

## Financial Statements and Related Announcement::Full Yearly Results

### Issuer & Securities

<b>Issuer/ Manager</b>	HONG LEONG ASIA LTD.
<b>Securities</b>	HONG LEONG ASIA LTD. - SG1F76860344 - H22
<b>Stapled Security</b>	No

### Announcement Details

<b>Announcement Title</b>	Financial Statements and Related Announcement
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<b>Designation</b>	Company Secretary
<b>Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)</b>	Please refer to the attached Unaudited Full Year Financial Statement for the Year Ended 31 December 2017.

### Additional Details

<b>For Financial Period Ended</b>	31-Dec-2017
<b>Attachments</b>	<p><a href="#">SGXNet FY2017 28 Feb 2018 Final v2_.pdf</a></p> <p>Total size =406K</p>

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**Unaudited Full Year Financial Statement For The Year Ended 31 December 2017**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

The Board of Directors announces the results of the Group for the year ended 31 December ("FY") 2017. These figures have not been audited or reviewed.

**1(a) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**1(a)(i) Income statement**

	FY 2017 \$'000	Group FY 2016 \$'000	+/- %
<b>Revenue</b>	4,026,670	3,724,759	8.1%
Cost of sales	(3,209,259)	(2,959,812)	8.4%
<b>Gross profit</b>	<b>817,411</b>	<b>764,947</b>	<b>6.9%</b>
Other income	133,443	32,955	304.9%
Selling and distribution expenses	(356,279)	(360,165)	-1.1%
Research and development costs	(135,152)	(132,894)	1.7%
General and administrative expenses	(216,252)	(193,250)	11.9%
Finance costs	(41,552)	(34,740)	19.6%
Other expenses	(30,902)	(17,409)	77.5%
<b>Profit from operations</b>	<b>170,717</b>	<b>59,444</b>	<b>187.2%</b>
Share of results of associates and joint ventures, net of tax	1,566	1,907	-17.9%
<b>Profit before income tax</b>	<b>172,283</b>	<b>61,351</b>	<b>180.8%</b>
Income tax expense	(46,197)	(38,522)	19.9%
<b>Profit for the year</b>	<b>126,086</b>	<b>22,829</b>	<b>452.3%</b>
<b>Attributable to:</b>			
Owners of the Company	(66,451)	(71,246)	-6.7%
Non-controlling interests	192,537	94,075	104.7%
	<b>126,086</b>	<b>22,829</b>	452.3%

Note: The Group's business is largely in China. For the year ended 31 December, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB4.8992 = SGD1.00 for FY2017 and RMB4.8222 = SGD1.00 for FY2016. For FY2017, RMB depreciated about 1.6% as compared to FY2016.

## 1(a)(ii) Notes to the income statement

Profit before income tax include the following:	FY 2017	Group FY 2016	+/- %
	\$'000	\$'000	
Gain/(Loss) on disposal of property, plant and equipment and intangible asset <sup>(1)</sup>	25,787	(3,292)	NM
Impairment losses on property, plant and equipment and intangible assets <sup>(2)</sup>	(21,554)	(17,758)	21.4%
Impairment losses recognised for trade and other receivables, net <sup>(3)</sup>	(10,029)	(842)	1091.1%
Allowance made for inventories obsolescence, net <sup>(4)</sup>	(8,230)	(390)	2010.3%
Depreciation and amortisation <sup>(5)</sup>	(129,777)	(136,373)	-4.8%
Foreign exchange gain/(loss), net <sup>(6)</sup>	4,056	(3,310)	NM
Fair value loss on derivatives, net <sup>(7)</sup>	-	(95)	NM
Interest expense <sup>(8)</sup>	(40,410)	(33,482)	20.7%
Interest income <sup>(9)</sup>	24,532	16,071	52.6%
Gain on disposal of subsidiary <sup>(10)</sup>	44,107	-	NM
Gain on disposal of joint venture <sup>(11)</sup>	22,213	-	NM
Write-off of property, plant & equipment <sup>(12)</sup>	(1,246)	(339)	267.6%

NM: Not meaningful

- (1) Net gain on disposal of property, plant and equipment and intangible asset in FY2017 was attributed mainly to the Group's Diesel Engines Unit ("Yuchai"). The gain from the disposal of intangible asset was related to a sale of engineering design services for a heavy-duty engine platform for a joint venture. This was partially offset by loss on disposal of property, plant and equipment by the Group's Consumer Products Unit ("Xinfei").

Net loss on disposal of property, plant and equipment in FY2016 was attributed mainly to Yuchai and Xinfei. This was partially offset by gain on disposal of property, plant and equipment by the Group's Building Materials Unit ("BMU").

