HONG LEONG ASIA LTD.

ANNUAL REPORT 2012

CONTENTS

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

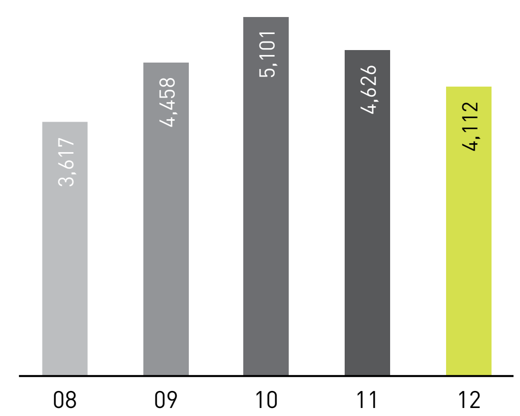
From being Singapore's leading integrated building materials supplier to its current standing as one of the regions major manufacturing and distribution players, Hong Leong Asia's success is intricately linked to its diversification into the manufacturing and distribution industries in China and Southeast 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 Asia culture and local sensibilities.

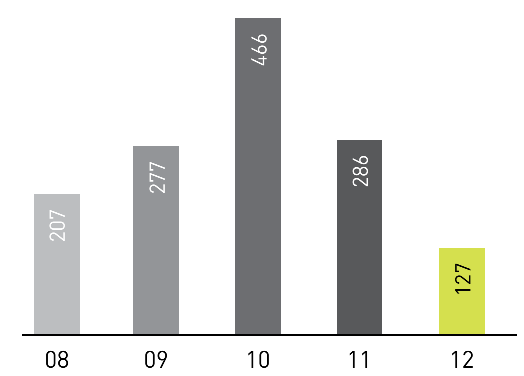
Its diverse management portfolio includes key sectors in the diesel engines, white goods and industrial packaging products, as well as capabilities across the supply chain in building materials. Each portfolio is led by a seasoned team of professionals who steer the business towards continued growth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

FINANCIAL HIGHLIGHTS

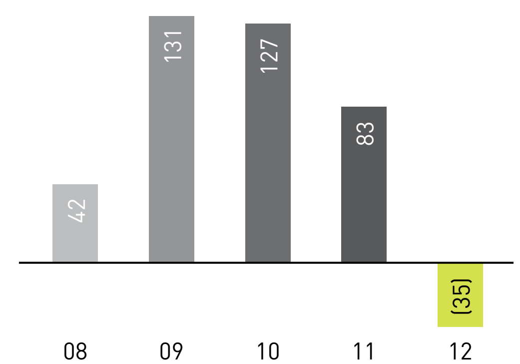
REVENUE (in $ million)



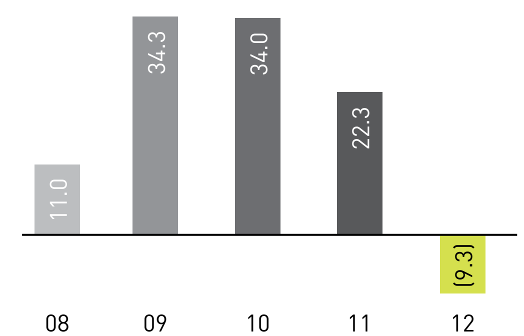
PROFIT BEFORE TAX (in $ million)



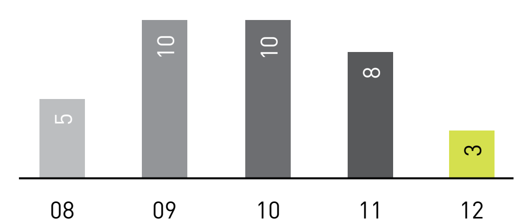
ATTRIBUTABLE PROFIT/ (LOSS)
(in $ million)



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.

In 2012, the Group's BMU unit secured several major contracts, mainly in the Precast and RMC (Ready-Mix Concrete) divisions. Driven by strong market conditions, BMU's revenue was $535.5 million in 2012, a rise of 11.1 per cent from that recorded in 2011.

On behalf of the Board of Directors, I wish to present the Annual Report for 2012. This was a tough year for the Group. The Group saw revenue decline 11.1 per cent to $4.1 billion, compared to $4.6 billion in 2011. This was largely caused by the slowdown in China's economy, where the Group's businesses are mostly based. The decline was partially offset by an improvement in the building materials unit ("BMU") and the inclusion of the newly-acquired climate control unit ("Airwell"). Sales in the industrial packaging unit ("Rex") were also marginally better in 2012.

Gross profit for 2012 was $918.8 million as compared to $1,058.7 million in the previous year. This was largely due to lower sales volume. As a result, gross margin dipped to 22.3 per cent from 22.9 per cent in 2011.

Net loss attributable to shareholders for 2012 was $34.9 million, against a net profit of $83.3 million the year before. This weak performance was largely a result of an impairment of assets and a larger operating loss incurred by the Group's consumer products unit ("Xinfei"), and loss incurred by Airwell. The impairment of assets was done in accordance with the requirement of Financial Reporting Standard (FRS) 36, which is non-cash in nature. The loss incurred by Airwell was the result of relocation of its factory from Shenzhen to Taicang, Jiangsu and a delay in the initial commercial production of the new plant. The Group would have reported a profit of $16.8 million for 2012, had the assets impairment been excluded.

During the period under review, the global economy grew at a rate of 3.2 per cent, weighed down by factors such as the Euro zone crisis and the weakness in the US economy. Asian economies did not remain unscathed. Growth in China slowed to 7.8 per cent in 2012.

Against this macroeconomic backdrop, strong competition and over capacity in the white goods industry, and insufficient new models affected the sales of Xinfei. Expiration of the rural subsidy incentive programmes and the slowdown of the Chinese real estate industry as a result of the government's property cooling measures, have also contributed to the decline in Xinfei's sales.

The "China Automobile Industry Newsletter of Production & Sales" report issued by China Association of Automobile Manufacturers, reported a decline in the demand for diesel engines vehicles in 2012 as compared to 2011. The decrease was mainly in the truck segment with the heavy trucks vehicles showing the biggest drop. As a result, sales in the Group's diesel engines unit ("Yuchai") were affected due to continued weaker demand in the commercial vehicle market.

Singapore's economy grew at a slower pace of 1.3 per cent last year, and the GDP growth forecast for 2013 is expected to remain modest at between 1.0 to 3.0 per cent. Malaysia's economy grew 5.6 per cent in 2012 and is expected to maintain strong momentum into 2013.

BMU has a strong presence in Singapore's construction sector, and benefitted from the buoyant construction industry in the year under review. This was due largely to the increased number of high-rise flats being built in Singapore. Tasek Corporation Berhad ("Tasek"), on the other hand, registered a marginal decrease in revenue due to intense competition and pricing pressure.

Raw materials as a percentage of sales, were lower in 2012 compared to 2011, but this was offset by higher labour costs and the effect of lower volume to leverage on the fixed production overheads. Overall average selling price for Xinfei decreased while Yuchai's had increased. Yuchai's margin was also affected by the shift in sales mix to lower margin 4-cylinder engines. Rex's gross margin improved as a result of lower resin costs but this was partially offset by higher labour costs. BMU's gross margin was affected by higher raw materials and labour costs despite higher sales volume, and higher rebates given out by Tasek due to greater competition.

In line with the reduction in sales, overall operating expenses declined, mainly due to the decrease in selling and distribution ("S&D") expenses and general and administrative expenses.

Lower S&D expenses were due to the decrease in volume related and promotional expenses incurred by Xinfei and Yuchai, particularly advertising and promotion, sales incentives and rebates, warranty as well as staff costs. S&D expenses as a percentage of sales was marginally lower in 2012.

CONSUMER PRODUCTS UNIT ("XINFEI")

In 2012, the Chinese economy grew at a slower rate of 7.8 per cent, 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 weak.

Xinfei recorded sales of $760.5 million in 2012, a drop of 22.7 per cent compared to the previous year. However, gross profit margin rose slightly higher to 21.6 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 higher operating loss during the year due to impairment of assets of $57.4 million (as mentioned above) and lower sales volume of refrigerators and freezers as compared to the previous year.

The Group re-launched the brand, FEDDERS, in China's two major cities – Shanghai and Beijing. The aim was to re-introduce the heritage brand to city dwellers through a strategic product campaign and gear towards providing a one-stop integrated Home Solution to meet consumer demands. Through brand innovation and tie-ups with red dot designers, FEDDERS will continue to introduce new and exciting products to meet the lifestyle needs of discerning home owners today. New product brochures and website were launched in November 2012.

DIESEL ENGINES UNIT ("YUCHAI")

In 2012, Yuchai maintained its strong standing as the leading diesel engine supplier in China, with 431,350 units sold. Nevertheless, this was a 15.6 per cent decrease from the 510,777 units sold in 2011.

Demand is expected to improve due to rapid urbanisation despite a slowdown in the economy.

The Group saw a shift from heavy and medium duty diesel engines towards lower margin 4-cylinder engines and off-highway applications. In line with the industry trends, sales in the trucks segment declined as a result of weaker sales in the commercial vehicles market. Engines used in industrial and agricultural applications decreased too. However, bus and marine engine markets saw expansion in 2012, but this was not sufficient to compensate for the decline in the other segments. Sales for 4-cylinder engines reached 58.1 per cent of the total number of units sold compared to 53.3 per cent in the previous year, as sales of heavy and medium duty engines declined in 2012. With increasing focus on more environmentally-friendly products, the Group has embarked on producing 'greener' engines with better fuel efficiency. To support this program and further strengthen its R&D capabilities, Yuchai has invested approximately RMB 310 million in a new R&D Center in Nanning to focus on the development and testing of hybrid engines, as well as improve product quality.

The construction of the first phase of the new foundry was completed in 2011 and is now fully operational. Phase 2 of the project is expected to be completed in early 2013. The new foundry has not only raised productivity but also improved the quality of the casting.

BUILDING MATERIALS UNIT ("BMU")

Singapore saw a healthy demand in the construction sector in 2012, with $28 billion of projects. The momentum in the sector is likely to be sustained into 2013, with the public sector expecting to drive a projected demand of between $26 billion to $32 billion. This would result in high construction activity in public housing and infrastructure projects in the coming year. This bodes well for the Group, which is one of the largest suppliers of essential building materials to the construction industry in Singapore.

In 2012, the Group's BMU secured several major contracts, mainly in the Precast and RMC (Ready-Mix Concrete) divisions. Driven by strong market conditions, BMU's revenue was $535.5 million in 2012, a rise of 11.1 per cent from that recorded in 2011.

Tasek continues to achieve good profits despite pressure on selling prices due to higher rebates given out arising from stiff competition. Local cement sales volume reported an increase of 6 per cent in 2012 as compared to the previous year.

INDUSTRIAL PACKAGING UNIT ("REX")

Sales revenue for Rex rose 0.5 per cent to $92.1 million, as compared to $91.6 million in 2011. The increase was mainly due to higher selling prices and lower resin cost.

Resin prices in 2012 remained stable despite the shutdown of two major suppliers for their annual maintenance. However, resin prices in early 2013 are expected to increase slightly which will put pressure on Rex's margin and profitability.

The Group had exited from the green packaging business during the year.

CASH FLOW AND LIQUIDITY

The Group maintained a cash balance of about $1.0 billion at the end of 2012, as compared to $1.2 billion the year before.

The Group generated net cash from operating activities of $404.1 million. The cash generated came mainly from the reduction in inventories and collection of trade receivables in Xinfei and Yuchai. This is in addition to the cash generated from the operating profit which was partially used to pay down trade and other payables.

During the year, the Group spent $214.6 million for the purchase of property, plant and equipment and land use rights.

Yuchai repaid RMB 2.4 billion bonds in July 2012 but issued another RMB-denominated, unsecured short term financing bonds of RMB 1.0 billion in the month of August 2012, resulting in a net decrease of RMB 1.4 billion. The new issuance will bear a fixed annual interest rate of 4.45 per cent.

OUTLOOK

Based on the recent World Economic Outlook Update report, the global economy is projected to improve in 2013 with a forecast growth of 3.5 per cent, against 3.2 per cent last year. The improvement will be driven by the emerging markets. The United States of America is expected to see continued growth at about 2.0 per cent, marginally lower than 2012. The Eurozone however, is expected to remain in negative territory. The Chinese government has set a target GDP growth rate of 7.5 per cent in 2013, down from the 7.8 per cent growth registered in 2012.

The transition to a new team of political leaders in China went smoothly last year and they are expected to be in full control of the government by the first quarter of 2013.

CHAIRMAN'S MESSAGE

Operating costs in China continue to rise, particularly labour costs which have been increasing rapidly over the last few years. This is expected to continue. Demand for diesel engines is likely to improve as the Chinese economy maintains its growth. The white goods sector on the other hand will see challenging times but should pick up when the summer months return. The Group recognizes the issues surrounding the profit decline in Xinfei and management is focusing its efforts on improving the operations.

The outlook for Malaysia and Singapore construction sectors is expected to remain positive. In Singapore, the government in its recent Budget announcement said it will increase levy for foreign workers. This will tighten the labour market and increase the cost of labour in Singapore. Also, the additional cooling measures on property transactions announced by the government will have an impact on various segments of the property market. The infrastructure programme under the 10th Malaysia Plan and the Economic Transformation Programme are expected to benefit the construction sector in that country.

Barring any unforeseen circumstances, the Group expects to return to profitability in the first quarter of 2013 and in the current financial year.

DIVIDENDS

In view of the challenging operating environment, the Board of Directors considers it prudent to lower the dividend payout in line with the 2012 performance. Consequently, the Board of Directors has recommended a final dividend of 2 cents per share, bringing the total dividend for 2012 to 3 cents per share, including the interim dividend of 1 cent per share paid during the year.

ACCOLADES

Hong Leong Asia continues to be recognized for its efforts in ensuring corporate governance. The Company was again a Runner-Up for the "Most Transparent Company" award in the category of Construction and Materials, at the Singapore Investors' Choice Award 2012.

Guangxi Yuchai Machinery Company Limited continues to be a market leader in the diesel engines industry and remains one of the largest independent manufacturers in China. It clinched several awards last year including the "2012 Outstanding Commercial Engine" award for its YC6MK engine.

Xinfei continues to be well-recognized for its Frestec brand in China and its green efforts in contributing to energy conservation, preservation and low-carbon technology. Among its achievements last year include the "China Invention Patent Award", and "Best Design" Gold Standard award for the design of industrial, household and electrical appliances. Xinfei's home appliances were also officially certified for its green features and safety.

APPRECIATION

I would like to take this opportunity to welcome Mr Philip Ting as the new incoming CEO. Philip has in the past served within the Hong Leong Group of companies for nearly 20 years. He replaces Mr Francis Yuen who resigned due to family commitments. We thank Francis for his contributions and support during the past year.

