	(2,668)	(51,087)
(22,501)	(3,388)	(2,146)	(3,092)	(122,274)
82,251	(1,242)	(22,778)	(10,248)	254,779
8,615	–	–	(1)	8,643
66,754	(1,617)	(22,270)	(10,846)	191,138
–	248	5,753	4,476	15,005
1,950	–	–	–	1,950
(1,781)	–	–	–	(1,781)
–	–	748	–	93,571
514,214	32,850	94,149	101,457	5,340,813
40,705	–	–	73	41,975
22,349	1,666	3,689	731	114,580
113,390	44,873	115,047	94,876	3,172,273

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

	Diesel engines	Consumer products
	$'000	$'000
2012 (restated)		
Total external revenue	2,663,819	760,462
Interest income	19,973	296
Interest expense	(42,262)	(8,490)
Depreciation and amortisation	(70,330)	(14,528)
Reportable segment profit/(loss) before income tax	190,464	(117,635)
Share of profit of associates and jointly-controlled entities, net of income tax	73	–
Reportable segment profit/(loss) after income tax	162,118	(125,836)
Other material non-cash items:		
- Impairment losses on property, plant and equipment and development properties	1,588	57,790
- Claims	–	–
- Onerous contracts	–	–
- Warranties	64,135	14,099
Assets and liabilities		
Reportable segment assets	3,485,815	539,588
Interests in associates	1,095	–
Capital expenditure ^	186,068	2,757
Reportable segment liabilities	1,946,744	473,748

* Others relate to hospitality and property development, which have not been included as reportable segments in the reconciliation below.

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

Building materials	Industrial packaging	Air-conditioning systems	Others*	Total
$'000	$'000	$'000	$'000	$'000
535,534	92,061	25,970	34,363	4,112,209
6,541	360	27	426	27,623
(286)	(864)	(862)	(3,275)	(56,039)
(22,743)	(2,560)	(951)	(6,766)	(117,878)
83,803	(1,066)	(10,113)	(1,531)	143,922
7,177	–	–	397	7,647
67,836	(2,166)	(9,994)	(2,566)	89,392
–	–	–	600	59,978
488	–	–	–	488
(2,772)	–	–	–	(2,772)
–	–	292	–	78,526
564,722	34,409	76,780	101,453	4,802,767
38,061	–	–	77	39,233
23,023	4,154	15,903	765	232,670
124,399	45,382	76,809	107,187	2,774,269

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other material items

	Group	
	2013	**2012**
	$'000	**$'000**
		(restated)
Revenue		
Total revenue for reportable segments	4,532,255	4,077,846
Other revenue	18,226	34,363
	4,550,481	4,112,209
Elimination of revenue	(100)	(71)
Consolidated revenue	4,550,381	4,112,138
Profit or loss		
Total profit before income tax for reportable segments	265,027	145,453
Other loss	(10,248)	(1,531)
	254,779	143,922
Unallocated amounts:		
- Corporate loss	(14,388)	(17,101)
Consolidated profit before income tax	240,391	126,821
Assets		
Total assets for reportable segments	5,239,356	4,701,314
Other assets	101,457	101,453
	5,340,813	4,802,767
Interests in associates	61,000	56,492
Other unallocated amounts	99,015	118,336
Consolidated total assets	5,500,828	4,977,595
Liabilities		
Total liabilities for reportable segments	3,077,397	2,667,082
Other liabilities	94,876	107,187
	3,172,273	2,774,269
Other unallocated amounts	102,726	191,626
Consolidated total liabilities	3,274,999	2,965,895

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other material items (cont'd)

Other material items

	Reportable segments total $'000	Adjustments $'000	Consolidated total $'000
2013			
Interest income	(22,775)	(1,074)	(23,849)
Interest expense	48,419	17,592	66,011
Capital expenditure	113,849	1,077	114,926
Depreciation and amortisation	119,182	3,315	122,497
Impairment losses on property, plant and equipment and intangible assets	10,529	4,476	15,005
2012 (restated)			
Interest income	(27,197)	(966)	(28,163)
Interest expense	52,764	19,252	72,016
Capital expenditure	231,905	804	232,709
Depreciation and amortisation	111,112	7,313	118,425
Impairment losses on property, plant and equipment and development properties	59,378	600	59,978

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

37. SEGMENT INFORMATION (CONT'D)

Geographical segments

The Group operations are primarily in China, Singapore and Malaysia.

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

	China $'000	Singapore $'000	Malaysia $'000	Others $'000	Consolidated total $'000
2013					
Total revenue from external customers	3,959,911	313,880	235,086	41,504	4,550,381
Non-current assets #	1,292,658	45,574	192,564	–	1,530,796
2012					
Total revenue from external customers	3,523,973	296,095	261,973	30,097	4,112,138
Non-current assets #	1,218,422	48,828	203,408	–	1,470,658

\# Exclude interests in associates and jointly-controlled entities, financial instruments, deferred tax assets and non-current receivables.

Major customer

Revenue from one customer of the Group's diesel engines segment represents approximately $673,095,000 (2012: $484,005,000) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of intangible assets and property, plant and equipments are disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 34 to the financial statements.

(c) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 30 to the financial statements.