- (2) Impairment losses in FY2017 were mainly related to impairment of property, plant and equipment in Xinfei and Yuchai and intangible assets in Yuchai. It also included impairment relating to Xinfei's restructuring exercise.

Impairment losses in FY2016 were mainly related to impairment of intangible assets in Xinfei and the Group's Air-conditioning Systems Unit ("Airwell") and plant and equipment in Airwell.

- (3) Net impairment losses for trade and other receivables in FY2017 were attributed mainly to Xinfei and partially offset by write-back of provision for Yuchai. It also included impairment relating to Xinfei's restructuring exercise.

Net impairment losses for trade and other receivables for FY2016 were attributed mainly to Yuchai and Airwell.

- (4) Net allowances for inventories obsolescence in both FY2017 and FY2016 were attributed mainly to Xinfei's provision for stock obsolescence and partially offset by reversal of allowance for inventories obsolescence by Yuchai. In FY2017, it also included impairment relating to Xinfei's restructuring exercise.

- (5) Depreciation and amortisation recorded in 2017 were comparable to 2016.

- (6) The net foreign exchange gain of \$4.1 million in FY2017 was mainly due to foreign exchange gain on revaluation of Singapore dollar ("SGD") assets in China Yuchai International Limited ("CYI") (with functional currency in United States dollar ("USD")).

Net foreign exchange loss in FY2016 was mainly due to revaluation of SGD denominated liabilities in Xinfei. This was partially offset by reclassification of revaluation losses (relating to inter-company loans re-designated as quasi-equity loans) to equity.

- (7) Net fair value loss on derivatives in 2016 (for hedging against foreign currency risk) mainly arose from forward foreign exchange contracts.
- (8) The increase in interest expense in FY2017 was mainly due to higher borrowings and bills discounting in Yuchai and the Company.
- (9) The increase in interest income in FY2017 was mainly due to higher interest income from bank deposits in Yuchai.
- (10) Gain on disposal of subsidiary arose from the disposal of investment in LKN Investment International Pte. Ltd. in November 2017, which owns and operates a service apartment hotel in Shanghai.
- (11) Gain on disposal of joint venture arose from the disposal of interest in Copthorne Hotel Qingdao Co., Ltd., completed in October 2017, which owns and operates a hotel in Qingdao. The investment was classified as assets of disposal group held for sale as at 31 December 2016.
- (12) The write-off of property, plant and equipment in FY2017 was mainly recorded by Yuchai.

### 1(a)(iii) Amount of any adjustment for under or overprovision of tax in respect of prior years

In FY2017, the Group's tax charge included a provision of \$2,479,000 for prior years (FY2016: write-back of over provision of \$478,000 for prior years), of which a provision of \$1,522,000 was made in the first quarter ("1Q") of 2017 by a Malaysian subsidiary (the "Subsidiary") as explained in the Group's 1Q 2017 results announcement dated 12 May 2017. On 25 May 2017, the Kuala Lumpur High Court granted an interim stay of proceedings (the "Interim Stay") which includes the deferment of payment of the disputed taxes until the disposal of the court hearing. The High Court has set the next court hearing date to be on 1 March 2018. The Subsidiary's solicitors have advised that the Interim Stay remains valid until the disposal of the court hearing.

### 1(a)(iv) Statement of Comprehensive Income

	Group		+/- %
	FY 2017 \$'000	FY 2016 \$'000	
<b>Profit for the year</b>	<b>126,086</b>	<b>22,829</b>	<b>452.3%</b>
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	(36,238)	(70,481)	-48.6%
Net fair value changes of available-for-sale financial assets	613	16	3731.3%
Exchange differences on monetary items forming part of net investment in foreign entities	(3,367)	(4,416)	-23.8%
Realisation of foreign currency translation reserves upon disposal of foreign operation	(835)	-	NM
<b>Total other comprehensive income for the year, net of tax</b>	<b>(39,827)</b>	<b>(74,881)</b>	<b>-46.8%</b>
<b>Total comprehensive income for the year</b>	<b>86,259</b>	<b>(52,052)</b>	<b>NM</b>
<b>Attributable to:</b>			
Owners of the Company	(79,136)	(97,694)	-19.0%
Non-controlling interests	165,395	45,642	262.4%
<b>Total comprehensive income for the year</b>	<b>86,259</b>	<b>(52,052)</b>	<b>NM</b>

