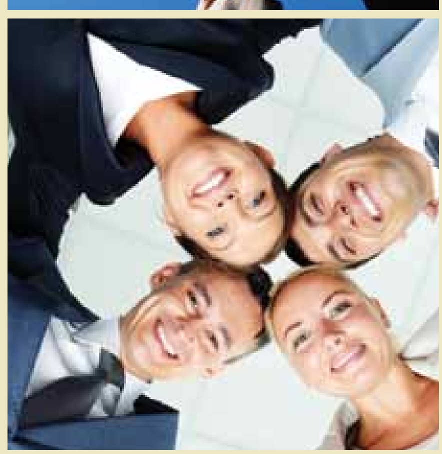
TOWARDS THE NEXT LAP

PROPELLED BY OUR VALUES

HONG LEONG ASIA LTD.



ANNUAL REPORT 2011

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.

CONTENTS

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

Integrity

To uphold the right values through acting responsibly and honestly.

A

Accountability

To be responsible and take ownership of whatever we commit to do.

C

Customer focus

To meet customer needs, wants and expectations by providing outstanding products and services.

E

Embrace change

To accept change with an open mind and leverage on it as an opportunity to improve.

I

Innovation

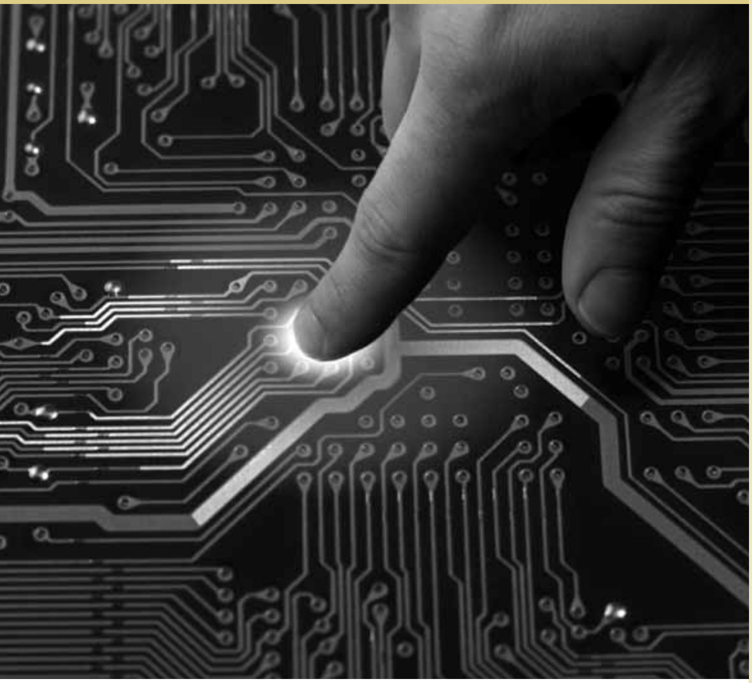
To be creative and adopt a market leader mentality in the way we manage our products, services and processes.

T

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.

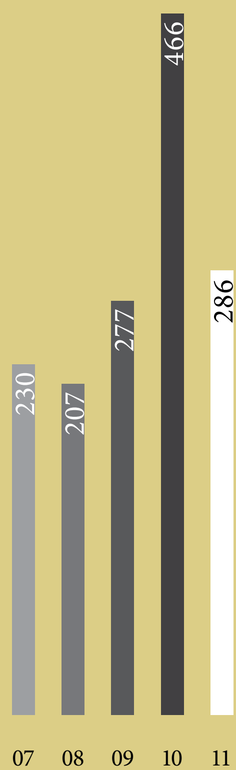
Hong Leong Asia has major operations in China and is well-positioned to take advantage of booming markets driven by the Asian giant. With its head office based in Singapore and its Asia management team, the Group combines the best of management practices with a deep understanding of Asia culture and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

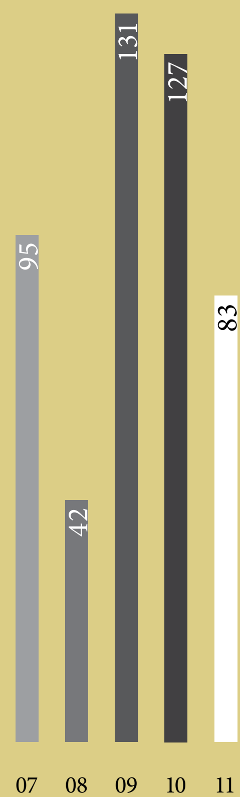
financial highlights

REVENUE
(in $ million)

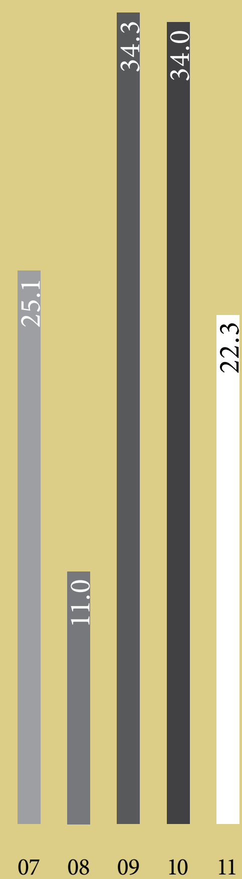
PROFIT BEFORE TAX
(in $ million)



ATTRIBUTABLE PROFIT
(in $ million)



EARNINGS PER SHARE
(in cents)



chairman's statement

KWEK LENG BENG • CHAIRMAN

"The Group put in a creditable performance with revenue of $4.6 billion and net profit attributable to shareholders of $83.3 million for the year under review."

2011 was a year of consolidation for the Group, as we moved to strengthen our position amidst global economic challenges. On behalf of the Board of Directors, I am pleased to announce that the Group put in a creditable performance with revenue of $4.6 billion, despite a dip of 9.3 per cent when compared against its record-high revenue performance in 2010, largely due to the difficult operating environment in China.