(d) Allowance for inventories written down

Where necessary, allowance for inventories written down would be set up for estimated losses which may result from obsolete inventories held. The Group estimates the level of allowance based on the prevailing market conditions and historical provisioning experience. The required level of allowance could change significantly as a result of changes in market conditions. The amounts of allowance recognised are disclosed in Note 13 to the financial statements.

(e) Business combination – fair value of property, plant and equipment

The fair value of property, plant and equipment and land use rights recognised as a result of a business combination is based on market value. The market value is the estimated amount for which these assets could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have acted knowledgeably, prudently and without compulsion. The assets are valued on the basis of continuous use having taken into account the cost of replacement, future economic working life and local market condition where appropriate. The fair values of the acquired assets are disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

(f) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimated the useful lives of these property, plant and equipment to be within 3 to 70 years. The carrying amount of the Group's property, plant and equipment are set out in Note 3. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(g) Impairment of property, plant and equipment

Long-lived assets to be held and used, such as property, plant and equipment and construction-in-progress are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment charge is recognised in the amount by which the carrying amount of the asset exceeds the fair value of the asset, if the carrying value is not recoverable from the expected future cash flows or fair value less costs to sell.

Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment are disclosed in Note 6 to the financial statements.

(h) Provisions

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Where settlement of the obligations are expected to be more than 12 months, the financial effect of discounting the obligations are not expected to be material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are only disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. The amounts of provision made as of 31 December are disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

(i) Withholding tax provision

The China's Unified Enterprise Income Tax Law ("CIT law") also provides for a tax up to 15% to be withheld from dividends paid to foreign investors of PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to 1 January 2008. Beginning on 1 January 2008, a 5% to 10% withholding tax is imposed on dividends paid to the Group, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Group will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Group does not plan to indefinitely reinvest in the PRC enterprises. The amounts of deferred tax liability as at 31 December are disclosed in Note 12 to the financial statements.

(j) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amounts of deferred tax position as at 31 December are disclosed in Note 12 to the financial statements.

(k) De-recognition of bills receivable

The Group sells bills receivable to banks on an ongoing basis. The buyer is responsible for servicing the receivables upon maturity of the bills receivable. This involves management assumptions relating to the transfer of risks and rewards of the bills receivable when discounted. At the time of sale of the bills receivable to the banks, the risks and rewards relating to the bills receivable are substantially transferred to the banks. Accordingly, bills receivable are derecognised, and a discount equal to the difference between the carrying value of the bills receivable and cash received is recorded. Please refer to Note 36 to the financial statements.

(l) Development expenditure

Research and development costs are capitalised in accordance with the accounting policy in Note 2.12 (b)(ii). Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation from the project, discount rate to be applied and the expected period of benefits. The carrying amounts are disclosed in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

39. COMPARATIVES

The following comparatives in the consolidated balance sheets have been restated as follows:

2012	As previously stated $'000	Restatement $'000	As restated $'000	Note
Trade and other payables	1,743,676	63,843	1,807,519	(a), (b)
Other non-current payables	14,693	17,868	32,561	(a)
Trade and other receivables	1,617,736	81,711	1,699,447	(b)
2011				
Trade and other payables	1,936,819	79,739	2,016,558	(a), (b)
Other non-current payables	–	17,125	17,125	(a)
Trade and other receivables	1,830,859	96,864	1,927,723	(b)

(a) Accrual for discounts where credit notes have not been issued to the customers were previously offset against trade and other receivables. Such accruals have now been reclassified as trade and other payables.

(b) Comparatives were restated due to the adoption of Revised FRS 19 as disclosed in Note 2.2.

The above restatements have no impact to the consolidated income statement.

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors passed on 17 March 2014.

财务报表

164. 资产负债表
166. 合并利润表
167. 合并综合收益表
168. 合并所有者权益变动表
172. 母公司所有者权益变动表
173. 合并现金流量表

资产负债表
2013 年 12 月 31 日

	附注	合并 2013 $'000	合并 2012 $'000 (重列)	合并 2011 $'000 (重列)	母公司 2013 $'000	母公司 2012 $'000
非流动资产						
固定资产	3	1,275,520	1,233,263	1,275,919	312	502
土地使用权	4	147,289	127,195	135,309	–	–
无形资产	5	107,987	110,200	72,117	275	320
子公司股权投资	7	–	–	–	204,455	213,344
联营公司权益	8	61,000	56,492	61,449	13,726	13,726
合营公司权益	9	–	–	23	–	–
其它金融资产	10	1,738	716	4,007	–	–
长期应收款	11	8,723	10,423	5,684	–	–
递延所得税资产	12	104,694	94,536	101,352	11	25
		1,706,951	1,632,825	1,655,860	218,779	227,917
流动资产						
存货	13	683,477	602,242	733,424	–	–
开发性房地产	14	8,215	10,288	11,390	–	–
其它金融资产	10	5,923	10,900	9,265	6	4
应收账款及其他应收款	15	2,027,445	1,699,447	1,927,723	285,480	247,117
货币资金	16	1,068,246	1,000,806	1,208,450	2,010	10,868
金融性衍生品资产		571	–	–	–	–
持有以备出售资产	17	–	21,087	15,285	–	–
		3,793,877	3,344,770	3,905,537	287,496	257,989
总资产合计		5,500,828	4,977,595	5,561,397	506,275	485,906