**1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

\$'000	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
<b>Non-current assets</b>				
Property, plant and equipment	1,005,664	1,111,296	78	126
Land use rights	128,882	133,640	-	-
Intangible assets	52,293	68,177	138	152
Investment in subsidiaries	-	-	202,955	202,955
Interests in associates	47,043	48,339	13,726	13,726
Interests in joint ventures	40,153	36,646	-	-
Investment property	1,522	1,516	-	-
Other investments	5,202	1,434	-	-
Deferred tax assets	65,345	62,363	-	-
Non-current receivables	8,375	6,645	166,843	171,118
Long-term deposits	14,336	-	-	-
	<b>1,368,815</b>	<b>1,470,056</b>	<b>383,740</b>	<b>388,077</b>
<b>Current assets</b>				
Inventories	631,817	464,979	-	-
Development properties	4,881	4,858	-	-
Trade and other receivables	1,714,744	1,780,587	216,088	225,841
Other investments	5,061	2,543	-	-
Cash and short-term deposits	1,363,934	1,033,698	19,161	2,482
Assets of disposal group classified as held for sale	-	18,397	-	-
	<b>3,720,437</b>	<b>3,305,062</b>	<b>235,249</b>	<b>228,323</b>
Total assets	<b>5,089,252</b>	<b>4,775,118</b>	<b>618,989</b>	<b>616,400</b>
<b>Current liabilities</b>				
Trade and other payables	1,816,925	1,731,728	18,865	5,201
Provisions	73,188	69,659	-	-
Loans and borrowings	677,709	537,888	175,075	182,142
Current tax payable	12,749	10,817	15	8
Derivatives	-	29	-	-
	<b>2,580,571</b>	<b>2,350,121</b>	<b>193,955</b>	<b>187,351</b>
<b>Net current assets</b>	<b>1,139,866</b>	<b>954,941</b>	<b>41,294</b>	<b>40,972</b>
<b>Non-current liabilities</b>				
Loans and borrowings	217,701	167,010	200,000	140,000
Deferred tax liabilities	41,497	43,369	2,100	2,037
Deferred grants	70,674	68,585	-	-
Other non-current payables	32,019	28,420	-	-
Retirement benefit obligations	1	259	-	-
	<b>361,892</b>	<b>307,643</b>	<b>202,100</b>	<b>142,037</b>
Total liabilities	<b>2,942,463</b>	<b>2,657,764</b>	<b>396,055</b>	<b>329,388</b>
<b>Net assets</b>	<b>2,146,789</b>	<b>2,117,354</b>	<b>222,934</b>	<b>287,012</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	266,830	266,830	266,830	266,830
Reserves	350,314	426,921	(43,896)	20,182
Reserve of disposal group classified as held for sale	-	4,685	-	-
	<b>617,144</b>	<b>698,436</b>	<b>222,934</b>	<b>287,012</b>
Non-controlling interests	1,529,645	1,418,918	-	-
<b>Total equity</b>	<b>2,146,789</b>	<b>2,117,354</b>	<b>222,934</b>	<b>287,012</b>
<b>Total equity and liabilities</b>	<b>5,089,252</b>	<b>4,775,118</b>	<b>618,989</b>	<b>616,400</b>

## **Explanatory Notes to Statement of Financial Position**

### **Group**

- Non-current assets: The decrease in non-current assets was mainly due to lower property, plant and equipment arising from impairment of certain plant and equipment and translation of these assets as RMB weakened against the SGD at 31 December 2017. The functional currency for Yuchai's main operating unit in China and Xinfei is RMB whilst the Group reports in SGD. In addition, it was due to impairment of certain intangible assets in Yuchai.
- Current assets: The increase in current assets was mainly due to higher cash and short-term deposits and inventories holding at 31 December 2017. This was partially offset by lower trade and other receivables at 31 December 2017 and the disposal of interest in Copthorne Hotel Qingdao Co., Ltd (previously classified as assets held for sale) during 2017.
- Current liabilities: The increase in current liabilities was mainly due to increase in short-term loans and borrowings of the Company and Yuchai arising from higher working capital requirement and higher payables at 31 December 2017.
- Non-current liabilities: The increase in non-current liabilities was mainly due to higher long-term loans and borrowings by the Company at 31 December 2017.

### **Company**

- Non-current liabilities: The increase in non-current liabilities was mainly due to higher long-term loans and borrowings by the Company at 31 December 2017.

### **1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

#### **Amount repayable in one year or less, or on demand**

As at 31.12.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$11,887,758	\$665,821,000	\$13,686,116	\$524,201,788

#### **Amount repayable after one year**

As at 31.12.2017		As at 31.12.2016	
Secured	Unsecured	Secured	Unsecured
\$14,700,714	\$202,999,886	\$27,010,452	\$140,000,048

#### **Details of any collateral**

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 31 December 2017 of \$51,193,000 (31 December 2016: \$65,774,000).