Net profit attributable to shareholders for the year under review was $83.3 million, down from its high of $127.0 million the year before.

The global economy continued to be affected by the Euro zone crisis and the weakness in the US economy. The Asian economies did not remain unscathed. Economic growth in China slowed to 9.2 per cent in 2011 and is expected to grow even slower in 2012. Beijing tightened liquidity and raised interest rates significantly throughout 2011. As a result, many small and medium sized enterprises faced difficulties raising funds for their operations. Higher interest rates also led to higher finance costs.

The situation in Asia, and in particular China, where the Group has significant business operations, affected the Group adversely. Sales volumes in white goods and diesel engines dipped as measures to contain inflationary pressures saw credit tightened. Although the consumer products unit ("Xinfei") added washing machines as a new product line during the year, the overall sale of white goods was lower than last year by 5.7 per cent, largely due to the scaling back of the air-conditioning business and decline in the sales of fridges and freezers. The dip of 7.4 per cent in diesel engines sales was due largely to the policies adopted by the Chinese government to combat inflation and the shift in the market towards higher demand for off-highway engines. In addition, the diesel engines unit ("Yuchai") sold a higher proportion of light duty engines as compared to the more expensive medium duty engines. The Group's revenue contribution from Xinfei and Yuchai suffered an unfavourable impact of $138 million due to the stronger Singapore dollar against the Renminbi.

On the other hand, the Singapore economy continued to perform strongly, growing 4.9 per cent in 2011, albeit lower than the 14.8 per cent growth in 2010. The robust construction sector had a positive impact on the Group's building materials business. The building materials unit ("BMU") registered a drop in revenue due mainly to the disposal of the Group's interest in Angkasa (a jointly-controlled entity involved in steel fabrication products). Had the 2010 sales revenue from Angkasa been excluded, BMU would have shown a gain of about 2 per cent for 2011, as a result of higher demand for building materials in Singapore and Malaysia.

Gross profit declined by 16.7 per cent and gross margin declined by 2 percentage points year-on-year primarily due to lower sales volume in all business units with the exception of BMU and the shift towards lower margin diesel engines sales in Yuchai. This was partly compensated by the improvement in BMU's margin which came primarily from the sales of ready-mix concrete. In addition, Yuchai, Xinfei and the industrial packaging unit ("Rex") were affected by the increase in labour and raw material costs. In 2010, the Group also had the benefit of the reversal of inventory reserves in Yuchai due to the consumption and sale of parts that were previously provided for. The stronger Singapore dollar against the Renminbi affected the Group's gross profit by about $31 million.

Overall selling, general and administrative expenses registered a decrease which came mainly from Yuchai where lower sales incentives, freight and delivery charges, and warranty expenses were incurred but partially offset by the increase in staff costs in both Yuchai and Xinfei. General and administrative expenses increase came mainly from Yuchai due to the increase in depreciation and amortization costs and impairment losses related to the hospitality industry by a Group subsidiary.

Finance cost increased by 14.2 per cent during the year due to the tightening of liquidity credit in China causing the interest rates to rise significantly, which increase was mitigated by the issuance of short term corporate bonds in China by Yuchai at lower interest rates.

The Group's interests in two associates of Tasek Corporation Berhad had previously been treated as "Assets classified as held-for-sale". However, the divestment plan in respect of these two companies had since been aborted and as such the investments are now considered as associates. Adjustments were made to the share of profit from associates relating to FY 2009 and FY 2010 to the prior years and the prior years' financial statements were restated in accordance with the requirements of FRS 28.

Income tax expense in 2011 was lower due to lower profit before tax and tax credit recognised by the Group's Malaysian subsidiary. In addition, one of Xinfei's entities recorded a higher deferred tax asset balance due to a change in tax rate from 15 per cent in 2010 to 25 per cent in 2011 which resulted in a tax credit recognised in 2011.

OUTLOOK

Asian economies continued to be affected by the global events and are expected to grow at a slower pace in 2012. Nevertheless, there are positive signs in key industries such as construction and green diesel engines.

The global economy continues to be affected by the uncertainties surrounding the European economies with growth forecast for 2012 slashed to 3.3 per cent from 3.9 per cent by the International Monetary Fund ("IMF"). IMF recently forecasted that the Eurozone economy will go into a mild recession with a revised growth forecast of negative 0.5 per cent. The growth of US economy, on the other hand, is maintained at 1.8 per cent. As a result of the worsening external environment, the economic growth of the countries in Asia where the Group operates is likely to be slower compared to the previous year. China's economic growth is forecasted to slow to 8.2 per cent in 2012 compared with 9.2 per cent last year and Singapore's economy is forecasted to grow at a reduced rate of between 1.0 to 3.0 per cent in 2012 compared to a growth of 4.9 per cent in 2011.

Liquidity remains tight in China although its government had indicated that the banks' reserve requirement ratio will be lowered in 2012. Major policy changes are unlikely to take place in the short term with the impending Chinese political leadership changes expected towards the later part of the year. Operating costs, including minimum wages across China, have increased, and this trend in rising operating costs is expected to continue.

The government plan in Singapore to increase the supply of flats and in Malaysia where the new mass rapid transit system will be constructed will help boost the building materials industry in both countries.

Despite the current challenging operating climates and barring any unforeseen circumstances including any change in policies of the Chinese government and any adverse change in business climate, the Group expects to remain profitable over the next 12 months.

MOVING FORWARD

With the rapid changing business environment, the Group must similarly evolve. Our vision is to grow Hong Leong Asia into a premier company focused on sustainable growth and profitability.

The Group has made inroads in preparing itself for the challenges ahead by clearly defining its goals for the next five years. We are in the midst of consolidating and streamlining operations across the Group, while also boosting quality management. We will focus on building a portfolio of sustainable and profitable business, which will include driving organic growth through expansion of our geographical reach beyond China, Singapore and Malaysia to other Asia Pacific countries as well as through the Group's mergers and acquisitions activities.

We intend to focus on four key areas of growth – market leadership, people excellence, product and service excellence, and operational excellence. We are committed to the belief that productivity is not just about boosting efficiency but about continuous improvement.