此报告中的附注是组成这些财务报表不可或缺的内容

资产负债表
2013 年 12 月 31 日

		合并			母公司	
	附注	**2013 $'000**	**2012 $'000** (重列)	**2011 $'000** (重列)	**2013 $'000**	**2012 $'000**
流动负债						
应付账款及其他应付款	21	2,020,809	1,807,519	2,016,558	41,740	39,653
计提准备	22	80,128	69,297	82,602	–	–
短期借款	20	571,478	711,330	964,080	84,698	139,078
应付所得税		32,579	26,591	35,605	374	331
金融性衍生品负债		962	–	–	–	–
持有以备出售负债	17	–	3,771	7,635	–	–
		2,705,956	2,618,508	3,106,480	126,812	179,062
净流动资产		1,087,921	726,262	799,057	160,684	78,927
非流动负债						
长期借款	20	424,789	203,201	233,656	60,000	–
递延所得税负债	12	50,240	45,534	42,047	1,837	1,421
递延补贴		69,042	65,891	65,404	–	–
其他非流动资产	21	24,408	32,561	17,125	–	–
应付退休金		564	200	233	–	–
		569,043	347,387	358,465	61,837	1,421
总负债合计		3,274,999	2,965,895	3,464,945	188,649	180,483
净资产		2,225,829	2,011,700	2,096,452	317,626	305,423
股本与公积						
发行股本	18	266,830	266,830	266,830	266,830	266,830
各项储备	19	574,449	507,401	587,387	50,796	38,593
		841,279	774,231	854,217	317,626	305,423
少数股东权益		1,384,550	1,237,469	1,242,235	–	–
所有者权益合计		2,225,829	2,011,700	2,096,452	317,626	305,423
负债及所有者权益总计		5,500,828	4,977,595	5,561,397	506,275	485,906

此报告中的附注是组成这些财务报表不可或缺的内容

合并利润表

截至 2013 年 12 月 31 日

	附注	合并 2013 $'000	 2012 $'000
营业收入	23	4,550,381	4,112,138
营业成本		(3,581,918)	(3,193,342)
毛利润		968,463	918,796
其他收入/(支出)项目净值			
其他收入/(支出)		45,128	(1,129)
其他费用项目			
销售费用		(412,109)	(437,322)
研发费用		(108,725)	(93,441)
管理费用		(194,998)	(195,714)
财务费用	25	(66,011)	(72,016)
应占联营及合营公司净利润		8,643	7,647
税前利润	24	240,391	126,821
所得税费用	27	(60,078)	(51,822)
本年利润		180,313	74,999
归属于:			
母公司所有者		45,284	(34,910)
少数股东权益		135,029	109,909
		180,313	74,999
每股收益/(亏损)(分)			
- 基本	28	12.11	(9.34)
- 稀释	28	12.11	(9.34)

此报告中的附注是组成这些财务报表不可或缺的内容

合并综合收益表
截至 2013 年 12 月 31 日

	合并	
	2013 **$'000**	**2012** **$'000**
本年利润	180,313	74,999
其他综合收益/(亏损)		
利润表项目后续可能重新进行分类		
国外子公司和联营公司的外币报表折算差额	102,496	(72,574)
公允价值变动净值	(264)	(971)
本年其他综合收益/(亏损)(税后净值)	102,232	(73,545)
本年综合收益总额	282,545	1,454
归属于:		
母公司所有者	75,778	(56,087)
少数股东权益	206,767	57,541
本年综合收益总额	282,545	1,454

此报告中的附注是组成这些财务报表不可或缺的内容

合并所有者权益变动表

截至 2013 年 12 月 31 日

合并	附注	发行股本 $'000	资本公积 $'000	法定公积 $'000	公允价值公积 $'000	权益报酬公积 $'000
2013 年 1 月 1 日余额		266,830	(1,604)	34,217	45,789	2,347
本年综合收益总额		–	–	–	(264)	–
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用	26	–	–	–	–	43
转入法定公积		–	–	724	–	–
支付公司股东股利	29	–	–	–	–	–
支付子公司少数股东股利		–	–	–	–	–
以备出售子公司处置调整	17	–	–	–	–	–
持有以备出售资产处置调整		–	–	–	–	–
子公司处置调整		–	–	(45)	–	–
对子公司控股权的变动						
收购少数股东股权		–	35	–	–	–
2013 年 12 月 31 日余额		266,830	(1,569)	34,896	45,525	2,390

此报告中的附注是组成这些财务报表不可或缺的内容

外币报表折算差额	收购少数股东股权的折让/(额外支付)	持有以备出售资产的公积	未分配利润	归属于母公司所有者权益合计	少数股东权益	所有者权益合计
$'000	$'000	$'000	$'000	$'000	$'000	$'000
(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700
30,758	–	–	45,284	75,778	206,767	282,545
–	–	–	–	43	–	43
–	–	–	(724)	–	–	–
–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	(58,816)	(58,816)
(359)	–	359	–	–	–	–
–	–	2,454	–	2,454	–	2,454
–	–	–	–	(45)	–	(45)
–	–	–	–	35	(870)	(835)
(19,313)	13,173	–	499,347	841,279	1,384,550	2,225,829