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>FY2017</b>	<b>FY2016</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>(Restated)</b>
<b>Operating activities</b>		
Profit before tax	172,283	61,351
Adjustments for:		
Share of results of associates and joint ventures, net of tax	(1,566)	(1,907)
Cost of share-based payments	876	1,107
Depreciation and amortisation	129,777	136,373
Allowance recognised for inventories obsolescence	8,230	390
Impairment losses recognised for trade and other receivables	10,029	842
Impairment losses recognised for property, plant and equipment and intangible assets	21,554	17,758
Property, plant and equipment written off	1,246	339
Finance costs	41,552	34,740
Dividend income from other investments	(560)	(240)
Interest income	(24,532)	(16,071)
(Gain)/Loss on disposal of:		
- subsidiaries	(44,107)	-
- joint venture (assets held for sale)	(22,213)	-
- property, plant and equipment	(2,266)	3,292
- intangible asset	(23,521)	-
Fair value (gain)/loss on investments	(2,602)	51
Fair value loss on derivatives	-	95
Goodwill arising from acquisition of subsidiaries, written off	-	234
Provision for warranties and other costs, net	86,781	86,954
<b>Operating profit before working capital changes</b>	<b>350,961</b>	<b>325,308</b>
Changes in working capital:		
Inventories and development properties	(181,320)	41,842
Trade and other receivables	12,717	73,134
Trade and other payables	140,380	139,518
Grant received from government	10,225	2,812
Provisions utilised	(82,456)	(85,257)
<b>Cash flows from operations</b>	<b>250,507</b>	<b>497,357</b>
Income tax paid	(46,604)	(40,419)
<b>Cash flows from operating activities</b>	<b>203,903</b>	<b>456,938</b>
<b>Investing activities</b>		
Additional investment in joint ventures	(15,322)	(260)
Dividends received from:		
- associates and joint ventures	1,613	7,141
- other investments	560	240
Interest received	27,232	17,656
Net placement of deposits with banks	(29,201)	(3,749)
Purchase of:		
- property, plant and equipment	(77,314)	(88,431)
- intangible assets	(1,438)	(257)
- other investments	(3,139)	-
Proceeds from disposal of:		
- subsidiaries, net of cash disposed	69,727	-
- associate	374	-
- property, plant and equipment	6,326	558
- intangible assets	10,206	-
- joint venture (assets held-for-sale)	37,288	-
Repayment of loan from joint venture	2,858	-
<b>Net cash flows from/(used in) investing activities</b>	<b>29,770</b>	<b>(67,102)</b>
<b>Financing activities</b>		
Acquisition of non-controlling interests	(1,695)	(1,886)
Dividends paid to:		
- non-controlling interests of subsidiaries	(56,774)	(54,028)
- shareholders of the Company	(3,739)	(3,739)
Interest paid	(43,085)	(41,435)
Proceeds from borrowings	564,035	545,639
Capital contribution by non-controlling interests of subsidiaries	4,508	3,685
Repayment in respect of borrowings	(369,573)	(799,619)
Repayment of obligation under finance leases	(1,645)	(2,002)
<b>Net cash flows from/(used in) financing activities</b>	<b>92,032</b>	<b>(353,385)</b>
<b>Net increase in cash and cash equivalents</b>	<b>325,705</b>	<b>36,451</b>
Cash and cash equivalents at beginning of the year	945,171	938,620
Effect of exchange rate changes on balances held in foreign currencies	(8,772)	(29,900)
<b>Cash and cash equivalents at end of the year</b>	<b>1,262,104</b>	<b>945,171</b>
Comprising:		
Cash and short-term deposits	1,363,934	1,033,698
Less: Bank overdraft	-	(387)
Less: Short-term deposits and restricted deposits	(101,830)	(88,140)
	<b>1,262,104</b>	<b>945,171</b>

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)**

The attributable net assets of subsidiaries disposed during the year are as follows:

	FY2017 \$'000	FY2016 \$'000
<b>Disposal</b>		
Non-current assets	21,400	-
Net current assets	1,761	-
Non-current liabilities	(120)	-
Realisation of translation differences	3,776	-
Gain on disposal of a subsidiary	44,107	-
Total cash consideration	70,924	-
Less: Proceeds reflected as receivable, net of unpaid transaction costs	671	-
Less: Cash and cash equivalents of a subsidiary disposed	(1,868)	-
Disposal of a subsidiary, net of cash disposed	<u>69,727</u>	<u>-</u>

Comparatives

Note: Reclassification to comparatives, namely: (a) Grant received from government had been reclassified from cash flows from financing activities to cash flows from operations; and (b) Acquisition of non-controlling interests had been reclassified from cash flows used in investing activities to cash flows used in financing activities.

The above reclassification did not have any impact on the Statement of Financial Position of the Group as at 31 December 2016, the Income Statement or the net change in cash and cash equivalents for the year then ended.