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
15 March 2013

主席致辞

2012年，集团的建材单元确保了几项重要合同，主要集中在预制和预拌混凝土 (RMC) 领域。受强大市场的驱动，2012年的 BMU营业收入为5.355亿新元，较之2011年增长了11.1%。

我谨代表董事会介绍2012年度报告。对集团而言，这是艰难的一年。2012年集团营业收入下降了11.1%，仅为41亿新元，而2011年为46亿新元。这主要由于中国经济发展速度减缓，从而影响了集团在中国业务的发展。建材单元营业收入的增长以及本年收购的空调业务单元（"欧威尔"）一定程度上减缓了集团营业收入的下降。2012年，工业包装单元（"利士"）的销售情况也仅稍有改善。

2012年的毛利润为9.188亿新元，而上一年为10.587亿新元。这主要由于销量较低所致。因此，毛利润从2011年的22.9% 降至22.3%。

2012年，归属于母公司所有者净亏损达3,490万新元，而上一年的净利润为8,330万新元。此疲软状况主要归因于资产减值以及集团家电产品单元（"新飞"）的营业损失和欧威尔遭受的亏损。资产减值根据财务报告标准(FRS)36计算得出，其在性质上属于非现金交易。欧威尔遭受的亏损归因于从深圳到江苏太仓的工厂迁移和新工厂对启动商业生产的延缓。除去资产减值，2012年的集团利润应为1,680万新元。

2012年，因受到欧元区危机和美国经济疲软等因素的冲击，全球经济增长率仅为3.2%，亚洲经济也未能幸免。2012年，中国经济增长率降至7.8%。

在此宏观经济背景下，白色家电产业的激烈竞争和产能过剩以及新产品的不足影响了新飞的销量。家电下乡补贴政策的终止和因政府房产降温措施而下滑的中国房地产业也对新飞的销量产生影响。

中国汽车制造商协会发布的"中国汽车业生产和销售通讯"报告中指出2012年柴油引擎车辆的需求较之2011年有所下降。最主要为卡车销量下降，其中重型卡车的销量下降最为显著。因此，商用车辆市场中持续的需求疲软影响了集团柴油引擎单元（"玉柴"）的销量。

去年，新加坡的经济增长率为1.3%，增速较缓，预计2013年GDP增长仍处于1%至3%的较低水平。2012年，马来西亚经济增长了5.6%，预计在2013年仍保持强劲的增长势头。

建材单元在新加坡的建筑领域拥有强大的影响力，并在所回顾的这一年中受益于新兴的建筑业。这主要得益于新加坡增加了正在兴建的高层公寓楼。另一方面，由于激烈的竞争和价格压力，Tasek Corporation Berhad（"Tasek"）的营业收入有所减少。

2012年，原材料成本的占比较之2011年有所降低，但这通过较高的劳动成本和较低的用量得以抵消，从而平衡了固定生产费用。就总体平均售价而言，新飞有所下降，而玉柴有所提高。将销售组合变成利润较低的4缸引擎对玉柴的利润也产生了影响。利士的总利润因树脂成本降低而有所增长，但部分增长额由较高的劳动成本所抵消。尽管建材单元的销量很大且因竞争激烈而从Tasek获得较高的回扣，但其总利润仍然受到较高的原材料费用和劳动成本的影响。

整体运营费用因销量下降而减少，这主要由于销售费用以及管理费用有所降低。

较低的销售费用归因于新飞和玉柴的相应销量和促销费用的减少，尤其是广告促销、销售刺激和回扣、保修以及员工成本等费用已降低。2012年，销售费用占比稍有下降。

家电产品单元（"新飞"）

2012年，中国经济的增长率为7.8%的较低水平，这是自2008年以来最慢的增长幅度。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，但情况并未改善，白色家电的需求量仍然较低。

2012年，新飞的销售额为7.605亿新元，较之上一年下降了22.7%。但是，毛利润稍稍增长到21.6%，这得益于较低的原材料成本和其他降低成本的举措。正在增加的劳动成本和激烈的价格竞争持续限制利润空间。与去年相比，新飞在本年度因5,740万新元的资产减值（如上所述）以及冰箱和冷柜销量的下降而蒙受较大的营业亏损。

2012年，集团在中国的两大主要城市 – 上海和北京再次投放飞达仕(FEDDERS)品牌。目的是通过战略产品活动将传统品牌重新引进都市居民的家中，并着力提供一站式的综合家居解决方案以满足消费者需求。通过品牌创新并结合红点设计大师的创意，飞达仕将继续引进新潮且具有吸引力的产品，以符合当今眼光敏锐的家居者的生活方式。新的产品手册和网站已于2012 年11月发行。

柴油引擎单元（玉柴）

2012年，玉柴仍然保持中国主要柴油引擎供应商的稳固地位，共销售43.135万台设备。然而，这在2011年51.0777万台设备的基础上下降了15.6%。

尽管经济下滑，但仍期望通过快速的城镇化进程改善需求。

集团已从重型和中型柴油引擎转移到利润较低的4缸引擎和非公路用车。根据产业趋势，卡车销量的下降归因于商用车辆市场的疲软。用于工业和农业的引擎也已降低销量。然而，汽车引擎和船用引擎市场在2012年有所壮大，但这不足以弥补其他领域的销售下滑。上一年，4缸引擎的销量占总体设备销量的53.3%，而本年度为58.1%，因重型和中型引擎销量下滑。随着对环保产品的日益重视，集团已开始生产燃油效率更高的"绿色"引擎。为支持该计划并进一步增强研发能力，玉柴已对南宁的研发中心投资约3.1亿人民币，集中用于混合引擎的发展和测试以及产品质量改善。

新铸造厂第一阶段的建设已于2011年完工，现已完全投入运营。第二阶段的工程预计在2013年完工。新的铸造厂不仅提高了生产率，同时也改善了铸件的质量。

建材单元（"BMU"）

2012年，新加坡的建筑领域注重健康需求，随之启动了一项耗资280亿新元的工程。2013年，该领域的增长势头有望保持，公共部门期望推动260亿新元至320亿新元的计划需求。这会在来年开展大量公共住房和基础设施工程的建设活动。此兆头对集团十分有利，因其是新加坡建筑业必要建筑材料的最大供应商之一。

2012年，集团的建材单元确保了几项重要合同，主要集中在预制和预拌混凝土(RMC)领域。受强大市场的驱动，2012年的 BMU 营业收入为5.355亿新元，较之2011年增长了11.1%。

尽管承受售价压力，但 Tasek Corporation Berhad 继续获得良好的利润，因激烈的竞争带来了较高的回扣。2012年，当地水泥销量较之上一年增长了6%。

工业包装单元（"利士"）

利士的销售收入在2011年9,160万新元的基础上增长0.5%后达9,210万新元。此次增长主要得益于较高的售价和较低的树脂成本。

尽管两大主要供应商已因年度维护停业，但2012年的树脂价格仍保持平稳。但是，预计2013年年初的树脂价格将有所上涨，这将对Rex的利润和收益施加压力。

集团已于2012年终止绿色包装业务。

现金流量

2012年年底，集团的现金结余为10亿新元，而一年前为12亿新元。

集团在运营活动中创造的现金净额为4.041亿新元。创造的现金归因于新飞和玉柴存货的减少和应收账款的收取。这不包括来自营业利润的现金，因该利润的一部分已用于支付贸易和其他应付款项。

该年度内，集团为购买房产、工厂和设备以及土地使用权共支付2.146 亿新元。

2012年7月，玉柴偿还了24亿人民币的债券，但在2012年8月发行了10亿人民币的短期融资债券（人民币债券、无担保），最终净减数为14亿人民币。新发行的债券将获得4.45%的固定年利率。

展望

根据近期的《世界经济展望更新》报告，预计世界经济有望在2013年增长3.5%以实现发展，而前一年的增长率为3.2%。发展主要受新兴市场的驱动。预计美国继续增长2%，涨幅稍稍低于2012年。但是，预计欧元区将仍然处于负增长状态。中国政府已将2013年的GDP增长率目标设为7.5%，在2012年7.8% 的基础上有所下降。

去年，中国顺利诞生了新一届政治领导团队，他们期望在2013 年的第一季度全面执政。

在中国的运营成本将继续增加，尤其是在过去几年持续快速增长的劳动成本。预计这一现象将会持续。随着中国经济的持续增长，柴油引擎的需求量有望上升。另一方面，白色家电行业将面临挑战，但应在返回夏季后得到改善。集团意识到新飞利润下降带来的问题，管理层集中为改善运营状况而努力。

针对马来西亚和新加坡的建筑业，展望仍然积极乐观。新加坡政府在近期的预算公告中表示将对外籍劳工增加税收。这将使新加坡劳动力市场的发展受到控制，并增加劳动力成本。同时，政府宣布的房地产降温措施将对房地产市场的多个方面产生影响。在马来西亚第十个五年计划和经济转型计划之内的基础设施计划有望对该国的建筑业产生积极影响。

除所有无法预料的情况外，集团期望在2013年的第一季度和当前的财政年度恢复盈利能力。

股息

鉴于充满挑战的运营环境，董事会考虑根据2012年的业绩谨慎降低股息支付。因此，董事会建议将最终的股息定为新币每股2分，这使得2012年的总股息为新币每股3分，其中包括年度内新币每股1分的中期股息。

主席致辞

荣誉

丰隆亚洲为确保公司管治做出的努力将继续获得认可。公司在2012年的新加坡“投资者选择奖”（Singapore Investors’ Choice Award 2012）中继续获得建筑和材料组别“最透明公司”奖的亚军。

广西玉柴机器股份有限公司继续成为柴油引擎业的市场领导者，并且仍然是中国最大的独立制造商之一。去年，该公司获得了多个奖项，包括其YC6MK获得的“2012杰出商业引擎”奖。

新飞在中国投放的Frestec品牌及其为节能和低碳科技做出的环保贡献将继续获得认可。去年的成就包括其工业、家用和电气设备设计所获得的“中国发明专利”奖和“最佳设计”黄金标准奖。新飞的家电产品因环保特征和安全性获得官方认可。

致谢

我想借此机会欢迎Philip Ting先生出任新的首席执行官Philip曾在丰隆集团的公司任职近20年。他接替了因家庭原因而辞职的Francis Yuen先生。我们感谢Francis在过去一年多做出的贡献和提供的支持。

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
2013年3月15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

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.

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.

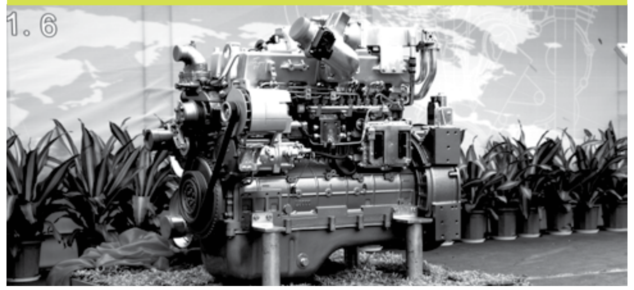
Malaysia
- HL-Manufacturing Industries Sdn Bhd.

Quarry Division
Malaysia
- Hayford Holdings Sdn. Bhd.

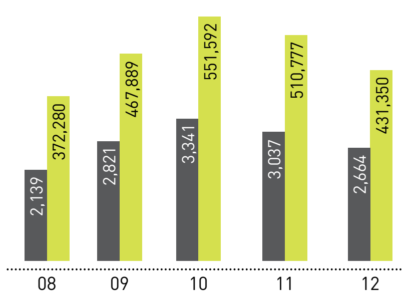
OTHERS
Hospitality & Property Development
- HL Global Enterprises Limited

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

DIESEL ENGINES



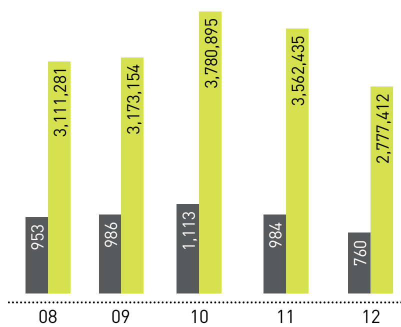
REVENUE (In $ million) VOLUME (In Unit)



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, construction equipments and other 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 Manufactures for the past several years. Guangxi Yuchai expanded its manufacturing facility in Xiamen and established joint ventures in Shangdong, Anhui and Suzhou to manufacture diesel engines for passenger vehicles, heavy duty trucks and also remanufactured components to service Yuchai engines.

CONSUMER PRODUCTS

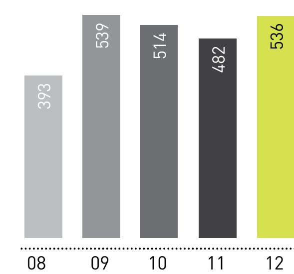
REVENUE (In $ million) VOLUME (In Unit)



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.

BUILDING MATERIALS

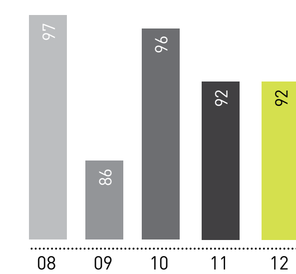
REVENUE (In $ million)



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 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 infrastructure developments in Singapore, which had 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

REVENUE (In $ million)



Rex Industrial Packaging unit has manufacturing operations in China and Malaysia. It manufactures and distributes a wide range of rigid plastic packaging products for the industrial and consumer markets.

OTHERS

This includes Hong Leong Asia's indirect investment in HL Global Enterprises Limited ("HLGE") and Airwell.

HLGE is primarily engaged in investment holding, hospitality and property development businesses.

Airwell is engaged in the design, manufacture and distribution of air conditioning systems, offering multi-split, residential heat pump, variable refrigerant flow (VRF), fan coil, air/water cooled chillers and air handling units. Its products are used in private households, large residential, commercial and industrial applications. Airwell exports its products overseas with concentration in Europe and Asia.

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 2012. 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").

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.

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 ("Share Option Scheme") Committee. He was last re-elected a Director of HLA on 19 April 2011. 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 on 14 January 2013. Mr Ting 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 25 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft

ERNEST COLIN LEE

GOH KIAN HWEE

QUEK SHI KUI

(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 2012. He is also the chairman of the NC, Remuneration Committee ("RC") and Share Option Scheme Committee 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 Share Option Scheme Committee 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 Partner of Rajah & Tann LLP, a legal firm, and has many years of 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 2012. He is also the chairman of the AC and a member of the NC, RC and Share Option Scheme Committee of HLA. In the preceding 3-year period, he was a non-executive Director of Thomson Medical Centre Limited until his retirement in December 2010.

A Certified Public 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.

Mr Quek is a member of 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 formally a council member of the Institute of Certified Public Accountants of Singapore ("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

Hoh Weng Ming
Chief Financial Officer
Email: wmhoh@corp.hla-grp.com
Tel : (65) 6220 8411
Fax : (65) 6226 0502

REGISTERED OFFICE

16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581
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
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

(Partner-in-charge: Christopher Wong Mun Yick, appointed from commencement of the financial year ended 31 December 2010)

PRINCIPAL BANKERS

Bank of America, N.A.
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.

HLA adheres closely to the principles and guidelines of the Code of Corporate Governance 2005 (**"2005 Code"**). Whilst the revised Code of Corporate Governance 2012 (**"2012 Code"**) will only be applicable to HLA in respect of its financial year commencing 1 January 2013, HLA has commenced compliance with a number of the key revised guidelines under the 2012 Code and will further review its corporate governance practices to bring the same in line with the recommendations under the 2012 Code.

This report thus sets out HLA's main corporate governance practices with reference to the 2005 Code and additionally, where applicable, the 2012 Code.

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 set broad policies, provide guidance on and approve strategic direction and plans for the Company, review, where relevant and appropriate, the Group's performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational and compliance controls) and risk management for the safeguarding of shareholders' interests and the Company's assets, and assume responsibility for good corporate governance.

Independent Judgement
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 assessment criteria used by the Company's Nominating Committee ("**NC**") in its annual evaluation of the Directors 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 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 2012 (**"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 and 11 in this report for further information on the activities of the NC, RC and AC.

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 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 2012 (**"FY 2012"**), is 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 Company.

Directors' Attendance at Board and Committee Meetings in 2012

Number of Meetings Held in 2012:	**Board**	**AC**	**NC**	**RC**	**SOSC**
	4	5	1	2	1
Name of Director	**Number of Meetings Attended in 2012**				
Kwek Leng Beng	4	NA	1	NA	NA
Kwek Leng Peck	4	NA	NA	2[a]	1
Francis Yuen Kin Pheng[b]	4	4[a]	NA	NA	NA
Ernest Colin Lee	4	5	1	2	1
Goh Kian Hwee	4	5	NA	2	1
Quek Shi Kui	4	5	1	2	1

(a) Attendance by invitation for all or part of the meeting.
(b) Mr Francis Yuen Kin Pheng resigned as Director and Chief Executive Officer of the Company on 14 January 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 divisions, 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.

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 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.

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 and changes in financial reporting standards. During 2012, the Board was also briefed by the Company Secretary on the 2012 Code and its implications to the Company. 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 Singapore Institute of Directors, and the Directors are encouraged to attend such training at the Company's expense. 2 in-house seminars were conducted by invited speakers during 2012, one on key changes introduced by the 2012 Code and highlights on the Risk Governance Guidance for Listed Boards released in May and the other, on the changing tax landscape and developments in financial reporting standards. 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.

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 adopted 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 Company's business 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 Board considers 3 of them, being half of the Board, to be independent, 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. In addition to the annual review by the NC of the Directors' independence, each independent NED also submits an annual declaration regarding his independence.

The independent NEDs are Messrs Ernest Colin Lee, Goh Kian Hwee and Quek Shi Kui. Mr Goh Kian Hwee is a partner of a legal firm which renders professional legal services to the Group from time to time. Nevertheless, the NC and the Board has considered Mr Goh to be independent as he is capable of maintaining his objectivity and independence at all times in the carrying out of his duties and responsibilities as an independent Director.

All of the independent NEDs are also independent from the substantial shareholders of the Company, not being substantial shareholders themselves nor directly associated with any substantial shareholder.

Board Composition and Size
The NC reviews the size and composition of the Board and Board Committees, and the skills and core competencies of the Board members 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 size of the Board facilitates effective decision making by the Board.

NED's 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 Chief Executive Officer ("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 in place of Mr Francis Yuen. 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.

Principle 4: Board Membership

NC Composition and Role
2 out of the 3 members of the NC, including the NC chairman, are independent. Please refer to the 'Corporate Directory' section on page 19 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, CEO, chief operating officer, chief financial officer 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.

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 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 2 to 3 years. In accordance with the Articles of Association of the Company, Mr Philip Ting appointed on 14 January 2013 and Mr Kwek Leng Peck retiring by rotation, have offered themselves for re-election at the forthcoming AGM (**"2013 AGM"**).

Annual Review of Directors' Independence

The NC reviews the independence of Directors annually according to the criteria on independence set out in the internal guidelines on independence which are based on the 2005 Code. Based on the review, 3 out of the current 6 Directors are considered by the NC to be independent, which is half of the Board, thus providing for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Company.

When considering the independence of the Directors, the NC also reviews the Directors' other directorships, the annual declaration by the independent NEDs regarding their independence, the Directors' disclosures of interests in transactions in which they have a direct/indirect interest, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions, and their ability to maintain objectivity in their conduct as Directors of the Company.

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. An analysis of the directorships 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.

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, track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

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.

Key Information on Directors

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and the Notice of AGM for Directors proposed for re-election and re-appointment at the 2013 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.

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 and the contribution by each Director to the effectiveness of the Board. 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 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 also 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. 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 Committees 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 currently identifies its Executive Director and the CEO 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 Company Secretary maintains records of all RC and SOSC meetings including records of key deliberations and decisions taken.