合并所有者权益变动表

截至 2013 年 12 月 31 日

合并	附注	发行 股本 $'000	资本 公积 $'000	法定 公积 $'000	公允价值 公积 $'000	权益报酬 公积 $'000
2012 年 1 月 1 日余额		266,830	(2,437)	33,802	46,760	2,047
本年综合收益总额		–	–	–	(971)	–
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用	26	–	–	–	–	300
转入法定公积		–	–	432	–	–
新增少数股东股本		–	(33)	–	–	–
收购少数股东库存股		–	–	–	–	–
收购子公司		–	–	–	–	–
支付公司股东股利	29	–	–	–	–	–
支付子公司少数股东股利		–	–	–	–	–
以备出售子公司处置调整	17	–	–	–	–	–
持有以备出售资产处置调整		–	866	–	–	–
子公司处置调整		–	–	(17)	–	–
对子公司控股权的变动						
收购少数股东股权		–	–	–	–	–
2012 年 12 月 31 日余额		266,830	(1,604)	34,217	45,789	2,347

此报告中的附注是组成这些财务报表不可或缺的内容

外币报表折算差额	收购少数股东股权的折让/(额外支付)	持有以备出售资产的公积	未分配利润	归属于母公司所有者权益合计	少数股东权益	所有者权益合计
$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
(27,714)	11,146	–	523,783	854,217	1,242,235	2,096,452
(20,206)	–	–	(34,910)	(56,087)	57,541	1,454
–	–	–	–	300	–	300
–	–	–	(432)	–	–	–
–	–	–	–	(33)	5,411	5,378
–	–	–	–	–	(8,224)	(8,224)
–	–	–	–	–	6,048	6,048
–	–	–	(22,434)	(22,434)	–	(22,434)
–	–	–	–	–	(52,603)	(52,603)
2,813	–	(2,813)	–	–	–	–
(4,605)	–	–	–	(3,739)	–	(3,739)
–	2,027	–	(3)	2,007	–	2,007
–	–	–	–	–	(12,939)	(12,939)
(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700

母公司所有者权益变动表

截至 2013 年12 月31 日

母公司	附注	发行股本 $'000	资本公积 $'000	公允价值公积 $'000	权益报酬公积 $'000	未分配利润 $'000	合计 $'000
2013 年 1 月 1 日余额		266,830	9,199	–	2,294	27,100	305,423
本年综合收益总额		–	–	2	–	23,375	23,377
与所有者的交易直接在权益确认							
所有者投入和减少资本							
支付股份费用	26	–	–	–	43	–	43
支付公司股东股利	29	–	–	–	–	(11,217)	(11,217)
2013 年 12 月 31 日余额		266,830	9,199	2	2,337	39,258	317,626
2012 年 1 月 1 日余额		266,830	9,199	–	1,994	33,673	311,696
本年综合收益总额		–	–	–	–	15,861	15,861
与所有者的交易直接在权益确认							
所有者投入和减少资本							
支付股份费用	26	–	–	–	300	–	300
支付公司股东股利	29	–	–	–	–	(22,434)	(22,434)
2012 年 12 月 31 日余额		266,830	9,199	–	2,294	27,100	305,423

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至 2013 年 12 月 31 日

	附注	合并 2013 $'000	2012 $'000 (重列)
经营活动产生的现金流量			
税前利润		240,391	126,821
调整项目:			
应占联营及合营公司利润		(8,643)	(7,647)
股份支付费用	26	43	300
折旧与摊销费用	24	123,566	118,934
存货跌价准备冲回	24	(880)	(209)
应收账款及其他应收款坏账准备冲回	24	(2,481)	(1,902)
固定资产及无形资产减值准备	24	15,005	59,950
固定资产注销	24	186	748
无形资产注销	24	15	1,313
财务费用	25	66,011	72,016
其他投资股利收入	24	(259)	(689)
利息收入	24	(23,849)	(28,163)
处置以下资产的(收益)/损失:			
- 子公司	24	74	1,980
- 固定资产	24	445	4,324
- 土地使用权		(2,334)	–
- 无形资产		–	(64)
- 持有以备出售资产	24	1,471	–
- 其他投资		(712)	162
其他投资公允价值变动损失/(收益)		585	(1,630)
衍生性金融产品公允价值变动损失		312	–
三包费及其他准备计提净额	24	93,740	76,242
流动资金变动前经营活动产生的现金流量		502,686	422,486
流动资金的变动:			
存货的(增加)/减少		(42,450)	120,636
应收账款及其他应收款的(增加)/减少		(324,970)	33,486
应付账款及其他应付款的增加/(减少)		182,332	(35,825)
已计提准备的使用	22	(87,285)	(86,672)
经营活动产生的现金流量		230,313	454,111
支付所得税		(56,944)	(50,019)
经营活动产生的现金流量净额		173,369	404,092