**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus/(deficit) on changes 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
<b>The Group</b>												
Closing balance as at 31 December 2015 (as previously stated)	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	439,617	782,740	1,449,791	2,232,531
Adjustment arising from change in accounting policy	-	-	-	-	-	-	-	-	(7,842)	(7,842)	(871)	(8,713)
At 1 January 2016 (restated)	266,830	4,442	33,178	45,230	3,788	(20,592)	10,247	-	431,775	774,898	1,448,920	2,223,818
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(71,246)	(71,246)	94,075	22,829
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(22,048)	-	-	-	(22,048)	(48,433)	(70,481)
Net fair value changes of available-for-sale financial assets	-	-	-	16	-	-	-	-	-	16	-	16
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(4,416)	-	-	-	(4,416)	-	(4,416)
Other comprehensive income for the year, net of tax	-	-	-	16	-	(26,464)	-	-	-	(26,448)	(48,433)	(74,881)
Total comprehensive income for the year	-	-	-	16	-	(26,464)	-	-	(71,246)	(97,694)	45,642	(52,052)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	443	-	-	-	-	443	664	1,107
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	24,164	-	-	24,164	(20,479)	3,685
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(54,028)	(54,028)
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	449	449
Acquisition of non-controlling interests	-	-	-	-	-	-	364	-	-	364	(2,250)	(1,886)
<u>Others</u>												
Transfer to statutory reserve	-	-	191	-	-	-	-	-	(191)	-	-	-
Reserve attributable to disposal group classified as held for sale	-	-	-	-	-	(4,685)	-	4,685	-	-	-	-
At 31 December 2016	266,830	4,442	33,369	45,246	4,231	(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354

## 1(d)(i) Statement of changes in equity for the periods ended 31 December (cont'd)

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus/(deficit) on changes 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
<b>The Group</b>												
At 1 January 2017	266,830	4,442	33,369	45,246	4,231	(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(66,451)	(66,451)	192,537	126,086
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(9,509)	-	-	-	(9,509)	(26,729)	(36,238)
Net fair value changes of available-for-sale financial assets	-	-	-	613	-	-	-	-	-	613	-	613
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	(3,367)	-	-	-	(3,367)	-	(3,367)
Realisation of foreign currency translation reserves upon disposal of foreign operation	-	-	-	-	-	4,263	-	(4,685)	-	(422)	(413)	(835)
Other comprehensive income for the year, net of tax	-	-	-	613	-	(8,613)	-	(4,685)	-	(12,685)	(27,142)	(39,827)
Total comprehensive income for the year	-	-	-	613	-	(8,613)	-	(4,685)	(66,451)	(79,136)	165,395	86,259
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Cost of share-based payments	-	-	-	-	1,012	-	-	-	-	1,012	(136)	876
Shares issued to non-controlling interests of subsidiaries	-	-	-	-	-	-	700	-	-	700	3,808	4,508
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(3,739)	(3,739)	-	(3,739)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(56,774)	(56,774)
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of non-controlling interests	-	(51)	-	-	-	-	(78)	-	-	(129)	(1,566)	(1,695)
<u>Others</u>												
Transfer to statutory reserve	-	-	384	-	-	-	-	-	(384)	-	-	-
At 31 December 2017	266,830	4,391	33,753	45,859	5,243	(60,354)	35,397	-	286,025	617,144	1,529,645	2,146,789

**1(d)(i) Statement of changes in equity for the periods ended 31 December (cont'd)**

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated profits/(losses) \$'000	Total equity \$'000
<b>The Company</b>					
At 1 January 2016	266,830	9,199	2,453	71,222	349,704
Total comprehensive income for the year	-	-	-	(58,967)	(58,967)
<b>Transactions with owners, recorded directly in equity</b>					
<u>Contributions by and distributions to owners</u>					
Cost of share-based payments	-	-	14	-	14
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 31 December 2016	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>8,516</u>	<u>287,012</u>
At 1 January 2017	266,830	9,199	2,467	8,516	287,012
Total comprehensive income for the year	-	-	-	(60,339)	(60,339)
<b>Transactions with owners, recorded directly in equity</b>					
<u>Contributions by and distributions to owners</u>					
Dividends paid to shareholders	-	-	-	(3,739)	(3,739)
At 31 December 2017	<u>266,830</u>	<u>9,199</u>	<u>2,467</u>	<u>(55,562)</u>	<u>222,934</u>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

**1(d)(ii)(A) Movements in issued and paid-up capital**

The Company did not hold any treasury shares as at 31 December 2017 and 31 December 2016.

There was no change in the Company's issued share capital during the year ended 31 December 2017.

**1(d)(ii)(B) Share Options**

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "**Scheme**") during the year ended 31 December 2017.