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 Group Human Resource Department, considers the level of remuneration based on the Company's remuneration policy which comprises the following 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.
- To ensure that the remuneration reflects employees' duties and responsibilities.

The Company also utilizes longer term incentive schemes, in the form of the grant of options under the SOS subject to a vesting schedule. Information on the SOS is set out in the Directors' Report on pages 45 to 48 and the Financial Statements on pages 136 to 138 of the AR.

When reviewing the structure and level of Directors' fees, the RC takes into consideration their respective roles and responsibilities in the Board and Board Committees. Changes in the business, corporate governance practices and regulatory rules and the impact of these changes on the Directors' roles and responsibilities are also taken into account. The comparability of the Company's fee structure and level with those of other companies of comparable size and structure, both within and outside the multi-industries is also taken into account. 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 and the interval since the last fee review and changes. No Director is involved in deciding his own remuneration.

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The total compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (which includes year-end and variable bonuses, share option grants and benefits-in-kind, where applicable), and take into account amongst other factors, the KMP's performance, the Group's performance and industry practices.

Each of the Directors receives a base Director's fee, with the Company's Chairman receiving an additional fee for serving as the Board Chairman. 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.

The breakdown (in percentage terms) of the Directors' remuneration for FY2012 is set out below.

Directors' Remuneration for FY2012

	Base Salary[1]	Variable Bonuses/ Allowances[1]	Board/Board Committee Fees[2]	Share Option Grants[4]	Other Benefits	Total
	%	%	%	%	%	%
Executive Directors						
Above $1,000,000 up to $1,250,000						
Francis Yuen Kin Pheng[5]	52	12	13[3]	9	14	100
Above $750,000 up to $1,000,000						
Kwek Leng Peck	52	13	19[3]	14	2	100
Non-executive Directors						
$250,000 and below						
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 Committee fees (excluding AC fees) for FY2012, which are subject to approval by shareholders as a lump sum at the 2013 AGM Board as well as the AC fees for FY2012 that had already been approved by shareholders at the 2011 and 2012 AGMs.
3 Includes Directors' fees paid or payable by subsidiaries of the Company.
4 These relate to options granted during FY2011. 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.
5 Mr Francis Yuen Kin Pheng resigned as Director and Chief Executive Officer of the Company on 14 January 2013.
6 No salary and variable bonuses/allowances for FY2012 were paid by subsidiary(ies) of the Company to the Directors of the Company.

The remuneration of the top 5 key executives (who are not Directors) is not disclosed in the AR as the Company does not believe it to be in its interest to disclose the identity of the top 5 key executives within the remuneration bands of $250,000 each or to provide a breakdown of each individual's remuneration, having regard to the highly competitive human resource environment and for purposes of maintaining confidentiality of staff remuneration matters.

During FY2012, 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 $150,000.

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 former/current 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 provided a negative assurance confirmation in respect of the unaudited financial statements for the first three quarters to the shareholders in accordance with the regulatory requirements.

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

Principle 11: 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

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reviewing the accounting policies and practices of the Company) and key internal controls, including financial, operational and compliance, 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 and compliance 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; and
- to review the Company's whistle-blowing policy.

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, 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 the AC's terms of reference, composition, meetings, training and resources, financial reporting, internal financial controls and risk management systems, internal and external audit processes, whistleblowing, relationships with the Board, communication with shareholders and 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 the AC's 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 Company's relationships with them during 2012. In determining the independence of EY, the AC reviewed the Company's relationships with them and considered the nature of the provision of the non-audit services in 2012 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 Company's statutory financial audit. For details of the fees paid and/or payable to EY in respect of audit and non-audit services for FY2012, please refer to note 25 of the Notes to the Financial Statements on page131.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2013, the AC had considered the adequacy of the resources, experience and competence of EY. Consideration was also given to the incoming 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 has complied 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 2013 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 2012. 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 2013 AGM for the renewal of the IPT Mandate.

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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 FY2012 (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 FY2012 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 : 779	General Transactions comprising 3 different lease transactions by the Company with Interested Persons : 1,357*

* The lease transactions comprising a lease and a sub-lease of office premises by the Company from Interested Persons for a lease tenure of three years in each duration and a lease of office premises by the Company from an Interested Person for a lease tenure of less than 1 year.

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 can raise in confidence concerns on possible improprieties relating to unethical business conduct, fraud or other unlawful practices, without fear of reprisals in any form. 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. The Company is currently reviewing its whistle-blowing policy for update as appropriate. A dedicated whistle-blowing email account has been set up to receive complaints and information from all employees of the Group in order to facilitate and encourage the reporting of such matters.

Principle 12: Internal Controls

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 and compliance controls, and risk management policies and systems. The boards of the Group's separately listed subsidiaries, namely China Yuchai International Limited (**"CYI"**) 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, 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 and compliance 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 2012 is adequate to address in all material respects the financial, operational and compliance risks within the current scope of the Group's business 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.

The Board has noted that CYI, a subsidiary listed on the New York Stock Exchange, had in its FY2011 annual report filing on Form 20F on 19 April 2012, disclosed that the material control weakness relating to the identification and elimination of intercompany transactions and balances at its key subsidiary, Guangxi Yuchai Machinery Company Limited (**"GYMCL"**), had not been sufficiently remediated. This identified weakness related to the consolidation of the accounts of GYMCL. CYI's management has since established the remedial procedures with GYMCL to include additional tracking and reconciliation to identify intercompany transactions and their elimination at group level. Based on CYI's testing, the newly implemented procedures are currently working but will be subject to further testing and evaluation by its independent auditors under CYI's SOX program for FY2012. The full results will not be known until the finalization of CYI's Form 20F filing in mid April 2013.

As part of internal audit program for FY2012, 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 FY2012.

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 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 2012 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 through a review of the IA activities on a quarterly basis and is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

The Company announces its quarterly and full year results 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 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 disclosed by the Company on SGXNET.

From time to time, Management holds briefings with analysts to coincide with the release of the Group's results. In addition, Management takes an active role in investor relations, meeting and attending conference calls with local and foreign fund managers and analysts as well as participating in roadshows and conferences both locally and overseas.

Principle 15: Greater Shareholder Participation

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 chairman of the AC, NC, RC and SOSC, and the external auditors were present at the last AGM, and will endeavour to be present at the 2013 AGM to assist the Directors in addressing queries raised by the shareholders.

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 the AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors.

In accordance with the Articles of Association of the Company, shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. All shareholders are allowed to vote in person or by proxy. CPF investors of the Company's securities may attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe. 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.

Pursuant to the Articles of Association of the Company, all resolutions put to the vote at a general meeting of the Company shall be decided on a show of hands unless before or upon the declaration of the result, a poll is demanded as follows:

(i) by the Chairman of the meeting;

(ii) by not less than two members present in person or by proxy and entitled to vote at the meeting;

(iii) by a member present in person or by proxy and representing no less than 10 per cent of the total voting rights of all members having the right to vote at the meeting; or

(iv) by a member present in person or by proxy and representing no less than 10 per cent of the total number of paid up shares of the Company (excluding treasury shares).

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 and compliance 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, and by the Head of IA who supported risk management activities prior to the appointment of 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.

15 March 2013

FINANCIAL CONTENTS

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 2012.

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	**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
Yuen Kin Pheng, Francis	–	30,000
Ernest Colin Lee	50,000	50,000

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	**At end of the year**
The Company		
Options to subscribe for the following number of ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	470,000	470,000
Yuen Kin Pheng, Francis	200,000	200,000
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
Related Corporations		
Hong Leong Finance Limited Ordinary Shares		
Kwek Leng Beng	4,603,567	5,203,567
Kwek Leng Peck	517,359	517,359
Options to subscribe for the following number of ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	3,920,000	3,576,000
Hong Leong Holdings Limited Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428

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	At end of the year
Related Corporations (cont'd)		
Hong Realty (Private) Limited Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150
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	At end of the year
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares		
Kwek Leng Beng	40,744	40,744

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

The directors' interests in the Company as at 31 December 2012 disclosed above remained unchanged as at 21 January 2013 except for Mr Yuen Kin Pheng, Francis who had resigned as a director of the Company on 14 January 2013.

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 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 biodegradable and non-biodegradable 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 of the Company 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.

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.

SHARE OPTIONS (CONT'D)

(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
Yuen Kin Pheng, Francis	200,000	–	200,000
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.

(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.

SHARE OPTIONS (CONT'D)

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

(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.

SHARE OPTIONS (CONT'D)

(c) Unissued shares under option

There were a total of 1,180,000 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 2012	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 December 2012	Number of option holders at 31 December 2012	Exercise period
15/5/2008	$2.36	170,000	–	–	–	170,000	1	15/5/2009 to 14/5/2018
15/5/2008	$2.36	300,000	–	–	–	300,000	1	15/5/2009 to 14/5/2013*
5/1/2011	$3.17	620,000	–	–	(110,000)	510,000	5	5/1/2012 to 4/1/2021
18/5/2011	$2.62	200,000	–	–	–	200,000	1	18/5/2012 to 17/5/2021
Total		1,290,000	–	–	(110,000)	1,180,000		

* Relates to options granted to a former Group Employee who had been reclassified as a Group Non-Executive Director on 1 October 2008.

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 2012 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	**Ting Sii Tien @ Yao Sik Tien, Philip**
Director	*Director*

15 March 2013

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 2012 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*

15 March 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 53 to 166, which comprise the balance sheets of the Group and the Company as at 31 December 2012, 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.

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 2012 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
Certified Public Accountants
Singapore

15 March 2013

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current assets					
Property, plant and equipment	3	1,233,263	1,275,919	502	685
Land use rights	4	127,195	135,309	–	–
Intangible assets	5	110,200	72,117	320	603
Investment in subsidiaries	7	–	–	213,344	210,824
Interests in associates	8	56,492	61,449	13,726	13,726
Interests in jointly-controlled entities	9	–	23	–	–
Investment property	10	–	–	–	–
Other investments	11	716	4,007	–	–
Non-current receivables	12	10,423	5,684	–	–
Deferred tax assets	13	94,536	101,352	25	7
		1,632,825	1,655,860	227,917	225,845
Current assets					
Inventories	14	602,242	733,424	–	–
Development properties	15	10,288	11,390	–	–
Other investments	11	10,900	9,265	4	16
Trade and other receivables	16	1,617,736	1,830,859	247,117	238,472
Cash and short-term deposits	17	1,000,806	1,208,450	10,868	1,913
Assets classified as held-for-sale	18	21,087	15,285	–	7,500
		3,263,059	3,808,673	257,989	247,901
Total assets		4,895,884	5,464,533	485,906	473,746

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

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Current liabilities					
Trade and other payables	22	1,743,676	1,936,819	39,653	19,030
Provisions	23	69,297	82,602	–	–
Loans and borrowings	21	711,330	964,080	139,078	142,993
Current tax payable		26,591	35,605	331	–
Liabilities classified as held-for-sale	18	3,771	7,635	–	–
		2,554,665	3,026,741	179,062	162,023
Net current assets		708,394	781,932	78,927	85,878
Non-current liabilities					
Loans and borrowings	21	203,201	233,656	–	–
Deferred tax liabilities	13	45,534	42,047	1,421	27
Deferred grants		65,891	65,404	–	–
Other non-current payables	22	14,693	–	–	–
Retirement benefits		200	233	–	–
		329,519	341,340	1,421	27
Total liabilities		2,884,184	3,368,081	180,483	162,050
Net assets		2,011,700	2,096,452	305,423	311,696
Equity attributable to owners of the Company					
Share capital	19	266,830	266,830	266,830	266,830
Reserves	20	507,401	587,387	38,593	44,866
		774,231	854,217	305,423	311,696
Non-controlling interests		1,237,469	1,242,235	–	–
Total equity		2,011,700	2,096,452	305,423	311,696
Total equity and liabilities		4,895,884	5,464,533	485,906	473,746

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 2012

	Note	Group 2012 $'000	Group 2011 $'000
Continuing operations			
Revenue	24	4,112,138	4,625,545
Cost of sales		(3,193,342)	(3,566,859)
Gross profit		918,796	1,058,686
Other item of (expense)/income (net)			
Other (expenses)/income		(1,129)	64,568
Other items of expense			
Selling and distribution expenses		(437,322)	(500,394)
Research and development expenses		(93,441)	(85,646)
General and administrative expenses		(195,714)	(205,391)
Finance costs	26	(72,016)	(55,943)
Profit from continuing operations		119,174	275,880
Share of profit of associates and jointly-controlled entities, net of income tax		7,647	10,283
Profit before income tax from continuing operations	25	126,821	286,163
Income tax expense	28	(51,822)	(36,714)
Profit from continuing operations, net of tax		74,999	249,449
Discontinued operations			
Loss from discontinued operations, net of tax	29	–	(3,107)
Profit for the year		74,999	246,342
Attributable to:			
Owners of the Company			
(Loss)/profit from continuing operations, net of tax		(34,910)	83,841
Loss from discontinued operations, net of tax		–	(535)
		(34,910)	83,306
Non-controlling interests			
Profit from continuing operations, net of tax		109,909	165,608
Loss from discontinued operations, net of tax		–	(2,572)
		109,909	163,036
(Loss)/earnings per share from continuing operations attributable to owners of the Company (cents per share)			
- Basic		(9.34)	22.43
- Diluted		(9.34)	22.43
(Loss)/earnings per share (cents per share)			
- Basic	30	(9.34)	22.29
- Diluted	30	(9.34)	22.29

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 2012

	Group 2012 $'000	Group 2011 $'000
Profit for the year	74,999	246,342
Other comprehensive income		
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(72,574)	57,746
Net fair value changes	(971)	(2,470)
Other comprehensive income for the year, net of income tax	(73,545)	55,276
Total comprehensive income for the year	1,454	301,618
Attributable to:		
Owners of the Company	(56,087)	94,646
Non-controlling interests	57,541	206,972
Total comprehensive income for the year	1,454	301,618
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	(56,087)	94,634
Total comprehensive income from discontinued operations, net of tax	–	12
Total comprehensive income for the year attributable to owners of the Company	(56,087)	94,646

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 2012

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Equity compensation reserve $'000	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
At 1 January 2012		266,830	(2,437)	33,802	46,760	2,047	(27,714)	11,146	–	523,783	854,217	1,242,235	2,096,452
Total comprehensive income for the year		–	–	–	(971)	–	(20,206)	–	–	(34,910)	(56,087)	57,541	1,454
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Cost of share-based payments	27	–	–	–	–	300	–	–	–	–	300	–	300
Transfer to statutory reserve		–	–	432	–	–	–	–	–	(432)	–	–	–
Shares issued to non-controlling interests of subsidiaries		–	(33)	–	–	–	–	–	–	–	(33)	5,411	5,378
Effect of treasury shares in a subsidiary acquired from non-controlling interests		–	–	–	–	–	–	–	–	–	–	(8,224)	(8,224)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	6,048	6,048
Dividends paid to shareholders	31	–	–	–	–	–	–	–	–	(22,434)	(22,434)	–	(22,434)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	(52,603)	(52,603)
Reserve attributable to disposal group classified as held-for-sale	18	–	–	–	–	–	2,813	–	(2,813)	–	–	–	–
Realisation of reserves upon disposal of assets classified as held-for-sale		–	866	–	–	–	(4,605)	–	–	–	(3,739)	–	(3,739)
Realisation of reserves upon disposal of subsidiaries		–	–	(17)	–	–	–	2,027	–	(3)	2,007	–	2,007
Changes in ownership interests in subsidiaries													
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(12,939)	(12,939)
At 31 December 2012		266,830	(1,604)	34,217	45,789	2,347	(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700

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 2012

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Equity compensation reserve $'000	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
Closing balance at 31 December 2010 (as previously stated)		266,143	(28,672)	32,568	48,395	1,477	(47,269)	(1,451)	2,353	494,852	768,396	1,187,999	1,956,395
Adjustment arising from reclassification of assets classified as held-for-sale		–	–	–	–	–	(5)	–	–	10,663	10,658	4,282	14,940
At 1 January 2011 (restated)		266,143	(28,672)	32,568	48,395	1,477	(47,274)	(1,451)	2,353	505,515	779,054	1,192,281	1,971,335
Total comprehensive income for the year		–	–	–	(2,470)	–	13,810	–	–	83,306	94,646	206,972	301,618
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Shares issued during the year	19	687	–	–	–	–	–	–	–	–	687	–	687
Cost of share-based payments	27	–	–	–	–	570	–	–	–	–	570	–	570
Transfer to capital reserve		–	728	–	–	–	–	–	–	(728)	–	–	–
Transfer to statutory reserve		–	–	1,234	–	–	–	–	–	(1,234)	–	–	–
Dividends paid to shareholders	31	–	–	–	–	–	–	–	–	(37,383)	(37,383)	–	(37,383)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	(90,532)	(90,532)
Realisation of reserves upon disposal of assets classified as held-for-sale		–	24,796	–	835	–	5,787	–	(2,353)	(25,693)	3,372	2,091	5,463
Realisation of reserves upon liquidation of subsidiaries		–	711	–	–	–	(37)	–	–	–	674	(205)	469
Changes in ownership interests in subsidiaries													
Acquisition of non-controlling interests		–	–	–	–	–	–	12,597	–	–	12,597	(68,372)	(55,775)
At 31 December 2011		266,830	(2,437)	33,802	46,760	2,047	(27,714)	11,146	–	523,783	854,217	1,242,235	2,096,452