合并现金流量表

截至 2013 年 12 月 31 日

	附注	合并 2013 $'000	合并 2012 $'000 (重列)
投资活动产生的现金流量			
取得子公司股权支付的现金净额		–	(5,956)
收购少数股东库存股支付的现金		–	(8,224)
取得股利分配收到的现金:			
- 联营公司		2,785	3,255
- 其他投资	24	259	689
取得利息收入收到的现金		28,491	34,896
购置资产支付的现金:			
- 固定资产 (包括资本化利息费用)	3	(112,191)	(210,006)
- 无形资产	5	(2,735)	(22,703)
- 其他投资		–	(5)
购买土地使用权支付的现金	4	(18,617)	(4,588)
处置资产收回的现金净额:			
- 子公司		1,940	20,438
- 固定资产		8,425	14,765
- 无形资产		–	184
- 土地使用权		4,039	–
- 持有以备出售资产		16,881	7,650
- 其他投资		4,317	1,161
投资活动占用的现金流量净额		(66,406)	(168,444)
筹资活动产生的现金流量			
分配股利支付的现金:			
- 少数股东		(58,816)	(52,603)
- 本公司股东	29	(11,217)	(22,434)
偿付利息支付的现金		(67,930)	(78,406)
向银行借款收到的现金		620,996	576,807
发行债券收到的现金		202,821	197,900
向关联公司 (支付) /借款收到的现金		(2,942)	2,942
银行限制性存款净减少/ (增加) 额		14,945	(47,153)
子公司吸收少数股东投资收到的现金		–	5,411
政府补贴收入收到的现金		11,510	7,182
偿还银行贷款支付的现金		(572,221)	(554,851)
偿还租赁融资支付的现金		(1,120)	(488)
偿还短期债券支付的现金		(204,067)	(472,981)
筹资活动占用的现金流量净额		(68,041)	(438,674)

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表
截至 2013 年 12 月 31 日

	附注	合并 2013 $'000	合并 2012 $'000 (重列)
现金及现金等价物净增加/(减少)额		38,922	(203,026)
年初现金及现金等价物余额	16	953,270	1,208,271
汇率变动对现金及现金等价物的影响		42,133	(42,870)
持有以备出售资产中的现金及现金等价物		–	(9,105)
年末现金及现金等价物余额	16	1,034,325	953,270

附注:

存放于实行外汇管制国家的现金及银行存款共计 $806,697,000 (2012 : $675,222,000)。

此报告中的附注是组成这些财务报表不可或缺的内容

ANALYSIS OF SHAREHOLDINGS

AS AT 5 MARCH 2014

Class of Shares	: Ordinary shares
Number of Ordinary Shares in issue	: 373,908,559
Number of Ordinary Shareholders	: 6,386
Voting Rights	: 1 vote for 1 share

As at 5 March 2014, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	20	0.31	5,484	0.002
1,000 - 10,000	4,961	77.69	21,578,586	5.771
10,001 - 1,000,000	1,388	21.73	52,770,553	14.113
1,000,001 and above	17	0.27	299,553,936	80.114
	6,386	100.00	373,908,559	100.000

Based on information available to the Company as at 5 March 2014, approximately 35.03% of the total number of issued shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Major Shareholders List – Top 20 as at 5 March 2014

No.	Name of Shareholder	No. of Shares Held	%*
1	Hong Leong Corporation Holdings Pte Ltd	233,000,000	62.31
2	DBS Nominees Pte Ltd	14,167,413	3.79
3	Citibank Nominees Singapore Pte Ltd	10,581,833	2.83
4	Taiheiyo Singapore Pte Ltd	9,079,659	2.43
5	Starich Investments Pte Ltd	6,664,000	1.78
6	DBSN Services Pte Ltd	6,358,690	1.70
7	HSBC (Singapore) Nominees Pte Ltd	5,521,591	1.48
8	Bank of Singapore Nominees Pte Ltd	1,931,000	0.52
9	United Overseas Bank Nominees Pte Ltd	1,782,590	0.48
10	ABN Amro Nominees Singapore Pte Ltd	1,705,000	0.45
11	DBS Vickers Securities (S) Pte Ltd	1,411,000	0.38
12	Phillip Securities Pte Ltd	1,370,000	0.37
13	Maybank Kim Eng Securities Pte Ltd	1,319,000	0.35
14	Soon Lee Heng Trading & Transportation Pte Ltd	1,248,000	0.33
15	UOB Kay Hian Pte Ltd	1,190,180	0.32
16	Ling Kung Eng	1,183,000	0.32
17	Raffles Nominees (Pte) Ltd	1,040,980	0.28
18	CIMB Securities (S) Pte Ltd	977,000	0.26
19	OCBC Nominees Singapore Pte Ltd	834,000	0.22
20	Ang Jwee Herng	670,000	0.18
		302,034,936	80.78

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 5 March 2014.

ANALYSIS OF SHAREHOLDINGS
AS AT 5 MARCH 2014

Substantial Shareholders as at 5 March 2014

Name of Substantial Shareholder	No. of Shares Direct Interest	Deemed Interest	Total Interest	%*
Hong Leong Corporation Holdings Pte Ltd	233,000,000	6,664,000 (1)	239,664,000	64.10
Hong Leong Enterprises Pte. Ltd.	-	239,664,000 (2)	239,664,000	64.10
Hong Leong Investment Holdings Pte. Ltd.	-	239,932,000 (3)	239,932,000	64.17
Davos Investment Holdings Private Limited	-	239,932,000 (4)	239,932,000	64.17
Kwek Holdings Pte Ltd	-	239,932,000 (4)	239,932,000	64.17

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 5 March 2014.

Notes:

(1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 7 of the Companies Act, Chapter 50 (the "Companies Act") to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("Starich").