As at 31 December 2017, there were a total of 1,290,000 (31 December 2016: 1,340,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

<b>Year of Grant</b>	<b>Exercise Price</b>	<b>Number of Outstanding Options</b>
2008	\$2.36	470,000
2011	\$3.17	380,000
2014	\$1.31	440,000
Total		1,290,000

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares as at 31 December 2017 and 31 December 2016 was 373,908,559.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the year ended 31 December 2017.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all accounting standards that are effective from 1 January 2017 but the adopted changes have no material effect.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	2017	2016
Loss per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	(17.77)	(19.05)
(ii) On a fully diluted basis (cts)	(17.77)	(19.05)

1,290,000 (31 December 2016: 1,340,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-  
 (a) current financial period reported on; and  
 (b) immediately preceding financial year.

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 31 December 2017 and as at 31 December 2016 (cts)	165.05	186.79	59.62	76.76

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-  
 (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The main business units of the Group are the Diesel Engines Unit ("Yuchai"), the Building Materials Unit ("BMU") and the Consumer Products Unit ("Xinfei"). The other business units in the Group are the Industrial Packaging Unit ("Rex") and the Air-conditioning Systems Unit ("Airwell").

In FY2017, the operating environment remained challenging for the Group. China's economy grew faster than expected in the fourth quarter of 2017 at 6.8%. China recorded a full year GDP growth of 6.9% as compared to a growth of 6.7% in FY2016. This was the first annual acceleration for the Chinese economy since 2010. However, based on the FY2017 statistics published by China Market Monitor, the unit sales for fridge and freezer continued to decline. Xinfei's performance also suffered from the adverse impact of the overall excess capacity in China. The Singapore economy grew by 3.6% in FY2017 as compared to a growth of 2.4% in FY2016. However, the local construction industry declined by 8.4% in FY2017 against a growth of 1.9% in FY2016. The construction industry had been on a declining trend since the third quarter ("3Q") of 2016. This slow growth had an adverse impact on the operating performance of BMU. In Malaysia, the Group's subsidiary, Tasek Corporation Berhad faced intense price competition due to excess cement capacity and lesser private property projects.

On 30 October 2017, the Company announced that following a strategic review of its Consumer Products Unit, the Board had approved Xinfai undertaking a restructuring exercise (“**Restructuring Exercise**”) involving the cessation of Xinfai’s manufacturing and production activities, and the exploration of strategic participation with potential partners. Xinfai ceased manufacturing and production activities in early November 2017. Whilst the Restructuring Exercise is a good strategic exercise for the Group, certain impairments would have to be made.

In FY2017, the loss attributable to the owners of the Company (“**PATMI**”) decreased by \$4.7 million or 6.7% to \$66.5 million, as compared to a loss of \$71.2 million in FY2016. The loss for FY2017 included certain non-cash items relating to the Restructuring Exercise, such as impairments for plant and equipment and intangible assets, and provisions for receivables, inventories amounting to \$24.9 million at PATMI level. In FY2017, the Group incurred PATMI loss as the profits from Yuchai were not sufficient to offset the loss incurred by Xinfai and the Restructuring Exercise impairments.

### **2017 versus 2016**

Revenue for the Group was \$4.027 billion in FY2017, an increase of \$301.9 million or 8.1%, from \$3.725 billion in FY2016. The increase in revenue was mainly due to revenue growth recorded by Yuchai which was partially offset by the revenue decline of BMU and Xinfai.

- Yuchai’s revenue increased by \$479.6 million or 17.0% as compared to FY2016. Yuchai sold 367,097 engines in FY2017, an increase of 14.6% or 46,673 units as compared to 320,424 units sold in FY2016. The increase in engine sales was mainly due to the rebound in the sales of truck and off-road engines, while bus engines sales softened. The statistics from China Association of Automotive Manufacturers reported a growth of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 16.9% for 2017 as compared to 2016.
- BMU’s revenue decreased by \$83.9 million or 18.1% as compared to FY2016. In Singapore, the decrease was due to lower sales from the precast division and price competition. The construction industry in Singapore started declining since the third quarter (“**3Q**”) of 2016 and continued through 2017. In Malaysia, the decrease in revenue was mainly due to lower demand for cement in the domestic market and price competition.
- Xinfai’s revenue decreased by \$94.1 million or 25.4% as compared to FY2016. Total unit sales were 1.20 million units for FY2017, a decrease of 20.0% as compared to 1.50 million units for FY2016. This was mainly due to cessation of production activities under the Restructuring Exercise. In addition, the fridge and freezer market in China remained to be highly competitive and affected by excess capacity. China Market Monitor reported that the fridge and freezers unit sales declined by 11.4% and 13.6%, respectively for FY2017 as compared to FY2016.

The Group’s gross profit was \$817.4 million in FY2017, an increase of \$52.5 million or 6.9%, from \$764.9 million in FY2016. The gross profit margin was 20.3% as compared to 20.5% in FY2016, a slight decrease of 0.2%.