Ultimately, we will achieve these goals through the combined effort of every member of the Group, guided by our six core values – integrity, accountability, customer focus, innovation, embracing change and teamwork.

DIVIDENDS

In light of the current economic climate where there is much uncertainty, the Board of Directors considers it prudent to conserve cash to meet any unforeseen circumstances and to take advantage of opportunities that may arise. Consequently, the Board of Directors has recommended a final dividend of 5 cents per share, bringing the total dividend for 2011 to 8 cents per share, including the interim dividend of 3 cents per share paid during the year.

ACCOLADES

Guangxi Yuchai Machinery Company Limited continues to be a market leader in the diesel engines industry and remains as one of the largest independent manufacturers in China. Its YC6L-40 diesel engine recently won the "2011 Outstanding Commercial Vehicle Engine" award.

APPRECIATION

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

KWEK LENG BENG
Chairman
16 March 2012

主席报告

2011年对丰隆亚洲集团而言起了巩固根基的作用，我们在全球经济困难重重下加固了集团的市场定位。本人谨代表董事局欣然宣布集团今年营业收入达46亿元。由于受到中国营运环境的影响，2011年营业收入比2010年所创下的最高记录相差了9.3%。

2011年归属于母公司所有者净利为8,330万元，低于上一年的1亿2,700万元。

欧元区债务危机和美国疲软的经济继续影响全球，亚洲国家也不能独善其身。中国2011年的经济增长下降至9.2%，2012年的增长预测计更低。北京政府缩紧银根，导致2011年全年的利率大幅上升，令许多中小企业面对融资难的问题。利率高涨也导致了融资成本的增加。

本集团的业务分部于亚洲，特别是中国。因此这些地区的发展形势对于集团的业绩利害攸关。中国抗通胀的措施使得银行银根收紧，直接影响了白色家电和柴油发动机的销量。尽管家电产品业务（"新飞"）于2011年新增了洗衣机产品系列，白色家电的整体销量还是同比滑落5.7%。原因包括空调生产线的停产、以及冰箱和冷柜销量的下降。柴油发动机业务方面，在中国抗通胀措施影响下，市场转向购买非高速机车发动机，这导致集团的柴油发动机销量减少了7.4%。此外，产品销售结构的变化也是另外一个因素。柴油发动机业务（"玉柴"）中轻型发动机所占的比重较高，而往年则是价格更高的中型发动机。因为新元强劲，集团来自于新飞和玉柴的营业收入经折算成新元后少了1亿3,800万元。

另一方面，新加坡的经济表现强劲，2011年经济增长达4.9%。尽管远不及2010年的14.8%。建筑业的兴旺令集团的建材业务（"BMU"）获益不少。不过，由于集团售卖了合营企业Angkasa（主要经营钢制产品），建材集团的营业收入有所下降。如果不把Angkasa 2010年的业绩计算在内，建材集团2011年的营业收入实际上增长了2%。这主要因为新加坡和马来西亚对建材的需求高涨。

2011年，集团毛利同比减少了16.7%，而毛利率则也稍微下降了两个百分点。这主要是因为所有业务的销售量减少的原因（除了建材集团以外）。此外，玉柴产品销售结构的变化也是另外一个因素，因其毛利率较低产品所占的比重有所增加。惟建材业务方面因预拌混凝土销量大增而稳住了毛利跌幅。此外，新飞、玉柴和工业包装业务（"利士"）都因为劳工成本和原材料成本的上涨都对毛利造成了影响。2010年的毛利较高，部分原因是玉柴当年冲回存货跌价准备，这部分存货已经耗用或业已销售。另外，强劲的新元使得毛利经折算后减少了3,100万元。

整体而言，由于玉柴的销售奖励、运费以及三包费用的减少，集团得营业费用有所下降。与此同时，玉柴和新飞的人工费用有所增加。因为玉柴的折旧和摊销费用、以及集团旗下一家子公司在酒店服务业的资产减值亏损的增加，2011年集团的管理费用有所上升。

由于中国收紧信贷，利率大幅上扬，2011年的财务费用增加了14.2%。不过，由于玉柴发行利率较低的企业债券，成功抵消了部分成本压力。

集团原来拥有Tasek Corporation Berhad 旗下两家联营公司，并将之列为"持有待售资产"。然而有关出售计划经已取消，因此集团将其视为联营投资。集团根据会计准则第28条的规定，对与2009和2010年财政年有关的联营收益进行调整，并重新计入当年的损益表。

2011年，因税前利润减少、以及马来西亚子公司获得税务减免，集团的企业所得税费用有所下降。此外，因为新飞属下一家公司的企业所得税税率从2010年的15%增加至2011年的25%，所以对递延所得税资产进行了调整，从而影响了2011年的所得税费用。

展望

亚洲经济依然受到国际问题的影响，2012年的增长步伐预料会放缓。不过，我们的业务中依然存在亮点，如建材和环保柴油机。

受欧洲经济体的不稳定因素影响，国际基金会（"IMF"）把2012年全球经济增长率从3.9%调低到3.3%。IMF近期也预测欧元经济区将面对轻度衰退，调整后的增长率为负0.5%。美国的经济增长预测则维持在1.8%。由于大环境转恶为劣，集团业务所在的亚洲各国的经济增长幅度难免不随之而放缓。2011年，中国的经济增长了9.2%，2012年预计只有8.2%；而新加坡经济于2011年增长了4.9%，2012年预计却只有1-3%。

信贷方面，尽管中国政府将于2012年放宽银行的准备金率，预计市场资金周转将依然紧张。2012年下半年中国将选出新的领导班子，在新的领导班子稳定下来之前，预计中国暂时不会出现重大的政策调整。中国各地都在调高最低工资标准，经营成本相信也会持续上升。