(2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 7 of the Companies Act to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.

(3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 7 of the Companies Act to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.

(4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 7 of the Companies Act to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Third Annual General Meeting (the "Meeting") of HONG LEONG ASIA LTD. (the "Company") will be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 25 April 2014 at 3.00 p.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December ("FY") 2013 and the Auditors' Report thereon.

2. To declare a final one-tier tax exempt dividend of 3 cents per ordinary share for FY 2013 ("Final Dividend").

3. To approve Directors' fees of $272,466 for FY 2013 (FY 2012: $264,000) and Audit Committee fees of $28,750 per quarter for the period commencing from 1 July 2014 to 30 June 2015 (period from 1 July 2013 to 30 June 2014: $28,750 per quarter), with payment of the Audit Committee fees to be made in arrears at the end of each calendar quarter.

4. To re-elect Mr Goh Kian Hwee as a Director of the Company who would be retiring by rotation in accordance with the Articles of Association of the Company and who, being eligible, offers himself for re-election.

5. To re-appoint the following Directors pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of the Meeting until the next Annual General Meeting ("AGM"):

   (a) Mr Kwek Leng Beng
   (b) Mr Ernest Colin Lee
   (c) Mr Quek Shi Kui

6. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

B. SPECIAL BUSINESS:

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

7. That authority be and is hereby given to the Directors 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 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

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

(1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument), does not exceed 50% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares, excluding treasury shares shall be based on the total number of issued shares, excluding treasury shares, if any, in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

8. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Hong Leong Asia Share Option Scheme 2000 (the "SOS") to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the SOS, provided that:

(a) the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares excluding treasury shares, if any, in the capital of the Company from time to time; and

(b) the aggregate number of shares to be issued during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case maybe) sub-limits as may be prescribed in the SOS.

NOTICE OF ANNUAL GENERAL MEETING

9. 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 ordinary shares in the capital of the Company (the "Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may, in their absolute discretion, deem 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 or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors 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 AGM of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked in general meeting; or

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

(c) in this Resolution:

"Average Closing Price" means the average of the closing market prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued 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 or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

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

10. That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or its interested person(s), have control, or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix to this Notice of AGM (the "Appendix") with any party who is of the class of Interested Persons described in the Appendix; provided that such transactions are entered in accordance with the review procedures set out in the Appendix, and that such approval (the "IPT Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company, and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

C. TO TRANSACT ANY OTHER ORDINARY BUSINESS

BY ORDER OF THE BOARD

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin
Company Secretaries

Singapore, 2 April 2014

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the shareholders at the Meeting for the payment of the Final Dividend, the Share Transfer Books and Register of Members of the Company will be closed on 12 May 2014. Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 9 May 2014 will be registered to determine shareholders' entitlements to the Final Dividend.

The Final Dividend, if approved by the shareholders at the Meeting, will be paid on 21 May 2014.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. With reference to item 3 above (under the heading "Ordinary Business"), the Directors' Fees of $272,466 for FY 2013 excludes the quarterly fees of $20,000 commencing from 1 January 2013 to 30 June 2013 and $28,750 commencing from 1 July 2013 to 31 December 2013 paid to the Audit Committee ("AC") for FY 2013, which had been approved by shareholders at the 2012 and 2013 AGMs of the Company.

2. With reference to item 4 above (under the heading "Ordinary Business"), Mr Goh Kian Hwee will, upon re-election as a Director of the Company, remain as a member of the AC, Remuneration Committee ("RC") and SOS Committee ("SOSC"). Mr Goh is considered an independent Director.

   Key information on Mr Goh is found on page 15 of the Annual Report. Mr Goh has no shareholdings in the Company or any of its related corporations. On page 20 of the Annual Report, the Board has set out its view on Mr Goh's independence notwithstanding that he is a partner of a legal firm which renders professional legal services to the Group from time to time. Mr Goh has no other relationships with the Company, its 10% shareholders or its Directors.

3. With reference to item 5(a) above (under the heading "Ordinary Business"), Mr Kwek Leng Beng will, upon re-appointment as a Director of the Company, remain as Chairman of the Board and as a member of the Nominating Committee ("NC"). Mr Kwek is considered a non-executive non-independent Director.

   Key information on Mr Kwek Leng Beng is found on page 14 of the Annual Report. Mr Kwek Leng Beng is a cousin of Mr Kwek Leng Peck. Details of Mr Kwek Leng Beng's share interest in the Company and its related corporations can be found on pages 38 to 40 of the Annual Report. Mr Kwek Leng Beng is also a director of Hong Leong Corporation Holdings Pte Ltd ("HLCH") and Hong Leong Enterprises Pte. Ltd. ("HLE"), and a director and shareholder of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and Kwek Holdings Pte Ltd ("KH"). Each of HLCH, HLE, HLIH and KH hold more than 10% direct and/or deemed interest in the Company.

4. With reference to item 5(b) above (under the heading "Ordinary Business"), Mr Ernest Colin Lee will, upon re-appointment as a Director of the Company, remain as Lead Independent Director, chairman of the NC, RC and SOSC, and as a member of the AC.

   Key information on Mr Lee is found on page 15 of the Annual Report. Details of Mr Lee's share interest in the Company can be found on page 38 of the Annual Report. Mr Lee has no shareholdings in any of the Company's related corporations, and has no relationships with the Company's 10% shareholders or Directors.