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 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		–	–	–	300	–	300
Dividends paid to shareholders	31	–	–	–	–	(22,434)	(22,434)
At 31 December 2012		266,830	9,199	–	2,294	27,100	305,423
At 1 January 2011		266,143	9,199	8	1,424	28,988	305,762
Total comprehensive income for the year		–	–	(8)	–	42,068	42,060
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the year	19	687	–	–	–	–	687
Cost of share-based payments		–	–	–	570	–	570
Dividends paid to shareholders	31	–	–	–	–	(37,383)	(37,383)
At 31 December 2011		266,830	9,199	–	1,994	33,673	311,696

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 2012

	Note	Group 2012 $'000	Group 2011 $'000
Operating activities			
Profit before income tax from continuing operations		126,821	286,163
Loss before income tax from discontinued operation	29	–	(3,070)
Adjustments for:			
Share of profit of associates and jointly-controlled entities, net of income tax		(7,647)	(10,283)
Cost of share-based payments	27	300	570
Depreciation and amortisation	25	118,934	126,302
Allowance written back for inventories write-down	25	(209)	(5,663)
Impairment losses (written back)/recognised for trade and other receivables	16	(1,902)	28
Impairment losses recognised on property, plant and equipment and development properties	25	59,950	6,780
Property, plant and equipment written off	25	748	291
Intangible assets written off	25	1,313	562
Finance costs	26	72,016	55,943
Dividend income from other investments	25	(689)	(381)
Interest income	25	(28,163)	(17,071)
(Gain)/loss on disposal of:			
- subsidiaries	25	1,980	471
- associates	25	–	682
- property, plant and equipment	25	4,324	2,306
- land use rights		–	(1,894)
- intangible assets		(64)	–
- investment property		–	(1,155)
- assets held-for-sale	25	–	(24,567)
- other investments		162	–
Fair value (gain)/loss on investments		(1,630)	1,000
Provisions for warranties and other costs, net	25	76,242	92,370
Operating cash flows before changes in working capital		422,486	509,384
Changes in working capital:			
Inventories		120,636	46,788
Trade and other receivables		115,783	(471,984)
Trade and other payables		(118,122)	(216,385)
Provisions utilised	23	(86,672)	(102,395)
Cash flows from/(used in) operations		454,111	(234,592)
Income taxes paid		(50,019)	(62,619)
Net cash flows from/(used in) operating activities		404,092	(297,211)

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 2012

	Note	Group 2012 $'000	Group 2011 $'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired		(5,956)	–
Acquisition of non-controlling interests in a subsidiary		–	(55,775)
Purchase of treasury shares in a subsidiary from non-controlling interests		(8,224)	–
Investment in associates		–	(764)
Dividends received from:			
- associates		3,255	3,206
- other investments	25	689	381
Interest received		34,896	19,277
Purchase of:			
- property, plant and equipment	3	(210,006)	(253,594)
- intangible assets	5	(22,703)	(3,702)
- other investments		(5)	–
Payment for land use rights	4	(4,588)	(16,664)
Proceeds from disposal of:			
- subsidiaries, net of cash disposed		20,438	–
- associates and jointly-controlled entities		–	867
- property, plant and equipment		14,765	30,945
- intangible assets		184	–
- land use rights		–	3,671
- investment property		–	7,915
- assets held-for-sale		7,650	35,650
- other investments		1,161	–
Net cash flows used in investing activities		(168,444)	(228,587)

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 2012

	Note	Group 2012 $'000	Group 2011 $'000
Financing activities			
Dividends paid to:			
- non-controlling interests of subsidiaries		(52,603)	(90,532)
- shareholders of the Company	31	(22,434)	(37,383)
Interest paid		(78,406)	(62,866)
Proceeds from borrowings		576,807	343,234
Proceeds from issuance of bonds		197,900	465,677
Advances from a related company		2,942	–
(Placement)/release of restricted deposits with banks		(47,153)	5
Proceeds from share issues	19	–	687
Capital contribution by non-controlling interests of subsidiaries		5,411	–
Grant received from government		7,182	19,536
Repayments in respect of borrowings		(554,851)	(94,692)
Repayment of obligation under finance leases		(488)	(5,426)
Redemption of short-term bonds		(472,981)	–
Net cash flows (used in)/from financing activities		(438,674)	538,240
Net (decrease)/increase in cash and cash equivalents		(203,026)	12,442
Cash and cash equivalents at the beginning of the financial year	17	1,208,271	1,167,479
Effect of exchange rate changes on balances held in foreign currencies		(42,870)	28,350
Cash and cash equivalents reclassified to assets held-for-sale		(9,105)	–
Cash and cash equivalents at the end of the financial year	17	953,270	1,208,271

Note:

Cash and bank balances totalling $675,222,000 (2011: $891,773,000) are held in countries which operate foreign exchange controls.

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

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	
	2012 $'000	2011 $'000
Liquidation/disposal		
Non-current assets	21,739	–
Net current assets	12,798	2
Non-controlling interests	(12,854)	(205)
Capital reserve	–	711
Realisation of translation differences	–	(37)
Realisation of reserves	2,047	–
Loss on disposal/liquidation of subsidiaries	(1,980)	(471)
Currency translation differences	181	–
Total cash consideration	21,931	–
Less: Cash and bank balance of subsidiaries disposed	(1,493)	–
Disposal of subsidiaries, net of cash disposed	20,438	–

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The 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*
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
FRS 113 Fair Value Measurement	1 January 2013
Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to FRSs 2012	1 January 2013
- Amendment to FRS 1 Presentation of Financial Statements	1 January 2013
- Amendment to FRS 16 Property, Plant and Equipment	1 January 2013
- Amendment to FRS 32 Financial Instruments: Presentation	1 January 2013
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
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

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

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

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

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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

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

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

FRS 111 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 rights to the assets and obligations for the liabilities 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 affect the Group's financial statement presentation.

FRS 112 Disclosure of Interests in Other Entities

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 implemented in 2014.

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.

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

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.
- 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.

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 from 1 January 2010 (cont'd)

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.12(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 asset, 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.

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

2.7 Associates (cont'd)

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.

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.

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

2.8 Joint venture (cont'd)

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

2.9 Foreign currency (cont'd)

(b) Consolidated financial statements (cont'd)

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, plant and equipment and furniture and fixtures 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 and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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

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

2.10 Property, plant and equipment (cont'd)

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 50 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.

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 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the investment properties. The estimated useful life is 30 years. Depreciation methods, useful lives and residual values of investment properties are reassessed at each reporting date.

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

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

2.11 Investment properties (cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

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 each of 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 unit to which goodwill has 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.

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.

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

2.12 Intangible assets (cont'd)

(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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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.

(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.

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

2.12 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(i) Trademarks (cont'd)

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 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.

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

2.13 Financial assets (cont'd)

Subsequent measurement

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

(a) 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.

(b) 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.

(c) 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.

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

2.13 Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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.

2.14 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:

Financial liabilities at fair value through profit or loss

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

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

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

2.14 Financial liabilities (cont'd)

Other financial liabilities

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

Derecognition

A financial liability is derecognised 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 derecognition 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.

2.15 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.

2.16 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.

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

2.18 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 the market prices at the end of the reporting period, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.19 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.

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

2.19 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 assets 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.

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

2.19 Impairment of financial assets (cont'd)

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its 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.

2.20 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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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 to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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 in those expense categories consistent with the function of the impaired asset, 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.

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

2.22 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. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(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 under short-term cash bonuses 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.

(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.

2.23 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.

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

2.23 Provisions (cont'd)

(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.

(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.

2.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking in 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 Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(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.

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

2.24 Revenue recognition (cont'd)

(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.

(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.

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

2.26 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.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

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.

2.29 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

(b) Deferred tax

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

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

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

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

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

2.29 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

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

2.29 Taxes (cont'd)

(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.

2.30 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.

2.31 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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.33 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.

2.34 Related parties

A related party is defined as follows:

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

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

2.34 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).

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
Cost								
At 1 January 2011	54,487	521,770	5,135	605,640	32,939	37,649	139,982	1,397,602
Translation differences	(330)	20,331	803	28,001	1,719	893	7,997	59,414
Additions	–	4,832	2	24,762	5,552	5,876	212,570	253,594
Transfers	–	25,179	51	116,177	2,787	1,359	(145,553)	–
Disposals	–	(30,732)	–	(13,571)	(2,596)	(3,232)	–	(50,131)
Transfer from/(to) assets classified as held-for-sale	–	(960)	(25)	19,532	1,372	(2,388)	–	17,531
Write-off	–	(194)	(227)	(2,829)	(572)	–	(5,504)	(9,326)
At 31 December 2011 and 1 January 2012	54,157	540,226	5,739	777,712	41,201	40,157	209,492	1,668,684
Translation differences	(392)	(26,438)	(822)	(41,024)	(2,468)	(1,098)	(8,923)	(81,165)
Additions	6,319	25,498	5	24,183	4,172	4,113	145,716	210,006
Transfers	–	15,177	–	82,714	1,540	3,964	(103,395)	–
Disposals	–	(11,412)	(6)	(26,185)	(4,594)	(3,405)	–	(45,602)
Transfer to assets classified as held-for-sale	–	(30,271)	–	(2,449)	(2,119)	(299)	–	(35,138)
Write-off	–	(486)	–	(4,519)	(905)	(25)	(297)	(6,232)
Acquisition of subsidiaries	–	–	–	–	37	–	6,288	6,325
Disposal of subsidiaries	–	–	–	(1,575)	(315)	(15)	(12,187)	(14,092)
At 31 December 2012	60,084	512,294	4,916	808,857	36,549	43,392	236,694	1,702,786

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

Group	Freehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation								
At 1 January 2011	1,461	81,950	2,578	123,237	10,768	28,432	8,029	256,455
Translation differences	(1)	6,705	444	11,843	1,264	682	152	21,089
Charge for the year	–	32,157	1,492	73,599	7,631	3,524	–	118,403
Impairment losses	–	7,156	–	717	–	15	–	7,888
Reversal of impairment losses	–	(2,135)	–	–	–	–	(606)	(2,741)
Transfer from/(to) assets classified as held-for-sale	–	(960)	(25)	19,532	1,372	(2,388)	–	17,531
Disposals	–	(5,066)	–	(7,222)	(2,069)	(2,468)	–	(16,825)
Write-off	–	(72)	(210)	(2,729)	(520)	–	(5,504)	(9,035)
At 31 December 2011 and 1 January 2012	1,460	119,735	4,279	218,977	18,446	27,797	2,071	392,765
Translation differences	(5)	(8,410)	(494)	(19,772)	(1,835)	(832)	(198)	(31,546)
Charge for the year	–	21,409	1,394	78,953	7,261	4,308	–	113,325
Transfers	–	1,327	(1,327)	59	(59)	–	–	–
Impairment losses	–	38,187	–	21,733	–	–	58	59,978
Transfer to assets classified as held-for-sale	–	(28,882)	–	(2,022)	(1,614)	(144)	–	(32,662)
Disposals	–	(5,129)	(6)	(14,479)	(3,981)	(2,917)	–	(26,512)
Write-off	–	(374)	–	(3,964)	(836)	(13)	(297)	(5,484)
Disposal of subsidiaries	–	–	–	(84)	(249)	(8)	–	(341)
At 31 December 2012	1,455	137,863	3,846	279,401	17,133	28,191	1,634	469,523
Net book value								
At 31 December 2011	52,697	420,491	1,460	558,735	22,755	12,360	207,421	1,275,919
At 31 December 2012	58,629	374,431	1,070	529,456	19,416	15,201	235,060	1,233,263

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

Company	Leasehold improvements $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Total $'000
Cost				
At 1 January 2011	133	920	407	1,460
Additions	–	19	568	587
Disposals	–	–	(407)	(407)
At 31 December 2011 and 1 January 2012	133	939	568	1,640
Additions	–	39	–	39
At 31 December 2012	133	978	568	1,679
Accumulated depreciation				
At 1 January 2011	132	654	323	1,109
Charge for the year	1	125	68	194
Disposals	–	–	(348)	(348)
At 31 December 2011 and 1 January 2012	133	779	43	955
Charge for the year	–	108	114	222
At 31 December 2012	133	887	157	1,177
Net book value				
At 31 December 2011	–	160	525	685
At 31 December 2012	–	91	411	502

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

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 $6,598,000 (2011: $4,337,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.61% (2011: 5.43%) 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 (2011: $44,000).

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 $51,660,000 (2011: $38,308,000) are mortgaged to secure the Group's bank loans (Note 21).

4. LAND USE RIGHTS

	Group	
	2012 $'000	2011 $'000
Cost		
At 1 January	159,027	140,602
Additions	4,588	16,664
Acquisition of subsidiaries	2,757	–
Disposals	(7,585)	(2,976)
Translation differences	(6,143)	4,737
At 31 December	152,644	159,027

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4. LAND USE RIGHTS (CONT'D)

	Group	
	2012 $'000	2011 $'000
Accumulated amortisation		
At 1 January	23,718	17,164
Amortisation for the year	3,663	6,940
Disposals	(587)	(1,199)
Translation differences	(1,345)	813
At 31 December	25,449	23,718
Net carrying amount	127,195	135,309
Amount to be amortised:		
- Not later than one year	3,717	6,275
- Later than one year but not later than five years	14,708	25,097
- Later than five years	108,770	103,937

The Group has land use rights over 51 (2011: 49) 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 28 to 50 years (2011: 29 to 50 years) and the non-transferable land use rights have a remaining tenure of 11 to 19 years (2011: 12 to 20 years).

5. INTANGIBLE ASSETS

Group	Patents and development expenditure $'000	Trade-marks $'000	Club Membership $'000	Goodwill $'000	Total $'000
Cost					
At 1 January 2011	9,647	62,697	–	11,313	83,657
Additions	3,257	–	445	–	3,702
Write-off	(10)	–	–	(562)	(572)
Translation differences	313	–	6	(3)	316
At 31 December 2011 and 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
Disposal	–	–	(143)	–	(143)
Write-off	(1,616)	–	–	–	(1,616)
Translation differences	(664)	(90)	5	796	47
At 31 December 2012	41,700	73,125	313	11,598	126,736
Accumulated amortisation and impairment losses					
At 1 January 2011	3,841	–	–	10,236	14,077
Amortisation charge for the year	862	–	26	–	888
Write-off	(10)	–	–	–	(10)
Translation differences	31	–	–	–	31
At 31 December 2011 and 1 January 2012	4,724	–	26	10,236	14,986
Amortisation charge for the year	1,664	250	32	–	1,946
Disposal	–	–	(23)	–	(23)
Write-off	(303)	–	–	–	(303)
Translation differences	(73)	(2)	5	–	(70)
At 31 December 2012	6,012	248	40	10,236	16,536
Net carrying amount					
At 31 December 2011	8,483	62,697	425	512	72,117
At 31 December 2012	35,688	72,877	273	1,362	110,200

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 3 to 9 years (2011: 4 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 during the year in respect of the Group's climate control operations are estimated to have a useful life of 50 years.

Company	Computer software and related costs $'000	Club Membership $'000	Total $'000
Cost			
At 1 January 2011	1,418	–	1,418
Additions	3	313	316
At 31 December 2011 and 1 January 2012	1,421	313	1,734
Additions	40	–	40
At 31 December 2012	1,461	313	1,774

5. INTANGIBLE ASSETS (CONT'D)

Company	Computer software and related costs $'000	Club Membership $'000	Total $'000
Accumulated amortisation and impairment losses			
At 1 January 2011	835	–	835
Amortisation charge for the year	286	10	296
At 31 December 2011 and 1 January 2012	1,121	10	1,131
Amortisation charge for the year	293	30	323
At 31 December 2012	1,414	40	1,454
Net carrying amount			
At 31 December 2011	300	303	603
At 31 December 2012	47	273	320

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

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 (2011: $62,697,000) as at 31 December 2012. 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 12% (2011: 10%) per annum. A discount rate of 17% (2011: 12%) was used.

The Group recognised impairment loss of $57,790,000 (2011: $98,000) on the carrying amount of property, plant and equipment.

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

Diesel engines segment

The Group recognised an impairment loss of $1,588,000 (2011: $2,741,000 reversal of impairment) in the income statement in respect of specific property, plant and equipment which are no longer in use. The reversal of impairment is made for property, plant and equipment previously impaired which are subsequently sold.

Others – hospitality and property development

The Group recognised impairment loss of $600,000 (2011: $7,156,000) 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 for both years.