新加坡政府计划兴建更多组屋、以及马来西亚政府计划建造地铁系统，这对两国的建材业界都是利好消息。

尽管经营环境尚有许多困难需要克服，也姑不论中国政策上会否有改变，经商环境是否会更恶劣，相信未来12个月内我们还是能够为集团创造利润。

规划

经商环境瞬息万变，我们必须跟上时代的步伐。集团的愿景是将丰隆亚洲发展成为首屈一指、持续增长、并不断获利的集团公司。

集团已经清楚规划未来五年的目标，我们必须做好准备，以应对未来所面对的挑战。目前，集团内部所有业务都在进行整合和营运精简工程，目的是提高效率，确保高素质的管理。我们也致力于发展和巩固有持续经营和回报潜能的业务组合，这包括到中国、新加坡和马来西亚以外的其他亚太地区扩充业务，并通过合并和收购来达到创收和成长的目的。

我们将专注于经营四个主要增长领域，即市场领导、高素质人力、优质产品和服务、精良营运。我们坚信生产力不仅仅是效率的问题，也是不断的改良进步。

只有全体员工齐心协力，我们才能最终实现集团所定下的目标。我们必须以六大价值观作为指引，即诚信、负责、客户为本、创新、求变和团队精神。

股息

鉴于目前经济环境充满变数，董事局认为留有更多的储备金，以备不时之需或拓展其他商机是谨慎而明智的。为此，董事局建议派发年终股息每股5分。连同每股3分的期中股息，2011年共派息每股8分。

荣誉

广西玉柴机器有限公司依然是柴油发动机行业的领头羊，而且是中国规模最大的独立制造商之一。玉柴生产的YC6L-40型号柴油机最近荣获“2011卓越商用发动机”特别奖。

鸣谢

本人谨代表董事局感谢各位股东、客户、业务伙伴、管理层及全体员工的贡献，并希望继续得到大家的支持。

主席
郭令明

2012年3月16日

ceo's review

FRANCIS YUEN • CEO

"We are on a journey to transform Hong Leong Asia into a premier company delivering sustainable growth and profitability."

"2012 will be a year of transition when a new Chinese political leadership team takes over towards the later part of the year."

As we look back on the past year, I would like to take this opportunity to express my deepest gratitude for your continued support.

It was a challenging year for our businesses although we have continued to make progress in many areas. We welcomed a new management team with fresh perspectives and insights which we believe will provide the leadership as the Group moves forward into the next phase of growth.

The tough business environment brought about by a weaker China market, keen competition and higher cost of raw materials had led to a decline in gross profit in 2011 by 16.7 per cent against the year before. This was nonetheless mitigated by the strong performance of the building materials unit, especially from the ready-mix concrete division.

There was also the unfavourable impact of $138 million to the Group revenue due to foreign exchange which affected both Xinfei and Yuchai. The weaker Chinese renminbi against the Singapore dollar also affected the Group's gross profit by about $31 million.

Some key highlights on the business units of the Group are as follows.

CONSUMER PRODUCTS UNIT ("XINFEI")

China's total white goods sales amounted to RMB274 billion in 2011, despite weakness in the fourth quarter. The white goods market is expected to contract slightly in 2012, due to continued austerity measures and expiry of rural subsidies.

Increased raw materials and production costs together with a decline in volume for refrigerator and freezer sales led to smaller profit margins. Although total unit sales dropped, total selling, general and administrative expenses were broadly in line with 2010.

To improve our competitiveness, the Group has launched a brand rejuvenation initiative to uplift the brand image and strengthen the positioning of our products. Xinfei has also introduced a new line of washing machines to widen the range of products offered by the Group.

Xinfei's focus for 2012 is to improve the business and financial performance. The new leadership team at Xinfei has made good progress in driving sales and boosting productivity through channel restructuring and supply chain management. Lean manufacturing practice is also being introduced in one of our three plants.

DIESEL ENGINES UNIT ("YUCHAI")

Guangxi Yuchai celebrated its 60th anniversary in 2011 and was ranked the top diesel engine supplier, with 510,777 units delivered.

The Group saw a shift from heavy duty diesel engines towards cheaper four cylinder engines and off-highway applications. In line with the industry, sales in the truck segment declined as a result of weaker sales in the commercial vehicles market. However, bus, construction equipment and marine engine markets saw expansion in 2011 but were not sufficient to compensate for the decline in the truck segment. Sales for four cylinder engines reached 53 per cent compared to just 49 per cent in the prior year as sales of heavy and medium duty engines declined in 2011.

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 strengthen research and development, the Group has invested some RMB310 million in building a new R&D Center in Nanning. Among others, the new centre will focus on the development and testing of hybrid engines.

The construction of the first phase of the new foundry was completed in 2011 and is now fully operational. It has not only raised productivity but also improved the quality of the casting. Phase 2 of the project is currently in progress and is expected to be completed in 2012.

BUILDING MATERIALS UNIT ("BMU")

Singapore's construction sector remained buoyant and grew by 1.7 per cent in the fourth quarter of 2011, compared to the same period in 2010. The public sector is expected to continue to be the key demand driver in 2012, contributing over 60 per cent in total construction demand through public housing and infrastructure projects.

Fuelled by a buoyant market environment, the Group's BMU continued to perform well, with significant improvement in profit, driven mainly by the strong performance of ready-mix concrete. While BMU recorded a drop in revenue in 2011, it was due largely to the divestment of Angkasa, a jointly-controlled entity involved in steel fabrication products.

INDUSTRIAL PACKAGING UNIT ("REX")

Resin prices had increased significantly throughout 2011, causing a negative impact on gross margin. This coupled with lower sales volume to some key customers resulted in a drop in profit for Rex.

To mitigate the rising cost of raw materials, Rex has implemented productivity initiatives to reduce and offset rising raw material costs and boost efficiencies at the production lines.

In addition, Rex will also be leveraging on new opportunities to enhance its performance by moving into higher-margin products.

CASH FLOW AND LIQUIDITY

The Group maintained its cash balance of about $1.2 billion which is slightly higher than that of 2010. Trade and other receivables increased by $540 million or 42 per cent, to $1.8 billion during the same period. This was the result of the reduction in discounting bank bills to help offset higher finance costs by Yuchai. To fund its working capital, Yuchai issued $466 million in corporate bonds which increased total borrowings to $1.2 billion.