5. With reference to item 5(c) above (under the heading "Ordinary Business"), Mr Quek Shi Kui will, upon re-appointment as a Director of the Company, remain as chairman of the AC and as a member of the NC, RC and SOSC. Mr Quek is considered an independent Director.

   Key information on Mr Quek is found on page 15 of the Annual Report. Mr Quek has no shareholdings in the Company or any of its related corporations, and has no relationships with the Company, its 10% shareholders or its Directors.

NOTICE OF ANNUAL GENERAL MEETING

6. The Ordinary Resolution proposed in item 7 above (under the heading "Special Business"), if passed, will empower the Directors from the date of the Meeting until the next AGM (unless such authority is previously revoked or varied at a general meeting), to issue shares whether by way of rights, bonus or otherwise and/or make or grant Instruments that might require new shares to be issued up to and not exceeding 50% of the Company's total number of issued shares, excluding treasury shares, if any, with a limit of 20% of the Company's total number of issued shares excluding treasury shares, if any, for any issue of shares not made on a *pro rata* basis to shareholders. This authority will expire at the next AGM of the Company, unless revoked or varied at a general meeting.

7. The Ordinary Resolution proposed in item 8 above (under the heading "Special Business"), if passed, will empower the Directors to offer and grant options in accordance with the SOS to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors and to issue from time to time such number of shares in the capital of the Company pursuant to the exercise of such options under the SOS subject to such limits or sub-limits as prescribed in the SOS (*see note below on voting restrictions*).

8. The Ordinary Resolution proposed in item 9 above (under the heading "Special Business"), if passed, will empower the Directors to make purchases or otherwise acquire issued shares in the capital of the Company from time to time subject to and in accordance with the guidelines set out in Annexure I of the Appendix to this Notice of Meeting. This authority will continue in force until the next AGM of the Company, unless previously revoked or varied at a general meeting or when such purchases or acquisitions are carried out to the full extent mandated.

9. The Ordinary Resolution proposed in item 10 above (under the heading "Special Business"), if passed, will renew the IPT Mandate first approved by shareholders on 30 May 2003 to facilitate the Company, its subsidiaries and its associated companies, to enter into Interested Person Transactions, the details of which are set out in Annexures II and III of the Appendix to this Notice of Meeting. The IPT Mandate will continue in force until the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting (*see note below on voting restrictions*).

Voting restrictions pursuant to the Listing Manual of the SGX-ST

Rule 859

Please note that if a shareholder is eligible to participate in the SOS (other than as a director and/or employee of the Hong Leong Investment Holdings Pte. Ltd. (the "Parent Company") and its subsidiaries (but not including the Company and its subsidiaries)), he should abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 8 in relation to the SOS, and should not accept nominations as proxies or otherwise for voting at the Meeting, in respect of the aforesaid Ordinary Resolution, unless specific instructions have been given in the proxy form on how the vote is to be cast for the aforesaid resolution.

Rule 921(7)

The Parent Company, the Directors of the Company and their associates, who are also shareholders of the Company and being Interested Persons under the IPT Mandate, are required to abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 10 in relation to the proposed renewal of the IPT Mandate.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote in his stead.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy must be deposited at the Company Secretary's office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time appointed for holding the Meeting.

4. The Chairman of the Meeting will be exercising his rights under article 61 of the Company's articles of association ("Article 61") to call for all resolutions at the Meeting and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Meeting will be voted on by way of a poll.

   Article 61 provides that a poll may be demanded by:

   (a) the chairman of the meeting; or
   (b) not less than two members present in person or by proxy and entitled to vote at the meeting; or
   (c) a member present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
   (d) a member present in person or by proxy and holding not less than ten per cent of the total number of paid-up shares of the Company (excluding treasury shares).

5. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, shareholders present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Meeting.

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

PROXY FORM

For Annual General Meeting

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee 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 attend the 53rd Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Hong Leong Asia Ltd. (Agent Banks: Please see note 8 on required format.)

*I/We, ______________________________ with NRIC/Passport No. ______________

of ______________________________

being *a member/members of HONG LEONG ASIA LTD. (the "Company"), hereby appoint:

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

*and/or

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

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Fifty-Third Annual General Meeting of the Company (the "AGM") to be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 25 April 2014 at 3.00 p.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 with an "X" in the spaces provided hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM.

No.	Resolutions		For	Against
A.	**ORDINARY BUSINESS:**			
1	Adoption of Reports and Financial Statements			
2	Declaration of Final Dividend			
3	Approval of Directors' Fees and Audit Committee Fees			
4	Re-election of Mr Goh Kian Hwee as Director under the Articles of Association			
5	Re-appointment of Directors under Section 153(6) of the Companies Act, Chapter 50:	(a) Mr Kwek Leng Beng		
		(b) Mr Ernest Colin Lee		
		(c) Mr Quek Shi Kui		
6	Re-appointment of Ernst & Young LLP as Auditors			
B.	**SPECIAL BUSINESS:**			
7	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited			
8	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Asia Share Option Scheme 2000 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS			
9	Renewal of Share Purchase Mandate			
10	Renewal of IPT Mandate for Interested Person Transactions			

Dated this ______________ day of ______________ 2014

Total No. of Shares Held

____
Signature(s) of Member(s) / Common Seal

* Delete accordingly
Notes: See overleaf

NOTES:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.