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	
	2012 $'000	2011 $'000
Shares, at cost	241,276	238,756
Impairment losses	(27,932)	(27,932)
	213,344	210,824

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2012 %	2011 %
Held by the Company			
Fedders Hong Kong Company Limited [1]	Hong Kong	100	–
Fedders Investment Holdings Pte. Ltd.	Singapore	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	–
Island Concrete (Private) Limited ("ICPL")	Singapore	100	100
Held by the Group			
Airwell Air-conditioning (Asia) Company Limited [1]	Hong Kong	80.00	–
Airwell Air-conditioning (Hong Kong) Company Limited [1]	Hong Kong	53.60	–
Airwell Air-conditioning Technology (China) Co., Ltd.	The People's Republic of China	53.60	–
China Yuchai International Limited ("CYI") [2]	Bermuda	34.88	34.88
Fedders International Pte. Ltd. (formerly known as "GPac Technology (S) Pte. Ltd.")	Singapore	100	100
GPac Technology (M) Sdn. Bhd.	Malaysia	100	100
Guangxi Yuchai Machinery Company Limited [2]	The People's Republic of China	26.65	26.65

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7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2012 %	2011 %
Held by the Group (cont'd)			
Guangxi Yuchai Machinery Monopoly Development Co., Ltd [2]	The People's Republic of China	19.14	19.14
Guangxi Yulin Hotel Company Limited [2]	The People's Republic of China	26.65	26.65
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited [2]	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") [3]	Singapore	17.04	17.22
Hong Leong Electric Pte Ltd	Singapore	100	100
HL Technology Systems Pte Ltd	Singapore	100	100
Jining Yuchai Engine Company Limited [2]	The People's Republic of China	18.66	13.86
Qian Hong Packaging Company Limited	Hong Kong	100	100
Rex Holdings Pte Ltd	Singapore	100	100
Tasek Corporation Berhad ("Tasek")	Malaysia	74.28[4]	72.79
Xiamen Yuchai Diesel Engines Co., Ltd. [2]	The People's Republic of China	26.65	26.65
Zhejiang Yuchai Sanli Engine Company Limited [2]	The People's Republic of China	–	13.86

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 footnote (1).

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

(2) The directors consider it appropriate to treat these companies as subsidiaries as the Group has either shareholding control over, or exercises control over the composition of the board of directors of these companies.

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

(4) During the year, Tasek repurchased ordinary shares pursuant to its share buy-back mandate, from the open market and held as treasury shares. The effective equilty interest was computed based on the total number of oridinary shares excluding treasury shares.

Acquisition of non-controlling interests

In 2011, the Group acquired additional equity interests in its subsidiaries from its non-controlling interests for a cash consideration of $55,775,000. As a result of this acquisition, the carrying value of the net assets at acquisition date was $1,139,961,000 and the carrying value of the additional interest acquired was $68,372,000. The difference of $12,597,000 between the consideration and the carrying value of the additional interest acquired has been recognised as discount on acquisition of non-controlling interests within equity.

During the year, 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

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. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $4,120,270,00 and the Group's profit from continuing operations, net of tax would have been $73,927,000.

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 2012 $'000	Group 2011 $'000
Shares, at cost	18,974	22,774
Share of post-acquisition reserves	37,518	38,675
	56,492	61,449

	Company 2012 $'000	Company 2011 $'000
Shares, at cost	14,605	14,605
Impairment losses	(879)	(879)
	13,726	13,726

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest 2012 %	Effective equity interest 2011 %
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	21.84	21.84

[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:

	2012 $'000	2011 $'000
Assets and liabilities:		
Total assets	197,858	191,683
Total liabilities	(30,043)	(22,525)
Results:		
Revenue	269,696	247,552
Profit for the year	21,295	30,210

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2012 $'000	Group 2011 $'000
Unquoted equity shares, at cost	– *	23

* Amount less than $1,000

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

Particulars of the jointly-controlled entities are as follows:

Names of jointly-controlled entities	Country of incorporation	Principal activities	Effective equity interest 2012 %	Effective equity interest 2011 %
Jointly-controlled entities of HL Global Enterprises Limited				
Augustland Hotel Sdn. Bhd. [1]	Malaysia	Hotel development and operation	7.67	7.75
Copthorne Hotel Qingdao Co., Ltd. [2]	The People's Republic of China	Owns and operates a hotel in Qingdao	10.23	10.33
Shanghai Equatorial Hotel Management Co., Ltd [2]	The People's Republic of China	Hotel management and consultancy	8.35	8.44
Jointly-controlled entities of China Yuchai International Limited				
Y&C Engine Co., Ltd. [3]	The People's Republic of China	Manufacture and sale of automobile parts and components	11.99	11.99
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. [4]	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

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

[1] Audited by SJ Grant Thornton, Kuala Lumpur, Malaysia.
[2] Audited by Ernst & Young Hua Ming, the People's Republic of China.
[3] Audited by An Hui Xin Zhong Accounting Firm, the People's Republic of China.
[4] Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, the People's Republic of China.

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

	2012 $'000	2011 $'000
Results:		
Revenue	49,168	41,633
Expenses	(55,183)	(42,318)
Loss before taxation	(6,015)	(685)
Income tax expense	(562)	(203)
Loss after taxation	(6,577)	(888)
Assets and liabilities:		
Non-current assets	99,527	95,222
Current assets	56,817	58,418
Current liabilities	(67,113)	(27,410)
Non-current liabilities	(26,562)	(48,611)
Net assets	62,669	77,619

The Group's share of contingent liabilities is $3,149,000 (2011: $3,056,000).

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 2012, the estimated tourism development levy and hotel augmentation levy payable by the joint venture in Qingdao was $735,000 (2011: $772,000) and $1,781,000 (2011: $1,872,000) 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.

10. INVESTMENT PROPERTY

Movements in investment property during the financial year are as follows:

	Group 2012 $'000	2011 $'000
Cost		
At 1 January	–	7,610
Disposals	–	(7,381)
Translation differences	–	(229)
At 31 December	–	–
Accumulated depreciation		
At 1 January	–	555
Charge for the year	–	71
Disposals	–	(621)
Translation differences	–	(5)
At 31 December	–	–
Net carrying amount		
At 1 January	–	7,055
At 31 December	–	–

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

In 2011, the Group disposed off its investment property, at a consideration of $8,100,000 and recorded a gain of $1,155,000 after deducting necessary cost to sell of $185,000.

11. OTHER INVESTMENTS

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-current				
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	716	594	–	–
Unquoted equity securities				
- other companies	–	3,413	–	–
	716	4,007	–	–
Current				
Fair value through profit or loss financial assets				
Quoted equity securities	9,562	8,287	–	–
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	1,290	890	–	–
- other companies	48	88	4	16
	10,900	9,265	4	16

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

12. NON-CURRENT RECEIVABLES

The non-trade receivables comprise leases receivable and amounts due from joint venture partners which are unsecured and not expected to be repaid within the next 12 months. The amount in 2012 is non-interest bearing. The effective interest rate in 2011 was 0.86% per annum.

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13. DEFERRED TAX

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	Acquired in business combination $'000	Transfer to assets classified as held-for-sale $'000	Translation differences $'000	At 31 December 2012 $'000
Deferred tax liabilities						
Property, plant and equipment	(18,391)	837	–	–	458	(17,096)
Unremitted income	(1,955)	(1,405)	–	–	–	(3,360)
Withholding tax on dividend income	(20,508)	(3,497)	–	–	874	(23,131)
Other items	(1,193)	–	(750)	–	(4)	(1,947)
Total	(42,047)	(4,065)	(750)	–	1,328	(45,534)
Deferred tax assets						
Property, plant and equipment	2,226	(966)	–	–	(48)	1,212
Inventories	8,005	(1,482)	–	–	(315)	6,208
Intangible assets	1,437	129	–	–	(61)	1,505
Trade and other receivables	4,512	(1,093)	–	–	(167)	3,252
Provisions	1,894	1,036	–	–	(74)	2,856
Accruals	70,098	(4,927)	–	–	(2,831)	62,340
Tax value of loss carried forward	337	(3)	–	–	(18)	316
Deferred grants	11,331	3,546	–	–	(498)	14,379
Other items	1,512	1,143	–	(168)	(19)	2,468
Total	101,352	(2,617)	–	(168)	(4,031)	94,536

13. 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 2011 $'000	Recognised in income statement $'000	Acquired in business combination $'000	Transfer to assets classified as held-for-sale $'000	Translation differences $'000	At 31 December 2011 $'000
Deferred tax liabilities						
Property, plant and equipment	(19,722)	998	–	–	333	(18,391)
Unremitted income	(1,955)	–	–	–	–	(1,955)
Withholding tax on dividend income	(15,128)	(4,587)	–	–	(793)	(20,508)
Other items	(1,194)	–	–	–	1	(1,193)
Total	(37,999)	(3,589)	–	–	(459)	(42,047)
Deferred tax assets						
Property, plant and equipment	5,521	(3,256)	–	–	(39)	2,226
Inventories	9,294	(1,569)	–	–	280	8,005
Intangible assets	527	848	–	–	62	1,437
Trade and other receivables	3,830	517	–	–	165	4,512
Provisions	1,179	644	–	–	71	1,894
Accruals	60,988	6,484	–	–	2,626	70,098
Tax value of loss carried forward	315	–	–	–	22	337
Deferred grants	4,347	6,511	–	–	473	11,331
Other items	1,501	–	–	–	11	1,512
Total	87,502	10,179	–	–	3,671	101,352

13. DEFERRED TAX (CONT'D)

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

	Company 2012 $'000	Company 2011 $'000
Deferred tax liabilities		
Property, plant and equipment	(16)	(27)
Unremitted income	(1,405)	–
	(1,421)	(27)
Deferred tax assets		
Provisions	25	7

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 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Deferred tax assets	94,536	101,352	25	7
Deferred tax liabilities	(45,534)	(42,047)	(1,421)	(27)
	49,002	59,305	(1,396)	(20)

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

	Group 2012 $'000	Group 2011 $'000
Unutilised tax losses	90,214	96,818
Unabsorbed capital allowances	4,900	6,432
	95,114	103,250

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.

14. INVENTORIES

	Group 2012 $'000	Group 2011 $'000
Raw materials and consumables	354,531	421,660
Allowance for inventories written down	(23,426)	(24,218)
	331,105	397,442
Manufacturing work-in-progress	18,809	24,844
Allowance for inventories written down	(75)	(39)
	18,734	24,805
Finished goods	264,768	323,374
Allowance for inventories written down	(12,365)	(12,197)
	252,403	311,177
Total	602,242	733,424
Inventories recognised as an expense in cost of sales (Note 25)	2,639,904	3,043,310
Inclusive of the following charge/(credit):		
- Inventories written down	9,458	7,931
- Reversal of inventories written down	(9,667)	(13,594)

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

15. DEVELOPMENT PROPERTIES

	Group 2012 $'000	Group 2011 $'000
Properties held-for-sale (net)		
Freehold land	4,984	7,848
Development costs	2,837	908
Overhead expenditure capitalised	2,467	2,634
	10,288	11,390

The income statement includes allowance for impairment written back for development properties of $28,000 (2011: $1,633,000 allowance for impairment made) (Note 25).

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16. TRADE AND OTHER RECEIVABLES

	Group 2012 $'000	Group 2011 $'000
Trade receivables	205,491	279,949
Bill receivables	1,307,460	1,404,894
Impairment losses	(8,989)	(16,322)
Net trade receivables	1,503,962	1,668,521
Amounts receivable from:		
- ultimate holding company (non-trade)	42	–
- immediate holding company (non-trade)	77	8
- associates (non-trade)	213	199
- other related corporations (non-trade)	1	584
Advances paid to suppliers	24,370	44,830
Prepaid expenses	10,508	5,887
Refundable deposits	3,884	2,375
Tax recoverable	34,075	61,474
Lease receivables	1,102	–
Other receivables	40,979	50,618
Impairment losses - other receivables	(1,477)	(3,637)
	113,774	162,338
Total trade and other receivables	1,617,736	1,830,859

	Company 2012 $'000	Company 2011 $'000
Trade receivables	978	2,553
Amounts receivable from:		
- ultimate holding company (non-trade)	42	–
- immediate holding company (non-trade)	77	–
- subsidiaries (non-trade)	245,683	235,486
- associates (non-trade)	4	5
- other related corporations (non-trade)	1	3
Prepaid expenses	56	47
Refundable deposits	189	23
Other receivables	87	355
	246,139	235,919
Total trade and other receivables	247,117	238,472

16. 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 $170,870,000 (2011: $147,635,000) which bear interest at rates ranging from 0.85% to 4.40% (2011: 0.80% to 4.44%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 1.92% (2011: 1.69%) 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 12) and amounts due from subsidiaries at the reporting date (by business activities) is as follows:

	Group	
	2012 $'000	**2011 $'000**
Industrial packaging	17,630	20,375
Diesel engines	1,236,035	1,322,445
Consumer products	172,768	276,949
Building materials	116,322	102,038
Others	12,567	170
	1,555,322	1,721,977

	Company	
	2012 $'000	**2011 $'000**
Diesel engines	6	3
Consumer products	4,373	1,647
Building materials	489	4,547
Others	242,004	232,205
	246,872	238,402

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

16. 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:

	2012 Gross $'000	**2011 Gross $'000**
Group		
Not past due	1,424,903	1,593,645
Past due 0 to 30 days	58,819	58,687
Past due 31 to 120 days	44,834	49,954
Past due 121 days to one year	13,825	15,869
More than one year	23,407	19,389
	1,565,788	1,737,544
	Impairment losses $'000	**Impairment losses $'000**
Past due 0 to 30 days	(71)	–
Past due 31 to 120 days	(170)	(1,499)
Past due 121 days to one year	(4,285)	(3,452)
More than one year	(5,940)	(10,616)
	(10,466)	(15,567)

	2012 Gross $'000	**2011 Gross $'000**
Company		
Not past due	1,850	7,194
Past due 0 to 30 days	567	1,045
Past due 31 to 120 days	1,952	20,140
Past due 121 days to one year	114,291	35,458
More than one year	128,212	174,565
	246,872	238,402

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

16. 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	
	2012 $'000	2011 $'000
At 1 January	15,567	14,285
Impairment losses (written back)/recognised	(1,902)	28
Impairment losses utilised	(2,633)	(1,006)
Translation differences	(566)	2,260
At 31 December	10,466	15,567

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.

17. CASH AND SHORT-TERM DEPOSITS

	Note	Group		Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Fixed deposits		375,855	809,135	8,529	–
Cash at banks and in hand		624,951	399,315	2,339	1,913
		1,000,806	1,208,450	10,868	1,913
Bank overdrafts (unsecured)	21	(361)	(157)		
Restricted deposits		(47,175)	(22)		
Cash and cash equivalents in the cash flow statement		953,270	1,208,271		

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

17. CASH AND SHORT-TERM DEPOSITS (CONT'D)

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	
	2012 %	2011 %	2012 %	2011 %
Fixed deposits	3.04	2.97	2.40	–
Bank overdrafts	7.85	6.60	–	–

Interest rates will be repriced within 12 months.

18. 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. During the year, the Group plans to divest one jointly-controlled entity and one associate of the Group (the "disposal 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	
	2012 $'000	2011 $'000
Assets:		
Property, plant and equipment	2,476	1,722
Inventories	287	5,927
Trade and other receivables	1,404	5,231
Deferred tax assets	168	–
Cash and short-term deposits	9,105	2,405
Interests in associates	7,647	–
	21,087	15,285
Liabilities:		
Trade and other payables	(3,380)	(7,114)
Provisions	(391)	–
Current tax payable	–	(129)
Deferred tax liabilities	–	(386)
Loans and borrowings	–	(6)
	(3,771)	(7,635)
Reserve:		
Translation reserve	2,813	–

18. ASSETS/(LIABILITIES) CLASSIFIED AS HELD-FOR-SALE (CONT'D)

	Company	
	2012 $'000	2011 $'000
Investment in a jointly-controlled entity	–	7,500
	–	7,500

19. SHARE CAPITAL

	2012		2011	
	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	373,908	266,830	373,573	266,143
Shares issued under the Share Option Scheme	–	–	335	687
At 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 32).

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.

20. RESERVES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Capital reserve	(1,604)	(2,437)	9,199	9,199
Statutory reserve	34,217	33,802	–	–
Translation reserve	(49,712)	(27,714)	–	–
Fair value reserve	45,789	46,760	–	–
Equity compensation reserve	2,347	2,047	2,294	1,994
Accumulated profits	466,004	523,783	27,100	33,673
Reserve of disposal group classified as held-for-sale	(2,813)	–	–	–
Discount on acquisition of non-controlling interests	13,173	11,146	–	–
	507,401	587,387	38,593	44,866

20. RESERVES (CONT'D)

(a) Capital reserve comprises:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'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	6,338	5,505	–	–
	(1,604)	(2,437)	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% (2011: 10% to 15%) of profit after tax of subsidiaries arrived at under generally accepted accounting principles applicable in the People's Republic of China.

(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.

21. LOANS AND BORROWINGS

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Current liabilities				
Unsecured bank overdrafts (Note 17)	361	157	–	–
Unsecured bank loans	443,936	294,926	139,078	142,993
Secured bank loans	70,027	181,249	–	–
Obligations under finance leases (Note 33)	1,111	10	–	–
Short-term bonds	195,895	487,738	–	–
	711,330	964,080	139,078	142,993
Non-current liabilities				
Unsecured bank loans	29,119	52,371	–	–
Secured bank loans	170,106	181,259	–	–
Obligations under finance leases (Note 33)	3,976	26	–	–
	203,201	233,656	–	–
Total loans and borrowings	914,531	1,197,736	139,078	142,993

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% (2011: 3.12%) per annum.