During the year under review, the Group spent about $270 million in capital expenditures in various projects. $56 million was also used to acquire additional shares in China Yuchai International Limited to increase the Group's shareholding to 34.88 per cent.

OUTLOOK

Given the weaker global economic outlook, we expect a slower pace of growth across the business units in 2012. Although China has lowered the reserve requirement ratio, liquidity is still tight. Funding has become an issue for many enterprises in the country. As a result of tight liquidity and government measures to combat inflation, interest rates remained high. This is likely to continue in the short term.

2012 will be a year of transition when a new Chinese political leadership team takes over towards the later part of the year. With such important political changes pending, the country is unlikely to make major policy changes until the new leadership team is firmly on board.

Operating costs in China have been escalating. The minimum wage across the country has increased in recent years. This trend in rising cost is expected to continue despite the slow down in the rate of economic growth in China.

The Singapore economy will also be affected by global events and is forecast to grow between 1.0 per cent and 3.0 per cent in 2012 compared to 4.9 per cent in 2011. However, the government's plans to increase the supply of public housing will benefit the building materials industry and offer opportunities to the Group.

The diesel engine industry remains challenging with tight liquidity and high interest rate resulting from measures implemented by the Chinese government. The shift in product mix to smaller engines and off-highway engines is likely to continue into this year and the industry is likely to see weaknesses in the truck industry.

Over the recent years, the Chinese government's incentive program for the replacement of old appliances with new and the rural subsidy program had the effect of boosting the sale of new appliances in the white goods industry. However, these incentive programs will soon be phased out by early next year which could pose a challenge to an industry faced with over capacity.

On the other hand, Singapore government's plan to increase the construction of more HDB flats and Malaysia government's plan to construct a new mass rapid transit system will help boost the building materials industries in both countries.

With the rapid changing business environment, the Group is working on improving its operations and supply chain management as well as driving productivity to stay competitive. At the same time, efforts are underway to strengthen marketing and sales channel management to ensure that we remain customer focused and responsive to the needs of our customers.

For the longer term, the Group has developed a five-year plan which will focus on improving the performance of the various business units as well as building a portfolio of diverse businesses offering new products and developing new markets to help propel the Group into its next stage of growth.

We are on a journey to transform Hong Leong Asia into a premier company delivering sustainable growth and profitability. The Group is committed to this vision and will be guided by our core values of integrity, accountability, customer focus, innovation, embracing change and teamwork to achieve our goals.

We are eager to forge ahead and we look forward to your strong support.

FRANCIS YUEN KIN PHENG
Chief Executive Officer
16 March 2012

总裁致词

在回顾2011年业绩之前，我首先衷心感谢大家多年来的鼎力支持。

过去这一年，尽管面对诸多挑战，丰隆亚洲集团仍然在多个领域继续成长。与此同时，管理层的改变也给我们带来了全新的视野。我们相信，在新管理层的领导下，集团业绩一定能够更上层楼。

由于中国国内市场的低迷，加上竞争激烈，以及原材料价格的不断攀升，集团2011年度的毛利同比减少了16.7%。尽管如此，建材集团的强劲业绩，特别是预拌混凝土业务的不俗表现，给集团带来了正面的影响。

此外，集团的营业收入也由于汇率折算的关系而减少了1亿3,800万元，首当其冲的是集团旗下的新飞和玉柴。集团的毛利也因为人民币趋软而减少了3,100万元。

以下是丰隆集团有关业务单元的业绩摘要。

家电产品业务（"新飞"）

虽然第四季度的需求减弱，2011年中国的白色家电市场规模还是高达人民币2,740亿元。因中国国内紧缩银根以及政府对家电下乡补贴政策的退出的影响，预计2012年白色家电市场规模将稍为减少。

随着原材料价格和生产成本的上扬，以及电冰箱和冷柜销售量的下滑，新飞的毛利率也相应地减少了。尽管销售量下降，新飞的营业费用却基本上与2010年持平。

为了加强竞争力，新飞重新打造品牌形象，加强产品的市场定位。而且，为了扩大产品种类，新飞也新引进了洗衣机产品系列。

2012年，新飞的重点目标将是提高运营以及财务业绩。新飞的新领导团队已经在销售方面取得了进步，并且通过渠道重组与加强供应链管理，使公司的生产力得到了提高。另外，新飞其中的一家工厂也已经开始实施"精益生产"措施。

柴油发动机业务（"玉柴"）

2011年是广西玉柴成立60周年，值得庆祝的是玉柴名列柴油发动机供应商之首。2011年，玉柴的销售量达到了510,777台。

集团已经预见市场需求将由重型柴油机转向价格较为廉宜的四缸发动机以及非高速机车发动机。随着业界需求的改变，货车发动机的销售也随着商用车需求的下滑而减少。虽然巴士、工程机与船舶发动机在2011年的需求有所提高，但涨幅不足以弥补货车发动机销售的跌幅。整体而言，2011年四缸发动机的营业额占比从前一年的49%升至53%，而重型及中型发动机的营业额占比则相应地减少了。

目前，市场越来越重视环保产品，玉柴已经在研发效能高而又更环保的柴油发动机。为了使研发工作顺利，并借此加强内部研发能力，本集团投入人民币3亿1,000万元在南宁建立新的研发中心。这个新研发中心的其中一个重点在于开发及测试混合动力发动机。

新铸造厂第一阶段工程已经于2011年竣工并已全面运作，不仅提高了生产力，也改进了铸件的质量。第二阶段的建筑工程已经展开，预计2012年落成。

建筑材料业务（"BMU"）

新加坡的建筑市场依然蓬勃，2011年第四季度同比增长1.7%。预计2012年公共部门的需求将依然是建筑市场的重要支柱。包括住宅与基建在内，公共部门将占建筑市场总需求的60%。