Other income was \$133.4 million in FY2017, an increase of \$100.4 million from \$33.0 million in FY2016. The increase was mainly due to asset disposal gains from HL Global Enterprises Limited (“**HLGE**”) of \$66.3 million, gain on disposal of intangible asset of \$23.5 million and higher interest income in FY2017. HLGE is a subsidiary of China Yuchai International Limited. The asset disposal gains comprised a gain of \$44.1 million from the disposal of a HLGE’s subsidiary which owns and operates a service apartment hotel in Shanghai, and a gain of \$22.2 million from the disposal of a joint venture which owns and operates a hotel in Qingdao. The gain on disposal of intangible asset was related to a sale of engineering design services for a heavy-duty engine platform for a joint venture by Yuchai.

Selling and distribution (“**S&D**”) expenses were \$356.3 million in FY2017, a decrease of \$3.9 million or 1.1% as compared to \$360.2 million in FY2016. As a percentage of sales, S&D expenses were 8.8% for FY2017 as compared to 9.7% in FY2016, a reduction of 0.9%.

Research and development (“**R&D**”) expenses were \$135.2 million in FY2017, an increase of \$2.3 million or 1.7% as compared to \$132.9 million in FY2016. The increase was mainly due to higher R&D spending by Yuchai. As a percentage of sales, R&D expenses were 3.4% in FY2017 as compared to 3.6% in FY2016, a reduction of 0.2%.

General and administrative (“**G&A**”) expenses were \$216.3 million in FY2017, an increase of \$23.0 million or 11.9% as compared to \$193.3 million in FY2016. The increase was mainly due to higher staff costs in Yuchai arising from retrenchment exercise and impairment of an intangible asset in Yuchai. As a percentage of sales, G&A expenses were 5.4% in FY2017 as compared to 5.2% in FY2016, an increase of 0.2%.

Finance costs were \$41.6 million in FY2017, an increase of \$6.9 million or 19.6% as compared to \$34.7 million in FY2016. This was due mainly to higher finance costs for borrowings and bills discounting incurred by Yuchai and higher bank interest expenses incurred by the Company due to increased bank borrowings arising from higher working capital requirement.

Other expenses were \$30.9 million in FY2017, an increase of \$13.5 million from \$17.4 million in FY2016. In FY2017, other expenses were mainly due to impairment for plant and equipment and intangible assets, and provisions for receivables and inventories related to Xinfei’s Restructuring Exercise which amounted to \$27.6 million. In FY2016, other expenses were mainly due to a plant shut-down by Xinfei.

As a result, profit after tax was \$126.1 million in FY2017 as compared to \$22.8 million in FY2016. The Group recorded a loss attributable to the owners of the Company of \$66.5 million in FY2017, as compared to loss of \$71.2 million in FY2016. The loss for FY2017 included impairments relating to the Xinfei’s Restructuring Exercise which amounted to \$24.9 million.

### **Working Capital and Cash Flow**

The Group had cash and short-term deposits of \$1.364 billion as at 31 December 2017 compared with \$1.034 billion as at 31 December 2016.

During the year under review, the Group generated cash from operating activities of \$203.9 million. The cash generated was derived from operating profit. It was used partially to finance the increase in inventories holding, which was offset by higher trade and other payables at year-end.

The Group had net cash inflow from investing activities of \$29.8 million. It was mainly due to proceeds from disposal of assets of \$123.9 million, partially offset by the purchase of property, plant and equipment of \$77.3 million.

The Group had net cash inflow from financing activities of \$92.0 million. It was mainly due to net borrowings of \$194.5 million, partially offset by dividend payment of \$60.5 million and interest payment of \$43.1 million.

### **9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

None.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group expects Yuchai's performance to remain positive. However, there are signs that the growth in truck market is slowing down and the bus market continues to be weak. Yuchai operates in a competitive engines market in China.

The Group expects BMU to operate in difficult and challenging market conditions. In Singapore, the decline in construction sector started in 3Q 2016 and it is expected to persist in the near future. Although there are signs of recovery, it will take some time before a full recovery. In Malaysia, the outlook for the construction sector is expected to be weak especially in the private sector, although compensated by public sector projects. However, price competition has intensified with excess capacity in the cement industry. The Group believes that the cement price competition will persist into 2018. Hence, the challenges facing BMU will continue to affect the Group's performance.

Xinfei has begun the Restructuring Exercise as announced on 30 October 2017. In FY2017, the Company had made significant impairments and provisions. As Xinfei had contributed negatively to the Group's performance in the past years, the Group expects that the Restructuring Exercise would be a positive strategic development, as it would reduce the Group's exposure to the challenging consumer goods market in China. Further to our announcement on 22 January 2018, the Company has submitted a restructuring plan, which has been selected as the leading plan based on the recommendation of the Restructuring Investor Evaluation Committee chaired by the Xinxiang Intermediate Court. However, any restructuring plan is subject to the approval by the creditors of Xinfei in the coming creditors' meeting. The Company will continue to work out the restructuring plan with potential partners.