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

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Property, plant and equipment (Note 3)	51,660	38,308	–	–
Investment in subsidiaries	186,158	191,342	–	–
Floating charge on trade receivables	52,399	179,105	–	–

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21. LOANS AND BORROWINGS (CONT'D)

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

2012	Weighted average interest rate %	Year of maturity	Carrying amount $'000
Group			
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
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

21. LOANS AND BORROWINGS (CONT'D)

	2012		
	Weighted average interest rate %	**Year of maturity**	**Carrying amount $'000**
Company			
Unsecured bank loans:			
- USD floating rate loans	1.1	2013	87,394
- SGD floating rate loans	0.8	2013	51,684
			139,078

	2011		
	Weighted average interest rate %	**Year of maturity**	**Carrying amount $'000**
Group			
Secured bank loans:			
- RMB floating rate loans	5.5	2012	179,970
- RMB floating rate loans	7.3	2013	11,062
- MYR floating rate loans	5.4	2012	1,279
- MYR floating rate loans	9.6	2013	158,554
- MYR floating rate loans	6.0	2014	4,634
- USD floating rate loans	6.8	2013	7,009
			362,508
Unsecured bank loans:			
- RMB fixed rate loans	7.3	2012	63,688
- RMB floating rate loans	6.3	2012	59,510
- RMB floating rate loans	6.1	2013	42,201
- USD floating rate loans	0.9	2012	75,380
- HKD floating rate loans	1.6	2012	498
- MYR fixed rate loans	5.5	2012	2,962
- SGD floating rate loans	0.9	2012	93,058
- SGD floating rate loans	1.6	2014	10,000
- bank overdrafts	6.6	2012	157
			347,454
Obligations under finance leases:			
- RMB fixed rate loans	3.1	2014	26
- RMB fixed rate loans	3.1	2012	10
			36
Short-term bonds:			
- RMB fixed rate short-term bonds	5.2	2012	487,738
			1,197,736

21. LOANS AND BORROWINGS (CONT'D)

	2011		
	Weighted average interest rate %	**Year of maturity**	**Carrying amount $'000**
Company			
Unsecured bank loans:			
- USD floating rate loans	0.9	2012	75,380
- SGD floating rate loans	0.8	2012	67,613
			142,993

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

		Cash flows			
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
2012					
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*	1,698,780	1,698,780	1,698,780	–	–
Non-current payables	14,693	14,693	–	14,693	–
	2,628,004	2,666,844	2,596,684	70,160	–
2011					
Floating interest rate loans	643,155	711,283	627,533	83,750	–
Fixed interest rate loans	66,686	66,777	66,607	170	–
Bank overdrafts	157	157	157	–	–
Short-term bonds	487,738	487,738	487,738	–	–
Trade and other payables*	1,837,824	1,837,824	1,837,824	–	–
	3,035,560	3,103,779	3,019,859	83,920	–

* Excludes advances from customers.

21. 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
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	–	–
2011					
Floating interest rate loans	142,993	144,220	144,220	–	–
Trade and other payables	19,030	19,030	19,030	–	–
	162,023	163,250	163,250	–	–

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade payables	1,205,314	1,339,045	–	–
Accrued expenses	392,474	411,926	2,301	2,267
Other payables	82,976	75,645	124	213
Deferred grants	5,360	3,767	–	–
Advances from customers	44,896	98,995	–	–
Trust receipts	1,532	2,538	–	–
Amounts due to:				
- immediate holding company (non-trade)	344	135	244	–
- subsidiaries (trade)	–	–	1,985	4,055
- subsidiaries (non-trade)	–	–	34,462	12,495
- associates (trade)	10,082	4,687	–	–
- other related corporations (non-trade)	698	81	537	–
Total trade and other payables (current)	1,743,676	1,936,819	39,653	19,030

22. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Loan due to other related corporation (non-trade)	2,942	–	–	–
Amount due to joint venture partner	11,751	–	–	–
Other payables (non-current)	14,693	–	–	–

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		Company	
	2012 %	2011 %	2012 %	2011 %
Trust receipts	3.00	3.00	–	–

Interest rates will be repriced within 12 months.

23. PROVISIONS

Group	Onerous contracts $'000	Claims $'000	Warranties $'000	Total $'000
At 1 January 2011	6,900	2,841	80,197	89,938
Provision made	1,215	1,489	93,739	96,443
Provision utilised	–	(1,379)	(101,016)	(102,395)
Provision reversed	(3,562)	(511)	–	(4,073)
Translation differences	–	(18)	2,707	2,689
At 31 December 2011 and 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	1,781	2,495	65,021	69,297

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.

24. REVENUE

	Group 2012 $'000	Group 2011 $'000
Sale of goods	4,070,401	4,587,465
Services rendered	40,746	37,355
Sale of development properties	–	640
Rental income	991	85
	4,112,138	4,625,545

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.

(c) Revenue from sale of development properties.

(d) Rental income arising from operating leases and development properties.

25. PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

Profit before income tax from continuing operations includes the following:

	Note	Group 2012 $'000	Group 2011 $'000
Impairment losses (written back)/recognised for trade and other receivables	16	(1,902)	28
Inventories recognised as an expense in cost of sales	14	2,639,904	3,043,310
Amortisation of intangible assets	5	1,946	888
Depreciation of property, plant and equipment and investment property	3, 10	113,325	118,474
Amortisation of land use rights	4	3,663	6,940
Property, plant and equipment written off	3	748	291
Intangible assets written off	5	1,313	562
Audit fees paid/payable:			
- auditors of the Company		1,082	1,102
- other auditors		1,421	1,522
Non-audit fees paid/payable to:			
- auditors of the Company		43	273
- other auditors		444	159
Exchange (gain)/loss, net		(1,732)	2,194
Operating lease expense		15,666	15,768
Loss on disposal of property, plant and equipment		4,324	2,306
Loss on disposal of subsidiaries		1,980	471
Loss on disposal of associates		–	682
Gain on disposal of assets classified as held-for-sale		–	(24,567)
Provisions made, net	23	76,242	92,370
Allowance written back for inventories written down	14	(209)	(5,663)
Impairment losses on property, plant and equipment	3	59,978	7,888
Reversal of impairment losses on property, plant and equipment	3	–	(2,741)
Allowance (written back)/made for development properties	15	(28)	1,633
Dividend income from other investments		(689)	(381)
Interest income:			
- cash and short-term deposits		(28,078)	(16,814)
- jointly-controlled entities		–	(257)
- other related corporations		(85)	–
Sale of scrap		(4,203)	(5,768)
Government grant		(5,655)	(8,764)

26. FINANCE COSTS

	Group 2012 $'000	Group 2011 $'000
Bank term loans	31,974	22,300
Bank overdrafts	16	24
Short-term bonds	17,271	12,530
Trust receipts	149	182
Bills discounting	20,490	18,595
Bank charges	2,085	2,301
Finance leases	1	1
Facilities fees	30	10
	72,016	55,943

27. EMPLOYEE BENEFITS

	Group 2012 $'000	Group 2011 $'000
Wages and salaries	283,429	293,178
Cost of share-based payments	300	570
Contributions to defined contribution plans	64,636	62,080
	348,365	355,828

28. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group 2012 $'000	Group 2011 $'000
Consolidated income statement:		
Current tax charge		
- Current year	38,611	56,489
- Under/(over) provision in respect of prior years	6,529	(13,185)
	45,140	43,304

28. INCOME TAX EXPENSE (CONT'D)

Major components of income tax expense (cont'd)

	Group 2012 $'000	Group 2011 $'000
Deferred tax expense/(credit)		
- Movements in temporary differences	5,753	(6,783)
- Under provision in respect of prior years	929	193
	6,682	(6,590)
Income tax attributable to continuing operations	51,822	36,714
Income tax attributable to discontinued operations	–	37
Income tax expense recognised in profit or loss	51,822	36,751

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 2012 and 2011 are as follows:

	Group 2012 $'000	Group 2011 $'000
Profit before income tax from continuing operations	126,821	286,163
Income tax using China tax rate of 25% (2011: 25%)	31,705	71,541
Adjustments:		
Effect of different tax rates in other countries	(10,685)	(21,652)
Effect of tax concessions	(10,648)	(8,932)
Non-deductible expenses	24,615	5,864
Tax-exempt income	(5,969)	(2,007)
Utilisation of deferred tax benefits previously not recognised	(364)	(16)
Deferred tax benefits not recognised	18,898	14,351
Under/(over) provision in respect of prior years:		
- current	6,529	(13,185)
- deferred	929	193
Others	(3,188)	(9,443)
	51,822	36,714

28. 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% (2011: 25%). This concession is available subject to certain conditions including these entities remain engaged in advanced and new technology.

29. DISCONTINUED OPERATIONS

On 8 July 2011, one of the Group's subsidiaries entered into a Sales and Purchase Agreement to dispose a piece of office property for a total consideration of $8,200,000. The disposal of the property was completed on 24 October 2011. Accordingly, the results from operations of this subsidiary have been presented separately on profit or loss as "profit from discontinued operations, net of tax".

The effect on the consolidated income statement for the years ended 31 December 2012 and 2011 are set out below:

Consolidated income statement disclosures

The results of the subsidiaries for years ended 31 December are as follows:

	Group 2012 $'000	Group 2011 $'000
Revenue	–	423
Expenses	–	(3,493)
Loss before tax from discontinued operations	–	(3,070)
Income tax expense (Note 28)	–	(37)
Loss from discontinued operations, net of tax	–	(3,107)

29. DISCONTINUED OPERATIONS (CONT'D)

Earnings per share disclosures

	Group 2012	Group 2011
Loss per share from discontinued operations attributable to owners of the Company (cents per share):		
Basic	–	(0.14)
Diluted	–	(0.14)

30. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on:

	Group 2012 $'000	Group 2011 $'000
(i) Net (loss)/profit attributable to owners of the Company	(34,910)	83,306
(ii) Issued ordinary shares at beginning of the year	373,908,559	373,573,359
Weighted average number of shares issued during the year	–	225,757
Weighted average number of shares at the end of the year	373,908,559	373,799,116

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 2012 No. of shares	Group 2011 No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	373,908,559	373,799,116
Dilutive effect of share options	–	20,980
Weighted average number of ordinary shares (diluted)	373,908,559	373,820,096

1,180,000 (2011: 1,290,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

31. DIVIDENDS

	Group 2012 $'000	Group 2011 $'000
Interim tax exempt dividend paid of 1 cent per share in respect of year 2012 (2011: 3 cents per share in respect of year 2011)	3,739	11,216
Final tax exempt dividend paid of 5 cents per share in respect of year 2011 (2011: 7 cents per share in respect of year 2010)	18,695	26,167
	22,434	37,383

After the balance sheet date, the Directors proposed a final tax exempt dividend of 2 cents (2011: 5 cents) per ordinary share in respect of year 2012 amounting to approximately $7,478,000 (2011: $18,695,000) on the basis that the number of shares (373,908,559 shares) in issue at the time of payment remains the same as at 1 March 2013. The dividends have not been provided for.

32. 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.

32. 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 2012	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Number of options outstanding at 31 December 2012	Number of options exercisable at 1 January 2012	Number of options exercisable at 31 December 2012	Proceeds on options exercised during the year credited to share capital	Market price of Shares at exercise date of option	Exercise period
15/5/2008	$2.36	170,000	–	–	–	170,000	170,000	170,000	–	–	15/5/2009 to 14/5/2018
15/5/2008	$2.36	300,000	–	–	–	300,000	300,000	300,000	–	–	15/5/2009 to 14/5/2013*
5/1/2011	$3.17	620,000	–	–	(110,000)	510,000	–	168,300	–	–	5/1/2012 to 4/1/2021
18/5/2011	$2.62	200,000	–	–	–	200,000	–	66,000	–	–	18/5/2012 to 17/5/2021
Total		1,290,000	–	–	(110,000)	1,180,000	470,000	704,300	–		

* Relates to options granted to a former Group Employee who had been reclassified as a Group Non-Executive Director on 1 October 2008.

32. 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 10 January 2007	On 15 May 2008	On 5 June 2009	On 5 January 2011	On 18 May 2011
Fair value at measurement date ($)	0.34 – 0.43	0.53 – 0.66	0.60 – 0.62	1.18 – 1.44	0.98 – 1.17
Share price ($)	1.88	2.36	1.42	3.17	2.62
Exercise price ($)	1.88	2.36	1.42	3.17	2.62
Expected volatility (%)	29.8	43.9 – 45.2	66.0 – 77.1	72.0 – 79.0	66.8 – 74.6
Expected option life (years)	3 – 6	2 – 4	2 – 4	2 – 4	2 – 4
Expected dividends (%)	3.2	2.5	3.7	3.0	3.7
Risk-free interest rate (%)	2.9 – 3.0	1.1 – 1.4	2.1 – 2.4	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 (2011: $2.36 to $3.17). The weighted average remaining contractual life for these options is 7.02 years (2011: 8.11 years).

33. 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 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Capital commitments in respect of property, plant and equipment	194,769	273,964	–	–

33. 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within 1 year	12,247	10,431	592	150
After 1 year but within 5 years	13,829	11,588	1,036	–
After 5 years	6,071	9,427	–	–
	32,147	31,446	1,628	150

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% (2011: 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	
	2012	2011
	$'000	$'000
Within 1 year	801	1,176
After 1 year but within 5 years	1,731	1,610
After 5 years	4,777	2,711
	7,309	5,497

33. 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			
	2012		2011	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Within 1 year	1,175	1,111	11	10
After 1 year but within 5 years	4,271	3,976	30	26
Total minimum lease payments	5,446	5,087	41	36
Less: Amounts representing finance charges	(359)	–	(5)	–
Present value of minimum lease payments	5,087	5,087	36	36

34. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Group	
	2012	2011
	$'000	$'000
Short-term employee benefits	9,486	6,173
Defined contribution plans	77	44
Equity compensation benefits	216	319
	9,779	6,536

34. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Compensation of key management personnel (cont'd)

Directors' remuneration included in key management personnel compensation amounted to $2,171,000 (2011: $2,260,000).

Key management personnel of the Group participate in the Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") as described in Note 32. No options were granted to key management personnel pursuant to the Share Option Scheme during the year (2011: 1,050,000). All Options are subject to a vesting schedule.

As at the end of the year, 1,020,000 (2011: 1,020,000) Options granted to key management personnel were outstanding, of which 670,000 (2011: 670,000) were options granted to the Executive Directors of the Company.

(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 $327,000 (2011: $3,000). There was no amount outstanding at the balance sheet date (2011: nil).

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

	Group	
	2012 $'000	**2011 $'000**
Purchase of raw materials		
- associates	49,804	40,981
Management services paid and payable		
- related corporations	572	716
Rental paid and payable		
- immediate holding company	91	259
- related corporations	283	169
Interest expenses		
- related corporations	40	–

35. 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 $354 million (2011: $369 million), representing 23% (2011: 22%) of total gross trade and bill receivables of the Group as at 31 December 2012. Of this balance, $287 million (2011: $300 million), or 81% (2011: 81%) is supported by bill receivables from Chinese banks. Except for this, there is no significant concentration of credit risk.

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

(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.

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 and Ringgit Malaysia, 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 or loss by the amounts shown below.

	Profit before income tax	
	100 bp Increase $'000	100 bp Decrease $'000
Group		
31 December 2012		
Floating rate instruments	(4,932)	4,932
31 December 2011		
Floating rate instruments	(3,221)	3,221

	Profit before income tax	
	100 bp Increase $'000	100 bp Decrease $'000
Company		
31 December 2012		
Floating rate instruments	(1,305)	1,305
31 December 2011		
Floating rate instruments	(1,430)	1,430

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

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to 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 21.

(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 and Sterling Pound.

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.

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

(d) Foreign currency risk (cont'd)

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

	2012				
	Singapore Dollar $'000	Chinese Renminbi $'000	United States Dollar $'000	Ringgit Malaysia $'000	Sterling Pound $'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)	–	(94,047)	–	–
Trade and other payables	(10,127)	(339,105)	(14,251)	(5,387)	(429)
	(5,651)	(93,032)	8,903	(5,289)	46,746

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

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

(d) Foreign currency risk (cont'd)

	2011				
	Singapore Dollar $'000	Chinese Renminbi $'000	United States Dollar $'000	Ringgit Malaysia $'000	Sterling Pound $'000
Group					
Other investments	8,610	–	–	–	–
Trade and other receivables	302	9,473	112,133	–	–
Cash and cash equivalents	22,531	–	2,599	–	–
Loans and borrowings	(10,000)	–	(82,389)	–	–
Trade and other payables	(34,695)	(353)	(12,468)	–	–
	(13,252)	9,120	19,875	–	–

	2011	
	Chinese Renminbi $'000	United States Dollar $'000
Company		
Trade and other receivables	–	94,361
Cash and cash equivalents	–	100
Loans and borrowings	–	(75,380)
	–	19,081

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 or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before income tax	
	Group $'000	Company $'000
2012		
Singapore Dollar	(565)	–
Chinese Renminbi	(9,303)	853
United States Dollar	890	2,332
Ringgit Malaysia	(529)	–
Sterling Pound	4,675	–

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

(d) Foreign currency risk (cont'd)

	Profit before income tax	
	Group	Company
	$'000	$'000
2011		
Singapore Dollar	(1,325)	–
Chinese Renminbi	912	–
United States Dollar	1,988	1,908

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.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried 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
2012				
Financial assets				
Other investments	11,616	–	–	11,616
At 31 December 2012	11,616	–	–	11,616

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

	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
2011				
Financial assets				
Other investments	9,859	–	3,413	13,272
At 31 December 2011	9,859	–	3,413	13,272

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

There have been no transfers between Level 1 and Level 2 during the financial years ended 2012 and 2011.