在市场的带动下，建材集团业务继续表现强劲，特别是预拌混凝土业务的表现尤为突出。不过，2011年建材集团因为售卖合营企业Angkasa，从而导致其营业收入有所下滑。Angkasa主要经营钢制产品。

工业包装业务（"利士"）

2011年聚乙烯的价格继续大幅度上扬，对利士集团的毛利造成了负面的冲击。加上部分主要客户订单的减少，利士集团的利润同比有所下跌。

为了抵消原材料价格飙升所带来的负面影响，利士从生产力方面着手，一方面减低了原材料成本上升所带来的冲击，另一方面提高了生产效率。

此外，利士也将积极改进产品结构，以提高公司的盈利能力。

现金流量

集团年末的现金及银行存款余额为12亿元，比2010财政年稍高。应收账款与其他因收款同比提高了5亿4,000万元而达到18亿元，升幅为42%。这主要是为了抵消玉柴的融资成本而减少银行票据的贴现。为了筹措营运资金，玉柴发售了4亿6,600万元的公司债券，使得丰隆亚洲集团的总贷款额达了12亿元。

在2011财政年，集团为展开各项计划而投入了2亿7,000万元的资本开支。集团也投入5600万元以增持中国玉柴国际有限公司的股份。为此，集团目前拥有中国玉柴国际有限公司34.88%的股权。

展望

因为全球经济低迷，预计2012年集团各项业务的增长将会全面放缓。在中国，尽管中央银行已经降低了存款准备金率，市场上资金依然紧张。许多中国企业都面对融资难的问题。另一方面，银根紧缩加上政府实施抗通胀措施，银行利率一直居高不下，这种情况短期内难望改善。

中国现任政府也即将届满卸任，新领导层将在2012年下半年接棒履新。在新的领导班子稳定下来之前，预计中国暂时不会出现重大的政策调整。

中国的营运成本不断上升。近年来，中国国内的最低工资标准一再提高。尽管中国经济放缓，成本增加的趋势不会因此而扭转。

至于新加坡方面，由于受到全球形势的影响，预计2012年的经济增长将介于1%至3%之间，远低于2011年的4.9%增长率。不过，政府计划推出更多的公共住房，建材集团也将因此而受惠。

中国政府实施了一系列调控措施，导致银根收紧且利率上升。因此，柴油发动机业务在未来一年将需要克服更多的困难。市场对小型及非高速机车发动机这一需求的改变，看来也将会持续到2012年。预计货车行业也将持续低迷。

近年来，中国政府出台的以旧换新和家电下乡补贴政策，极大地刺激了白色家电的需求。这些政策明年初就会终止，到时家电行业可能会面临产能过剩的情况。

另一方面，新加坡政府准备兴建更多的组屋，马来西亚政府计划兴建新的地铁交通系统，这两个国家的建材行业将因此而受惠。

为了应付瞬息万变的商业环境，集团正在改善运营和供应链管理，并致力于提高生产力来维持竞争力。与此同时，集团也在检讨方案，力求加强产品推广和销售渠道的管理。顾客为上、顾客优先是我们的宗旨。

为长远计，集团已经制定了五年计划，集中精力改善各项业务的业绩，朝多元化发展，提供新产品，开拓新市场，务求把本集团的发展推向更高的层次。

我们的愿景是要令丰隆亚洲脱胎换骨，成为首屈一指的企业，持续增长，不断获利。要达成目标，管理团队将严守六大核心价值：诚信、负责、客户为本、创新、求变和团队精神。

我们以无比兴奋的心情展望未来，并期望得到大家热烈的支持。

总裁
阮建平

2012年3月16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.
Dongguan 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.

GREEN PACKAGING

Singapore

GPac Technology (S) Pte. Ltd.

Malaysia

GPac Technology (M) Sdn. Bhd.

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.