The Group expects 2018 to be challenging. The Group will monitor the market environment closely and endeavor to mitigate adverse effects accordingly. The Group will continue to explore other strategic options and potential alliance opportunities, whilst maintaining its cost control discipline and continuing its organizational restructuring initiatives.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on? No

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	First and Final (Paid)
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share
Tax Rate	Tax Exempt (1-tier)

***(c) Date payable***

Not applicable.

***(d) Books closure date***

Not applicable.



**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend is recommended for the financial year under review.

**13. Interested person transactions**

Name of Interested Person	Aggregate value of all interested person transactions for FY2017 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. and its associates	
- Construction-related Transaction - Purchase of raw materials from Interested Persons	\$551,142
- Industrial and Consumer-related Transaction – Supply of air-conditioning facilities/residential appliances to Interested Persons	\$1,674,343
	Total: \$2,225,485

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**14 (a)(i). Business Segments**

The Group determines and presents operating segments based on the information provided internally to the Group's chief operating decision maker (CODM).

\$' 000	Diesel engines	Consumer products	Building materials	Industrial packaging	Air-conditioning systems	Corporate and Others <sup>(1)</sup>	Adjustments	Total
<b>2017</b>								
External revenue	3,299,601	276,567	379,363	40,542	18,922	11,675	-	4,026,670
Interest revenue	21,213	29	2,483	32	28	2,830	(2,083)	24,532
Interest expense	(18,789)	(4,953)	(154)	(1,250)	(1,667)	(15,680)	2,083	(40,410)
Depreciation and amortisation	(91,083)	(10,583)	(22,393)	(2,134)	(1,564)	(2,020)	-	(129,777)
Reportable segment profit/(loss) before income tax	242,612	(120,722)	(6,327)	(3,971)	(3,913)	64,604	-	172,283
Share of profit/(loss) of associates and joint ventures, net of tax	1,889	-	(486)	-	-	163	-	1,566
Reportable segment profit/(loss) after income tax	197,766	(120,722)	(5,833)	(3,978)	(3,913)	62,766	-	126,086
<b>2016</b>								
External revenue	2,819,986	370,632	463,274	38,770	18,337	13,760	-	3,724,759
Interest revenue	11,512	287	3,501	81	42	2,297	(1,649)	16,071
Interest expense	(13,977)	(7,999)	(131)	(1,318)	(1,435)	(10,271)	1,649	(33,482)
Depreciation and amortisation	(97,856)	(9,273)	(22,654)	(2,311)	(1,960)	(2,319)	-	(136,373)
Reportable segment profit/(loss) before income tax	182,962	(130,529)	41,003	(5,828)	(11,098)	(15,159)	-	61,351
Share of (loss)/profit of associates and joint ventures, net of tax	(51)	-	2,656	-	-	(698)	-	1,907
Reportable segment profit/(loss) after income tax	150,199	(128,470)	33,863	(5,811)	(11,098)	(15,854)	-	22,829

(1) Others relate to hospitality and property development. In 2017, it included the gains from the disposal of subsidiary and joint venture belonging to HL Global Enterprises Limited.

**14 (a)(ii). Geographical Segments**

\$'000	China (including Hong Kong)	Singapore	Malaysia	Others	Consolidated
<b>2017</b>					
Total revenue from external customers	3,599,769	185,984	210,689	30,228	4,026,670
<b>2016</b>					
Total revenue from external customers	3,203,089	235,803	245,442	40,425	3,724,759

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to section 8 above.

**16. A breakdown of sales.**

	Group		
	2017 \$'000	2016 \$'000	Increase/ (Decrease)
Sales reported for first half	2,158,752	1,942,685	11.1%
Operating profit after tax before deducting non-controlling interests reported for first half year	40,052	5,832	586.8%
Sales reported for second half	1,867,918	1,782,074	4.8%
Operating profit after tax before deducting non-controlling interests reported for second half year	86,034	16,997	406.2%

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	-	3,739
Preference	-	-
Total:	-	3,739

The figure under the previous full year comprises the first and final dividend paid in respect of FY2016.

**18. Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(13) of the Listing Rules.**

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

**19. Confirmation Pursuant to Rule 720(1) of the Listing Manual**

The Company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1) of the Listing Manual in the format set out in Appendix 7.7 of the Listing Manual.

**BY ORDER OF THE BOARD**

Ng Siew Ping, Jaslin  
Yeo Swee Gim, Joanne  
Company Secretaries

28 February 2018