Determination of fair value

Quoted equity securities (Note 11): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Unquoted equity securities (Note 11): Fair value is determined based on assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

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 2012 $'000	2011 $'000
Equity securities (unquoted)		
Opening balance	3,413	1,124
(Loss)/gain in profit or loss	(162)	2,144
Sales	(3,140)	–
Translation differences	(111)	145
Closing balance	–	3,413

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

Current trade and other receivables and payables, non-current receivables (Notes 16, 22 and 12), accrued expenses (Note 22), and non-current loans and borrowings at floating rate (Note 21).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

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36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) 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 $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
2012						
Assets						
Property, plant and equipment	–	–	–	–	1,233,263	1,233,263
Land use rights	–	–	–	–	127,195	127,195
Intangible assets	–	–	–	–	110,200	110,200
Interests in associates	–	–	–	–	56,492	56,492
Other investments	–	9,562	2,054	–	–	11,616
Non-current receivables	10,423	–	–	–	–	10,423
Deferred tax assets	–	–	–	–	94,536	94,536
Inventories	–	–	–	–	602,242	602,242
Development properties	–	–	–	–	10,288	10,288
Trade receivables	1,503,962	–	–	–	–	1,503,962
Due from related corporations	333	–	–	–	–	333
Prepaid expenses	–	–	–	–	10,508	10,508
Other receivables and deposits	78,563	–	–	–	–	78,563
Advances paid to suppliers	–	–	–	–	24,370	24,370
Assets classified as held-for-sale	–	–	–	–	21,087	21,087
Cash and short-term deposits	1,000,806	–	–	–	–	1,000,806
	2,594,087	9,562	2,054	–	2,290,181	4,895,884

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) ***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 $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
2012						
Liabilities						
Advances from customers	–	–	–	–	44,896	44,896
Trade and other payables	–	–	–	1,682,296	5,360	1,687,656
Due to related corporations	–	–	–	11,124	–	11,124
Loans and borrowings	–	–	–	914,531	–	914,531
Other non-current payables	–	–	–	14,693	–	14,693
Provisions	–	–	–	–	69,297	69,297
Current tax payable	–	–	–	–	26,591	26,591
Liabilities classified as held-for-sale	–	–	–	–	3,771	3,771
Deferred tax liabilities	–	–	–	–	45,534	45,534
Deferred grants	–	–	–	–	65,891	65,891
Retirement benefits	–	–	–	–	200	200
	–	–	–	2,622,644	261,540	2,884,184

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36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) ***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 $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
2011						
Assets						
Property, plant and equipment	–	–	–	–	1,275,919	1,275,919
Land use rights	–	–	–	–	135,309	135,309
Intangible assets	–	–	–	–	72,117	72,117
Interests in associates	–	–	–	–	61,449	61,449
Interests in jointly-controlled entities	–	–	–	–	23	23
Other investments	–	8,287	4,985	–	–	13,272
Non-current receivables	5,684	–	–	–	–	5,684
Deferred tax assets	–	–	–	–	101,352	101,352
Inventories	–	–	–	–	733,424	733,424
Development properties	–	–	–	–	11,390	11,390
Trade receivables	1,668,521	–	–	–	–	1,668,521
Due from related corporations	791	–	–	–	–	791
Prepaid expenses	–	–	–	–	5,887	5,887
Other receivables and deposits	110,830	–	–	–	–	110,830
Advances paid to suppliers	–	–	–	–	44,830	44,830
Assets classified as held-for-sale	–	–	–	–	15,285	15,285
Cash and short-term deposits	1,208,450	–	–	–	–	1,208,450
	2,994,276	8,287	4,985	–	2,456,985	5,464,533

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) ***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 $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
2011						
Liabilities						
Advances from customers	–	–	–	–	98,995	98,995
Trade and other payables	–	–	–	1,829,154	3,767	1,832,921
Due to related corporations	–	–	–	4,903	–	4,903
Loans and borrowings	–	–	–	1,197,736	–	1,197,736
Provisions	–	–	–	–	82,602	82,602
Current tax payable	–	–	–	–	35,605	35,605
Liabilities classified as held-for-sale	–	–	–	–	7,635	7,635
Deferred tax liabilities	–	–	–	–	42,047	42,047
Deferred grants	–	–	–	–	65,404	65,404
Retirement benefits	–	–	–	–	233	233
	–	–	–	3,031,793	336,288	3,368,081

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) ***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 $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
2012						
Assets						
Property, plant and equipment	–	–	–	–	502	502
Investment in subsidiaries	–	–	–	–	213,344	213,344
Intangible assets	–	–	–	–	320	320
Interests in associates	–	–	–	–	13,726	13,726
Other investments	–	–	4	–	–	4
Deferred tax assets	–	–	–	–	25	25
Trade receivables	978	–	–	–	–	978
Due from related corporations	245,807	–	–	–	–	245,807
Prepaid expenses	–	–	–	–	56	56
Other receivables and deposits	276	–	–	–	–	276
Cash and short-term deposits	10,868	–	–	–	–	10,868
	257,929	–	4	–	227,973	485,906
Liabilities						
Trade and other payables	–	–	–	2,425	–	2,425
Current tax payable	–	–	–	–	331	331
Due to related corporations	–	–	–	37,228	–	37,228
Loans and borrowings	–	–	–	139,078	–	139,078
Deferred tax liabilities	–	–	–	–	1,421	1,421
	–	–	–	178,731	1,752	180,483

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) 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 $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
2011						
Assets						
Property, plant and equipment	–	–	–	–	685	685
Investment in subsidiaries	–	–	–	–	210,824	210,824
Intangible assets	–	–	–	–	603	603
Interests in associates	–	–	–	–	13,726	13,726
Other investments	–	–	16	–	–	16
Deferred tax assets	–	–	–	–	7	7
Trade receivables	2,553	–	–	–	–	2,553
Due from related corporations	235,494	–	–	–	–	235,494
Prepaid expenses	–	–	–	–	47	47
Other receivables and deposits	378	–	–	–	–	378
Assets classified as held-for-sale	–	–	–	–	7,500	7,500
Cash and short-term deposits	1,913	–	–	–	–	1,913
	240,338	–	16	–	233,392	473,746
Liabilities						
Trade and other payables	–	–	–	2,480	–	2,480
Due to related corporations	–	–	–	16,550	–	16,550
Loans and borrowings	–	–	–	142,993	–	142,993
Deferred tax liabilities	–	–	–	–	27	27
	–	–	–	162,023	27	162,050

37. 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 2012 and 2011.

As disclosed in Note 20(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 2012 and 2011.

There were no changes in the Group's approach to capital management during the year.

	Group	
	2012 $'000	2011 $'000
Loans and borrowings	914,531	1,197,736
Trade and other payables	1,758,369	1,936,819
Less: Cash and short-term deposits	(1,000,806)	(1,208,450)
Financial liabilities, net of cash and short-term deposits attributable to discontinued operations	(5,725)	4,715
Net debt	1,666,369	1,930,820
Equity attributable to the owners of the Company	774,231	854,217
Less: Fair value reserve	(45,789)	(46,760)
Statutory reserve	(34,217)	(33,802)
Total capital	694,225	773,655
Capital and net debt	2,360,594	2,704,475

38. 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	
	2012 $'000	2011 $'000
Outstanding bills endorsed to suppliers with recourse obligations	262,898	350,187
Outstanding bills discounted with banks with recourse obligations	186,127	281,225

39. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Reportable segments

(i) Consumer products: refrigerators, freezers, air conditioners and washing machines.

(ii) Industrial packaging: plastic packaging related products and container components.

(iii) Building materials: cement, pre-cast concrete products, ready-mix concrete and quarry products.

(iv) Diesel engines products: diesel engines and automobile spare parts.

Other operations include hospitality, property development and climate control operations. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

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.

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2012	Consumer products $'000	Industrial packaging $'000	Building materials $'000	Diesel engines $'000	Others* $'000	Total $'000
Total external revenue	760,462	92,061	535,534	2,663,819	60,333	4,112,209
Interest income	296	360	6,541	19,973	453	27,623
Interest expense	(8,490)	(864)	(286)	(42,262)	(4,137)	(56,039)
Depreciation and amortisation	(14,528)	(2,560)	(22,743)	(70,330)	(7,717)	(117,878)
Reportable segment profit/(loss) before income tax	(117,635)	(1,066)	83,803	190,464	(11,644)	143,922
Share of profit of associates and jointly-controlled entities, net of income tax	–	–	7,177	73	397	7,647
Reportable segment profit/(loss) after income tax	(125,836)	(2,166)	67,836	162,118	(12,560)	89,392
Other material non-cash items:						
- Impairment losses on property, plant and equipment and development properties	57,790	–	–	1,588	600	59,978
- Claims	–	–	488	–	–	488
- Onerous contracts	–	–	(2,772)	–	–	(2,772)
- Warranties	14,099	–	–	64,135	292	78,526
Assets and liabilities						
Reportable segment assets	539,588	34,409	564,722	3,404,104	178,233	4,721,056
Interests in associates	–	–	38,061	1,095	77	39,233
Capital expenditure ^	2,757	4,154	23,023	186,068	16,668	232,670
Reportable segment liabilities	473,748	45,382	124,399	1,865,033	183,996	2,692,558

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2011	Consumer products $'000	Industrial packaging $'000	Building materials $'000	Diesel engines $'000	Others* $'000	Total $'000
Total external revenue	984,039	91,588	481,858	3,036,824	31,236	4,625,545
Interest income	294	186	5,840	9,479	310	16,109
Interest expense	(5,901)	(811)	(272)	(29,121)	(3,966)	(40,071)
Depreciation and amortisation	(14,562)	(3,227)	(22,436)	(78,832)	(6,751)	(125,808)
Reportable segment profit/(loss) before income tax	(51,661)	(1,325)	83,992	249,746	(4,009)	276,743
Share of profit/(loss) of associates and jointly-controlled entities, net of income tax	-	-	9,989	(63)	357	10,283
Reportable segment profit/(loss) after income tax	(43,943)	(946)	67,643	212,006	(5,346)	229,414
Other material non-cash items:						
- Impairment losses on property, plant and equipment and development properties	98	-	-	48	8,789	8,935
- Impairment losses written back on property, plant and equipment	-	-	-	(2,155)	-	(2,155)
- Claims	-	-	978	-	-	978
- Onerous contracts	-	-	(2,347)	-	-	(2,347)
- Warranties	14,942	-	-	78,797	-	93,739
Assets and liabilities						
Reportable segment assets	777,585	35,233	570,745	3,778,427	111,273	5,273,263
Interests in associates	-	-	37,197	1,067	7,495	45,759
Capital expenditure ^	15,686	2,524	20,104	217,428	654	256,396
Reportable segment liabilities	576,715	43,350	122,400	2,256,237	132,380	3,131,082

* Others relate to hospitality, property development and climate control operations.

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities and other material items

	2012 $'000	2011 $'000
Revenue		
Total revenue for reportable segments	4,051,876	4,594,309
Other revenue	60,333	31,236
	4,112,209	4,625,545
Elimination of revenue	(71)	–
Consolidated revenue	4,112,138	4,625,545
Profit or loss		
Total profit before income tax for reportable segments	155,566	280,752
Other loss	(11,644)	(4,009)
	143,922	276,743
Unallocated amounts:		
- Corporate (loss)/profit	(17,101)	9,420
Consolidated profit before income tax	126,821	286,163
Assets		
Total assets for reportable segments	4,542,823	5,161,990
Other assets	178,233	111,273
	4,721,056	5,273,263
Interests in associates	56,492	61,449
Other unallocated amounts	118,336	129,821
Consolidated total assets	4,895,884	5,464,533
Liabilities		
Total liabilities for reportable segments	2,508,562	2,998,702
Other liabilities	183,996	132,380
	2,692,558	3,131,082
Other unallocated amounts	191,626	236,999
Consolidated total liabilities	2,884,184	3,368,081

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

Other material items

	Reportable segments total $'000	Adjustments $'000	Consolidated total $'000
2012			
Interest income	(27,170)	(993)	(28,163)
Interest expense	51,902	20,114	72,016
Capital expenditure	216,002	16,707	232,709
Depreciation and amortisation	110,161	8,264	118,425
Impairment losses on property, plant and equipment and development properties	59,378	600	59,978
2011			
Interest income	(15,799)	(1,272)	(17,071)
Interest expense	36,105	19,838	55,943
Capital expenditure	255,742	1,554	257,296
Depreciation and amortisation	119,057	7,245	126,302
(Reversal of impairment losses)/impairment losses on property, plant and equipment and development properties	(2,009)	8,789	6,780

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.

39. SEGMENT INFORMATION (CONT'D)

Geographical segments (cont'd)

	China $'000	Singapore $'000	Malaysia $'000	Others $'000	Consolidated total $'000
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
2011					
Total revenue from external customers	4,096,586	253,071	251,634	24,254	4,625,545
Non-current assets #	1,223,055	61,966	198,202	122	1,483,345

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 $484,005,000 (2011: $591,437,000) of the Group's total revenue.

40. 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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(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 goodwill are in Note 6 to the financial statements.

40. 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 36 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 32.

(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.

(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.

40. 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 50 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.

(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 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.

40. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

(i) Withholding tax

The China's Unified Enterprise Income Tax Law ("CIT law") also provides for a tax of 5% to 10% 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 Company, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Company will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Company does not plan to indefinitely reinvest in the PRC enterprises.

(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.

(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.

(l) Research and development costs

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.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 15 March 2013.

财务报表

资产负债表

2012年12月31日

	附注	合并 2012 $'000	合并 2011 $'000	母公司 2012 $'000	母公司 2011 $'000
非流动资产					
固定资产	3	1,233,263	1,275,919	502	685
土地使用权	4	127,195	135,309	–	–
无形资产	5	110,200	72,117	320	603
子公司股权投资	7	–	–	213,344	210,824
联营公司权益	8	56,492	61,449	13,726	13,726
合营公司权益	9	–	23	–	–
投资性房地产	10	–	–	–	–
其它金融资产	11	716	4,007	–	–
长期应收款	12	10,423	5,684	–	–
递延所得税资产	13	94,536	101,352	25	7
		1,632,825	1,655,860	227,917	225,845
流动资产					
存货	14	602,242	733,424	–	–
开发性房地产	15	10,288	11,390	–	–
其它金融资产	11	10,900	9,265	4	16
应收账款及其他应收款	16	1,617,736	1,830,859	247,117	238,472
货币资金	17	1,000,806	1,208,450	10,868	1,913
持有以备出售资产	18	21,087	15,285	–	7,500
		3,263,059	3,808,673	257,989	247,901
总资产合计		4,895,884	5,464,533	485,906	473,746

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

2012年12月31日

	附注	合并 2012 $'000	合并 2011 $'000	母公司 2012 $'000	母公司 2011 $'000
流动负债					
应付账款及其他应付款	22	1,743,676	1,936,819	39,653	19,030
计提准备	23	69,297	82,602	–	–
短期借款	21	711,330	964,080	139,078	142,993
应付所得税		26,591	35,605	331	–
持有以备出售负债	18	3,771	7,635	–	–
		2,554,665	3,026,741	179,062	162,023
净流动资产		708,394	781,932	78,927	85,878
非流动负债					
长期借款	21	203,201	233,656	–	–
递延所得税负债	13	45,534	42,047	1,421	27
递延补贴		65,891	65,404	–	–
其他非流动资产	22	14,693	–	–	–
应付退休金		200	233	–	–
		329,519	341,340	1,421	27
总负债合计		2,884,184	3,368,081	180,483	162,050
净资产		2,011,700	2,096,452	305,423	311,696
股本与公积					
发行股本	19	266,830	266,830	266,830	266,830
各项储备	20	507,401	587,387	38,593	44,866
		774,231	854,217	305,423	311,696
少数股东权益		1,237,469	1,242,235	–	–
所有者权益合计		2,011,700	2,096,452	305,423	311,696
负债及所有者权益总计		4,895,884	5,464,533	485,906	473,746

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2012年12月31日

	附注	合并 2012 $'000	合并 2011 $'000
持续经营业务			
营业收入	24	4,112,138	4,625,545
营业成本		(3,193,342)	(3,566,859)
毛利润		918,796	1,058,686
其他（支出）/收入项目净值			
其他（支出）/收入		(1,129)	64,568
其他费用项目			
销售费用		(437,322)	(500,394)
研发费用		(93,441)	(85,646)
管理费用		(195,714)	(205,391)
财务费用	26	(72,016)	(55,943)
持续经营业务营业利润		119,174	275,880
应占联营及合营公司净利润		7,647	10,283
持续经营业务税前利润	25	126,821	286,163
所得税费用	28	(51,822)	(36,714)
持续经营业务税后利润		74,999	249,449
已终止业务			
已终止业务税后亏损	29	–	(3,107)
本年利润		74,999	246,342
归属于:			
母公司所有者			
持续经营业务税后（亏损）/利润		(34,910)	83,841
已终止业务税后亏损		–	(535)
		(34,910)	83,306
少数股东权益			
持续经营业务税后利润		109,909	165,608
已终止业务税后亏损		–	(2,572)
		109,909	163,036
持续经营业务每股（亏损）/收益（分）			
- 基本		(9.34)	22.43
- 稀释		(9.34)	22.43
每股（亏损）/收益（分）			
- 基本	30	(9.34)	22.29
- 稀释	30	(9.34)	22.29