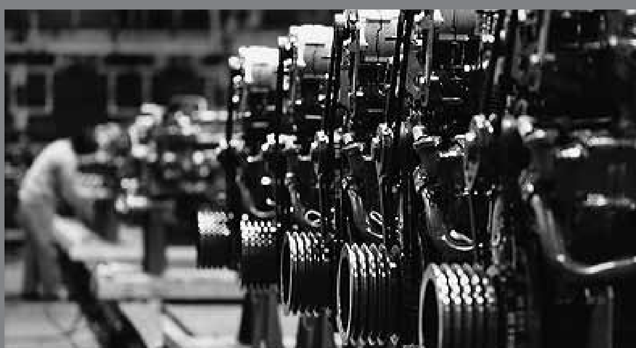
OTHERS

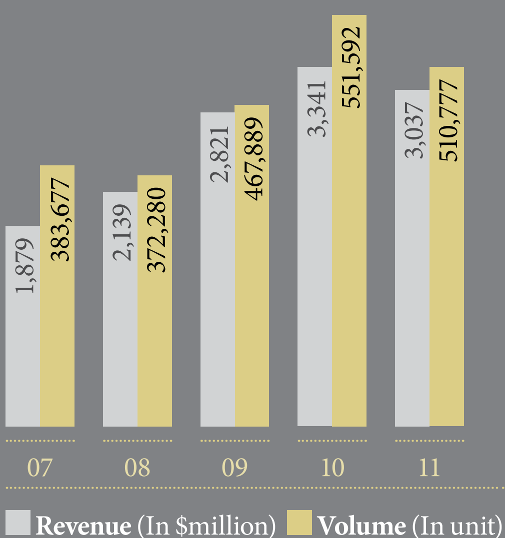
Hospitality & Property Development

HL Global Enterprises Limited

operations highlights

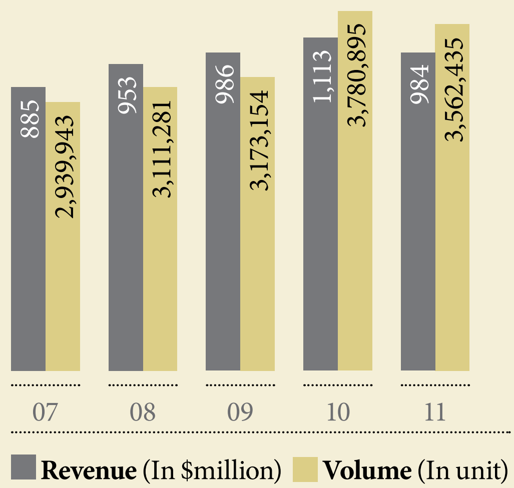
DIESEL ENGINES





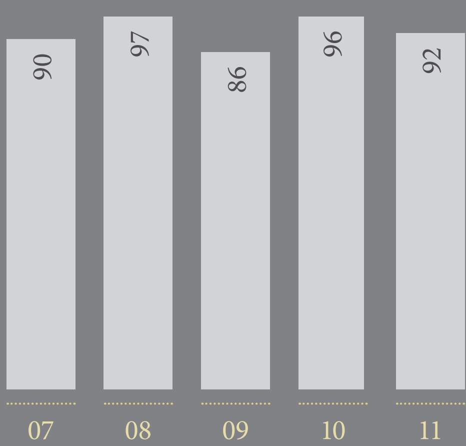
China Yuchai International is listed on the New York Stock Exchange. Its principal subsidiary, Guangxi Yuchai manufactures, assembles and sells diesel engines for trucks, buses, vans, construction equipments and other applications. Guangxi Yuchai evolved into the largest single diesel engine facility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

CONSUMER PRODUCTS



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

INDUSTRIAL PACKAGING



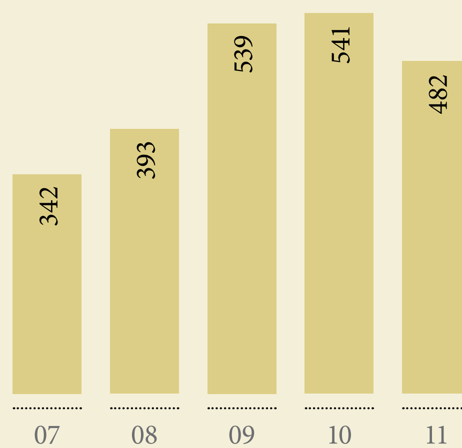
Revenue (In $million)

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. GPac Technology, wholly-owned by Hong Leong Asia, is an eco-friendly manufacturer of pallets with operations in Singapore and Malaysia. GPac Technology produces biodegradable products for various industries and applications.

OTHERS

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

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 in Singapore. BMU sells all grades of ready mixed concrete at 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 many buildings and infra-structure 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.

board of directors

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 of Hong Leong Asia Ltd. ("HLA"). He was last re-appointed as a Director of HLA on 19 April 2011. 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).

KWEK LENG PECK

Appointed to the Board since 1 September 1982 and is now an Executive Director, Mr Kwek also sits on the Hong Leong Asia Share Option Scheme 2000 ("Share Option Scheme") Committee. He was last re-elected as a Director 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"). In the preceding 3-year period, he was also an Executive Director of CES until his resignation in April 2009.

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.

YUEN KIN PHENG, FRANCIS

Appointed Director and Chief Executive Officer since 18 May 2011, Mr Yuen is also a non-executive Director of TCB and CYI. In the preceding 3-year period, he was the Chairman of Asia Committee, Merix Corporation until his resignation in April 2009.

Mr Yuen holds a Bachelor of Business Administration degree (1st Class Honours) and a Master of Business Administration degree, both from the National University of Singapore. He has completed an Advance Management Program at the Wharton Business School of the University of Pennsylvania. He has also received the Shanghai Magnolia Award in 2008 for his contribution to the development of Shanghai city.

Mr Yuen has extensive working and business experience having held several senior management positions previously in the Asia Pacific region, including at Ingersoll Rand, Trane Commercial Systems Asia and Honeywell International.

ERNEST COLIN LEE

Appointed a non-executive Director since 3 April 2000 and last re-appointed on 19 April 2011, Mr Lee is the Chairman of the Nominating, Remuneration and Share Option Scheme Committees as well as a member of the Audit Committee of HLA.

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 since 15 March 2004, Mr Goh was last re-elected on 29 April 2010. He also sits on the Audit, Remuneration and Share Option Scheme Committees of HLA. He is also a non-executive Director of Hwa Hong Corporation 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 over 32 years' experience in corporate and capital markets law. He holds a LL.B. (Honours) degree (University of Singapore) and has been a practising lawyer since 1980.

QUEK SHI KUI

Appointed a non-executive Director since 28 April 2005, Mr Quek was last re-appointed on 19 April 2011. He is the Chairman of the Audit Committee and a member of the Nominating, Remuneration and Share Option Scheme Committees 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

Chairman
Kwek Leng Beng - *Non-executive*

Executive
Kwek Leng Peck
Francis Yuen Kin Pheng - *Chief Executive Officer*

Non-Executive
Ernest Colin Lee - *Independent*
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

Francis Yuen Kin Pheng
Chief Executive Officer
Email: francisyuen@hlasia.com.sg
Tel : (65) 6220 8411
Fax : (65) 6222 0087

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

REGISTRAR & TRANSFER OFFICE

M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906
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.
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 has adopted a set of internal guidelines on corporate governance ("Internal CG Guidelines") based on the provisions of the Code of Corporate Governance 2005 ("CG Code"). The following describes the Company's corporate governance policies and practices in its application of the corporate governance principles as set out in the CG 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 and the adequacy and effectiveness of the framework and processes for internal controls, risk management, financial reporting and compliance, and assume responsibility for good corporate governance.

Independent Judgement

All Directors are required to exercise objective decision-making 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 judgement.