4. This instrument of proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a body corporate, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

5. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and 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 (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the Company Secretary's office at 36 Robinson Road, #03-01 City House, Singapore 068877 not less than 48 hours before the time fixed for holding the AGM.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of shares 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 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

8. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary's office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time fixed for holding the AGM.

Fold Here

PROXY FORM

Affix
Stamp
Here

The Company Secretary
HONG LEONG ASIA LTD.
36 Robinson Road
#03-01 City House
Singapore 068877

Fold Here

OPERATING NETWORK

CORPORATE OFFICE

Hong Leong Asia Ltd.
16 Raffles Quay #26-00,
Hong Leong Building,
Singapore 048581
Tel: (65) 6220 8411 (17 Lines)
Fax: (65) 6222 0087/6226 0502

Hong Leong Asia (Shanghai) Co., Ltd.
Room 1501-1502, No. 1118
Yan An West Road
Shanghai 200052,
People's Republic of China
Tel: (86) 21 6226 2996
Fax: (86) 21 6226 3253

CONSUMER PRODUCTS

Henan Xinfei Electric Co., Ltd.
Henan Xinfei Household Appliance Co., Ltd.
Henan Xinfei Refrigeration Appliances Co., Ltd.
370 Hong Li Road, Xinxiang City,
Henan 453002,
People's Republic of China
Tel: (86) 373 338 1616
Fax: (86) 373 338 4788

DIESEL ENGINES

China Yuchai International Limited
Executive Office
16 Raffles Quay #39-01A,
Hong Leong Building,
Singapore 048581
Tel: (65) 6220 8411 (17 Lines)
Fax: (65) 6221 1172

Guangxi Yuchai Machinery Company Limited
88 Tianqiao West Road, Yulin,
Guangxi, 537005,
People's Republic of China
Tel: (86) 775 328 9000
Fax: (86) 775 328 8168

AIR-CONDITIONING SYSTEMS

Airwell Air-conditioning Technology (China) Co., Ltd.
82 Guangzhou Road East, Economy
Development Area, Taicang, Suzhou,
Jiangsu province, 215400
People's Republic of China
Tel: (86) 512 8277 9996
Fax: (86) 512 8277 9691

S.E.A. DISTRIBUTION

For Air-conditioning and Consumer White Goods

Fedders International Pte. Ltd.
151 Lorong Chuan
New Tech Park #06-05
Singapore 556741
Tel: (65) 6922 6260
Fax: (65) 6922 6292

BUILDING MATERIALS

Cement & Granite Division

HL Building Materials Pte. Ltd.
43/45 Sungei Kadut Street 4,
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 0312

Tasek Corporation Berhad
Persiaran Tasek,
Tasek Industrial Estate,
31400 Ipoh, Perak, Malaysia
Tel: (605) 291 1011
Fax: (605) 291 9932

Singapore Cement Manufacturing Company (Private) Limited
43/45 Sungei Kadut Street 4,
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6362 7327

Ready-Mix Concrete Division

Island Concrete (Private) Limited
43/45 Sungei Kadut Street 4,
Singapore 729061
Tel: (65) 6488 5777 (main)
Fax: (65) 6368 0312 (main)

Pre-cast Concrete Division

HL Building Materials Pte. Ltd.
7A Tuas Avenue 13,
Singapore 638979
Tel: (65) 6862 3501
Fax: (65) 6861 0674

HL-Manufacturing Industries Sdn. Bhd.
Lot 2595, Jalan Perindustrian 3,
Kawasan Perindustrian Senai Fasa II,
81400 Senai,
Johor Darul Takzim,
Malaysia
Tel: (607) 598 6828
Fax: (607) 598 6822

Quarry Division

Hayford Holdings Sdn. Bhd.
PTD 2734 and PTD 2735
Mukim Pengerang,
81909 Kota Tinggi,
Johor Darul Ta'zim
Malaysia
Tel: (607) 598 6828
Fax: (607) 598 6822

INDUSTRIAL PACKAGING

Hong Leong (China) Limited
151 Lorong Chuan
New Tech Park #06-05
Singapore 556741
Tel: (65) 6922 6260
Fax: (65) 6922 6292

Shanghai Rex Packaging Co., Ltd.
1500 Beisiong Road,
Minhang District,
Shanghai 201111,
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Tel: (86) 21 640 90357
Fax: (86) 21 640 90356

Tianjin Rex Packaging Co., Ltd.
167 Dongting Road, TEDA
Tianjin 300457,
People's Republic of China
Tel: (86) 22 6620 0949/50
Fax: (86) 22 6620 1128

Donguan Rex Packaging Company Limited
Su Keng, Chang Ping, Dongguan,
Guangdong Province 523577,
People's Republic of China
Tel: (86) 769 8391 0878
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Rex Plastics (Malaysia) Sdn. Bhd.
Lot 45 Jalan Delima 1/1,
Taman Perindustrian Teknologi
Tinggi Subang, 47500 Subang Jaya,
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Tel: (603) 5629 3000
Fax: (603) 5636 4977

Rexpak Sdn. Bhd.
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Fax: (603) 5636 4977

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