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2012年12月31日

	合并 2012 $'000	合并 2011 $'000
本年利润	74,999	246,342
其他综合收益		
国外子公司和联营公司的外币报表折算差额	(72,574)	57,746
公允价值变动净值	(971)	(2,470)
本年其他综合收益（税后净值）	(73,545)	55,276
本年综合收益总额	1,454	301,618
归属于:		
母公司所有者	(56,087)	94,646
少数股东权益	57,541	206,972
本年综合收益总额	1,454	301,618
归属于母公司所有者:		
持续经营业务所产生的综合收益	(56,087)	94,634
已终止业务所产生的综合收益	–	12
本年归属于母公司所有者综合收益总额	(56,087)	94,646

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2012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	外币报表折算差额 $'000	收购少数股东股权的折让/（额外支付） $'000	持有以备出售资产的公积 $'000	未分配利润 $'000	归属于母公司所有者权益合计 $'000	少数股东权益 $'000	所有者权益合计 $'000
2012年1月1日余额		266,830	(2,437)	33,802	46,760	2,047	(27,714)	11,146	–	523,783	854,217	1,242,235	2,096,452
本年综合收益总额		–	–	–	(971)	–	(20,206)	–	–	(34,910)	(56,087)	57,541	1,454
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	27	–	–	–	–	300	–	–	–	–	300	–	300
转入法定公积		–	–	432	–	–	–	–	–	(432)	–	–	–
新增少数股东股本		–	(33)	–	–	–	–	–	–	–	(33)	5,411	5,378
收购少数股东库存股		–	–	–	–	–	–	–	–	–	–	(8,224)	(8,224)
收购子公司		–	–	–	–	–	–	–	–	–	–	6,048	6,048
支付公司股东股利	31	–	–	–	–	–	–	–	–	(22,434)	(22,434)	–	(22,434)
支付子公司少数股东股利		–	–	–	–	–	–	–	–	–	–	(52,603)	(52,603)
以备出售子公司处置调整	18	–	–	–	–	–	2,813	–	(2,813)	–	–	–	–
持有以备出售资产处置调整		–	866	–	–	–	(4,605)	–	–	–	(3,739)	–	(3,739)
子公司处置调整		–	–	(17)	–	–	–	2,027	–	(3)	2,007	–	2,007
对子公司控股权的变动													
收购少数股东股权		–	–	–	–	–	–	–	–	–	–	(12,939)	(12,939)
2012年12月31日余额		266,830	(1,604)	34,217	45,789	2,347	(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700

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2012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	外币报表折算差额 $'000	收购少数股东股权的折让/（额外支付） $'000	持有以备出售资产的公积 $'000	未分配利润 $'000	归属于母公司所有者权益合计 $'000	少数股东权益 $'000	所有者权益合计 $'000
2010年12月31日余额（调整前）		266,143	(28,672)	32,568	48,395	1,477	(47,269)	(1,451)	2,353	494,852	768,396	1,187,999	1,956,395
重分类引起的调整		–	–	–	–	–	(5)	–	–	10,663	10,658	4,282	14,940
2011年1月1日余额（调整后）		266,143	(28,672)	32,568	48,395	1,477	(47,274)	(1,451)	2,353	505,515	779,054	1,192,281	1,971,335
本年综合收益总额		–	–	–	(2,470)	–	13,810	–	–	83,306	94,646	206,972	301,618
与所有者的交易直接在权益确认													
所有者投入和减少资本													
本年发行股本	19	687	–	–	–	–	–	–	–	–	687	–	687
支付股份费用	27	–	–	–	–	570	–	–	–	–	570	–	570
转入资本公积		–	728	–	–	–	–	–	–	(728)	–	–	–
转入法定公积		–	–	1,234	–	–	–	–	–	(1,234)	–	–	–
支付公司股东股利	31	–	–	–	–	–	–	–	–	(37,383)	(37,383)	–	(37,383)
支付子公司少数股东股利		–	–	–	–	–	–	–	–	–	–	(90,532)	(90,532)
持有以备出售资产处置调整		–	24,796	–	835	–	5,787	–	(2,353)	(25,693)	3,372	2,091	5,463
子公司处置调整		–	711	–	–	–	(37)	–	–	–	674	(205)	469
对子公司控股权的变动													
收购少数股东股权		–	–	–	–	–	–	12,597	–	–	12,597	(68,372)	(55,775)
2011年12月31日余额		266,830	(2,437)	33,802	46,760	2,047	(27,714)	11,146	–	523,783	854,217	1,242,235	2,096,452

此报告中的附注是组成这些财务报表不可或缺的内容

母公司所有者权益变动表

截至2012年12月31日

	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
母公司							
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		-	-	-	300	-	300
支付公司股东股利	31	-	-	-	-	(22,434)	(22,434)
2012年12月31日余额		266,830	9,199	-	2,294	27,100	305,423
2011年1月1日余额		266,143	9,199	8	1,424	28,988	305,762
本年综合收益总额		-	-	(8)	-	42,068	42,060
与所有者的交易直接在权益确认							
所有者投入和减少资本							
本年股本发行	19	687	-	-	-	-	687
支付股份费用		-	-	-	570	-	570
支付公司股东股利	31	-	-	-	-	(37,383)	(37,383)
2011年12月31日余额		266,830	9,199	-	1,994	33,673	311,696

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2012年12月31日

	附注	合并 2012 $'000	合并 2011 $'000
经营活动产生的现金流量			
持续经营业务税前利润		126,821	286,163
已终止业务税前亏损	29	–	(3,070)
调整项目：			
应占联营及合营公司利润		(7,647)	(10,283)
股份支付费用	27	300	570
折旧与摊销费用	25	118,934	126,302
存货跌价准备冲回	25	(209)	(5,663)
应收账款及其他应收款坏账准备（冲回）/计提	16	(1,902)	28
固定资产及开发性房地产减值准备	25	59,950	6,780
固定资产注销	25	748	291
无形资产注销	25	1,313	562
财务费用	26	72,016	55,943
其他投资股利收入	25	(689)	(381)
利息收入	25	(28,163)	(17,071)
处置以下资产的（收益）/损失：			
- 子公司	25	1,980	471
- 联营公司	25	–	682
- 固定资产	25	4,324	2,306
- 土地使用权		–	(1,894)
- 无形资产		(64)	–
- 投资性房产		–	(1,155)
- 持有以备出售资产	25	–	(24,567)
- 其他投资		162	–
公允价值变动（收益）/损失		(1,630)	1,000
三包费及其他准备计提净额	25	76,242	92,370
流动资金变动前经营活动产生的现金流量		422,486	509,384
流动资金的变动：			
存货的减少		120,636	46,788
应收账款及其他应收款的减少/（增加）		115,783	(471,984)
应付账款及其他应付款的增加		(118,122)	(216,385)
已提准备的使用	23	(86,672)	(102,395)
经营活动产生/（占用）的现金流量		454,111	(234,592)
支付所得税		(50,019)	(62,619)
经营活动产生/（占用）的现金流量净额		404,092	(297,211)

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2012年12月31日

	附注	合并 2012 $'000	合并 2011 $'000
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)	–
收购少数股东股权支付的现金		–	(55,775)
收购少数股东库存股支付的现金		(8,224)	–
收购联营公司股权支付的现金		–	(764)
取得股利分配收到的现金：			
- 联营公司		3,255	3,206
- 其他投资	25	689	381
取得利息收入收到的现金		34,896	19,277
购置资产支付的现金：			
- 固定资产	3	(210,006)	(253,594)
- 无形资产	5	(22,703)	(3,702)
- 其他投资		(5)	–
购买土地使用权支付的现金	4	(4,588)	(16,664)
处置资产收回的现金净额：			
- 子公司		20,438	–
- 联营及合营公司		–	867
- 固定资产		14,765	30,945
- 无形资产		184	–
- 土地使用权		–	3,671
- 投资性房产		–	7,915
- 持有以备出售资产		7,650	35,650
- 其他投资		1,161	–
投资活动占用的现金流量净额		(168,444)	(228,587)

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2012年12月31日

	附注	合并 2012 $'000	合并 2011 $'000
筹资活动产生的现金流量			
分配股利支付的现金：			
- 少数股东		(52,603)	(90,532)
- 本公司股东	31	(22,434)	(37,383)
偿付利息支付的现金		(78,406)	(62,866)
向银行借款收到的现金		576,807	343,234
发行债券收到的现金		197,900	465,677
向关联公司借款收到的现金		2,942	–
银行限制性存款净（减少）/增加额		(47,153)	5
发行股本收到的现金	19	–	687
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		7,182	19,536
偿还银行贷款支付的现金		(554,851)	(94,692)
偿还租赁融资支付的现金		(488)	(5,426)
偿还短期债券支付的现金		(472,981)	–
筹资活动（占用）/产生的现金流量净额		(438,674)	538,240
现金及现金等价物净（减少）/增加额		(203,026)	12,442
年初现金及现金等价物余额	17	1,208,271	1,167,479
汇率变动对现金及现金等价物的影响		(42,870)	28,350
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	17	953,270	1,208,271

附注:

存放于实行外汇管制国家的现金及银行存款共计$675,222,000 (2011: $891,773,000)。

此报告中的附注是组成这些财务报表不可或缺的内容

AS AT 6 MARCH 2013

Class of Shares	: Ordinary shares
Number of Ordinary Shares in issue	: 373,908,559
Number of Ordinary Shareholders	: 6,423
Voting Rights	: 1 vote for 1 share

As at 6 March 2013, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1- 999	20	0.31	4,445	0.001
1,000 -10,000	5,124	79.78	22,025,322	5.891
10,001-1,000,000	1,262	19.65	49,085,023	13.127
1,000,001 and above	17	0.26	302,793,769	80.981
	6,423	100.00	373,908,559	100.000

Based on information available to the Company as at 6 March 2013, approximately 35.06% 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 6 March 2013

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	16,824,058	4.50
3	Citibank Nominees Singapore Pte Ltd	10,784,460	2.88
4	Taiheiyo Singapore Pte Ltd	9,079,659	2.43
5	DBSN Services Pte Ltd	8,073,001	2.16
6	Starich Investments Pte Ltd	6,664,000	1.78
7	HSBC (Singapore) Nominees Pte Ltd	4,321,591	1.16
8	United Overseas Bank Nominees Pte Ltd	2,237,000	0.60
9	ABN Amro Nominees Singapore Pte Ltd	1,705,000	0.46
10	Bank of Singapore Nominees Pte Ltd	1,641,000	0.44
11	Phillip Securities Pte Ltd	1,313,000	0.35
12	UOB Kay Hian Pte Ltd	1,290,000	0.35
13	DBS Vickers Securities (S) Pte Ltd	1,278,000	0.34
14	Soon Lee Heng Trading & Transportation Pte Ltd	1,248,000	0.33
15	Ling Kung Eng	1,183,000	0.32
16	Maybank Kim Eng Securities Pte Ltd	1,096,000	0.29
17	CIMB Securities (S) Pte Ltd	1,056,000	0.28
18	OCBC Securities Private Ltd	983,000	0.26
19	Raffles Nominees (Pte) Ltd	920,734	0.25
20	OCBC Nominees Singapore Pte Ltd	758,000	0.20
		305,455,503	81.69

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 6 March 2013.

Substantial Shareholders as at 6 March 2013

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 6 March 2013.

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 IS HEREBY GIVEN that the Fifty-Second 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 Thursday, 25 April 2013 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") 2012 and the Auditors' Report thereon.

2. To declare a final one-tier tax exempt dividend of 2 cents per ordinary share for FY 2012 ("Final Dividend").

3. To approve Directors' fees of $264,000 for FY 2012 (FY 2011: $252,740) and Audit Committee fees of $28,750 per quarter for the period commencing from 1 July 2013 to 30 June 2014 (period from 1 July 2012 to 30 June 2013: $20,000 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 the following Directors retiring in accordance with the Articles of Association of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Philip Ting Sii Tien @ Yao Sik Tien (appointed on 14 January 2013)
   (b) Mr Kwek Leng Peck

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

   (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.

9. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the SOS to eligible participants under the SOS who are 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 to Parent Group Employees and Parent Group Non-Executive Directors shall not exceed 3% of the total number of issued shares excluding treasury shares, if any, in the capital of the Company from time to time;

(b) the aggregate number of shares to be issued to all participants (including Parent Group Employees and Parent Group Non-Executive Directors) 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

(c) 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 may be) sub-limits as may be prescribed in the SOS.

10. 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 Annual General Meeting 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;

"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.

11. 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 Annual General Meeting (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 Annual General Meeting 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 2013

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

The Final Dividend, if approved by the shareholders at the Meeting, will be paid on 20 May 2013.

The Share Transfer Books and Register of Members of the Company will be closed on 14 May 2013. 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 13 May 2013 will be registered to determine shareholders' entitlements to the Final Dividend.

Explanatory Notes:

1. With reference to item 3 above (under the heading "Ordinary Business"), the Directors' Fees of $264,000 for FY 2012 excludes the quarterly fees of $20,000 paid to the Audit Committee ("AC") for FY 2012, which had been approved by shareholders at the 2011 and 2012 AGMs of the Company.

2. With reference to item 4(b) above (under the heading "Ordinary Business"), Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as a member of the SOS Committee ("SOSC").

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").

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, Remuneration Committee ("RC") and SOSC, and as a member of the AC.

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 an independent Director.

6. Key information on the Directors seeking re-election and re-appointment under items 4(a) and (b) and 5(a), (b) and (c) can be found on pages 17 to 18 of the Annual Report.

7. 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.

8. 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)*.

9. The Ordinary Resolution proposed in item 9 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 who are 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)*.

NOTICE OF ANNUAL GENERAL MEETING

10. The Ordinary Resolution proposed in item 10 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.

11. The Ordinary Resolution proposed in item 11 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.

Voting restrictions pursuant to the Listing Manual of the SGX-ST

Rules 859 and 860

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.

The Parent Company and its associates (as defined in the Listing Manual of the SGX-ST) and the directors and employees of the Parent Company and its subsidiaries (excluding the Company and its subsidiaries), who are also shareholders of the Company and are eligible to participate in the SOS (the "Parent Group Directors and Employees"), are required to abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 9 in relation to the SOS. For the avoidance of doubt, the Parent Company and its associates and the Parent Group Directors and Employees are not required to abstain from voting at the Meeting in respect of Ordinary Resolution set out in item 8.

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 11 in relation to the proposed renewal of the IPT Mandate.

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.

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 52nd 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, ______________________ (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-Second 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 Thursday, 25 April 2013 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 Directors under the Articles of Association:	(a) Mr Philip Ting Sii Tien @ Yao Sik Tien		
		(b) Mr Kwek Leng Peck		
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	Authority for Directors to offer and grant options to eligible participants under the SOS who are Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS			
10	Renewal of Share Purchase Mandate			
11	Renewal of IPT Mandate for Interested Person Transactions			

Dated this ____________day of ______________________2013

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 you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate 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

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, West Yan'an Road
Changning District
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
Hong Kong Representative Office
2803, 28/F Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2827 7668
Fax: (852) 2827 5517

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

INDUSTRIAL PACKAGING
Hong Leong (China) Limited
176 Lorong Chuan
New Tech Park #06-05
Singapore 360008
Tel: (65) 6922 6250
Fax: (65) 6922 6292

Shanghai Rex Packaging Co., Ltd.
1500 Beisiong Road, Minhang District,
Shanghai 201111,
People's Republic of China
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

Dongguan Rex Packaging Company Limited
Su Keng, Chang Ping, Dongguan,
Guangdong Province 523577,
People's Republic of China
Tel: (86) 769 8391 0878
Fax: (86) 769 8391 0879

Rex Plastics (Malaysia) Sdn. Bhd.
Lot 45 Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: (603) 5629 3000
Fax: (603) 5636 4977

Rexpak Sdn. Bhd.
Lot 45 Jalan Delima 1/1,
Subang Hi-Tech Industrial Park,
40000 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: (603) 5629 3000
Fax: (603) 5636 4977

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
Lot 5, 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) 6368 7327

Ready-Mix Concrete Division
Island Concrete (Private) Limited
43/45 Sungei Kadut Street 4,
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 1837

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) 826 6692

OTHERS
HL Global Enterprises Limited
156 Cecil Street #09-01
Far Eastern Bank Building
Singapore 069544
Tel: (65) 6324 9500
Fax: (65) 6221 4861

CLIMATE CONTROL
Airwell Air-conditioning Technology (China) Co., Ltd.
82 Guangzhou Road East, Taicang,
Jiangsu, 215400
People's Republic of China
Tel: (86) 512 8277 9996
Fax: (86) 512 8277 9691

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