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 ("Share Option Scheme") Committee, all collectively referred to hereafter as the Board Committees. Specific terms of reference for each of the Board Committees are set out and approved by the Board and reviewed periodically. The composition of each Board Committee can be found under the 'Corporate Directory' section in this Annual Report 2011 ("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 allow the Board to maintain control over major policies and decisions. 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 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 Board Committees to be held *via* teleconferencing. The Board and Board Committees may also make decisions by way of circulating resolutions.

corporate governance report

The attendance of the Directors at meetings of the Board and Board Committees as well as the frequency of such meetings during the financial year under review, 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 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 Board Committee Meetings in 2011

	Board	**AC**	**NC**	**RC**	**Share Option Scheme Committee**
Number of Meetings Held:	**5**	**5**	**2**	**3**	**1**
Name of Director	**Number of Meetings Attended in 2011**				
Kwek Leng Beng	5	NA	2	1[(c)]	NA
Kwek Leng Peck	5	NA	1[(c)]	3[(c)]	1
Francis Yuen Kin Pheng[(a)]	3[(b)]	2[(c)]	NA	NA	NA
Ernest Colin Lee	5	5	2	3	1
Goh Kian Hwee	5	5	1[(c)]	3	1
Quek Shi Kui	5	5	2	3	1

(a) Mr Francis Yuen Kin Pheng was appointed as a Director and Chief Executive Officer of the Company on 18 May 2011.

(b) Includes attendance by invitation at one Board meeting.

(c) Attendance by invitation.

Board Approval

The Board has adopted 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 are, or may have material impact on the profitability or performance of the relevant business units, decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector, corporate or financial restructuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Articles of Association.

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 an induction programme for newly appointed Directors and in respect of appointments of existing Directors to 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 Group and briefings on key areas of the Group's operations.

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The Directors are 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, risk management matters and changes in financial reporting standards. During 2011, the Board and the Board Committees (where applicable) were also briefed by the Company Secretary on the proposed amendments to the CG Code, as well as the amendments to the Listing Rules, and their 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 ("SID"), and the Directors are encouraged to attend such training at the Company's expense. An in-house seminar on anti-corruption law and competition law and key proposed changes to the CG Code and the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Rules was conducted by invited speakers during 2011 for the Directors. 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 adopted 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 on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities, and 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 in advance of 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 judgement. 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 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.

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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 Board is satisfied that the current composition and size of the Board provide for sufficient diversity and allow for effective decision making.

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 Board recognises that best practices of corporate governance advocate that the chairman of the board and the CEO should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making.

The Chairman of the Board is Mr Kwek Leng Beng who is a NED while the CEO is Mr Francis Yuen Kin Pheng. 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, 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 Yuen 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.

With the establishment of various Board Committees with power and authority to perform key functions beyond the authority of, or without undue influence from, the Chairman or the CEO, and the putting in place of various internal controls to allow for effective Board oversight, the Board is of the view that there are adequate accountability safeguards to enable the Board to exercise objective independent decision making and to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

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 20 of the AR, for the composition of the NC.

The NC's main role as set out in its written terms of reference, approved and adopted by the Board, is to recommend all Board and Board Committee appointments and re-appointments, and determine the independence of each Director. The NC also reviews and recommends to the Board the appointment of key executive positions, including that of the CEO, chief operating officer ("COO") and chief financial officer ("CFO"). 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 at least 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 2 to 3 years. In accordance with the Articles of Association of the Company, Mr Francis Yuen appointed on 18 May 2011 and Mr Goh Kian Hwee retiring by rotation, have offered themselves for re-election at the forthcoming AGM ("2012 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 CG Guidelines. In reviewing the independence of Directors for 2011, the NC also noted the definition of "independent director" under the proposed revised CG Code as well as the final recommendation on the proposed amendments to the CG 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 judgement on corporate affairs of the Company.

When considering the independence of the Directors, the NC also reviews the Directors' other directorships and the annual declaration by the independent NEDs regarding their independence.

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. Based on the analysis and the Directors' commitment 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.

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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 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 interviews the proposed candidates 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) under the Internal CG Guidelines; (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 Francis Yuen as a Director and CEO of the Company, taking into consideration his extensive work and business experience especially in a US company with operations in Asia. The Board accepted the NC's recommendation and Mr Yuen was appointed on 18 May 2011. With Mr Yuen's appointment, Mr Kwek Leng Peck, the Executive Director of the Company who stood in as the Acting CEO, ceased to be the Acting CEO.

As a newly appointed Director, Mr Yuen received a formal letter, setting out the general duties and obligations as a Director pursuant to the relevant legislations and regulations. He also received an induction pack for newly appointed Director and attended the induction programme to familiarise himself with the Group's businesses, board processes, internal controls and governance practices.

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 2012 AGM.

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 the individual Directors' 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 all individual Board members; 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 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 Directors' performance include their abilities and competencies, their objectivity and their level of participation at Board and Board Committee meetings including their 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 Share Option Scheme Committee 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 assists the Board Chairman, the Board and Board Committees 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.

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On an ongoing basis, the Directors have separate and independent access to the Company Secretary. The duties and responsibilities of the Company Secretary are set out in the Internal CG Guidelines.

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 and adopted 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, including the Executive Director and the CEO (or executive of equivalent rank) which covers Directors' fees, salaries, bonuses, allowances, options and other benefits in kind. The Company has in place principles concerning the Board's remuneration. All the members of the RC also sit on the Share Option Scheme Committee and the chairman of the RC is also the chairman of the Share Option Scheme Committee. The Company Secretary maintains records of all RC meetings including records of key deliberations and decisions taken.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Directors' Remuneration

In reviewing the remuneration packages of the Executive Director and the CEO, 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 3 distinct objectives:

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

The Company also utilized longer term incentive schemes, in the form of the grant of options under the Share Option Scheme subject to a vesting schedule. Information on the Share Option Scheme is set out in the Directors' Report on pages 40 to 43 and the Financial Statements on pages 127 to 129 of the AR.

When reviewing the remuneration of the NEDs, the RC took into consideration their respective responsibilities, attendance and time spent in the performance of their duties. No Director is involved in deciding his own remuneration.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

Disclosure of Remuneration

The total compensation packages for employees including the Executive Director and the CEO 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 for eligible employees and benefits-in-kind, where applicable), taking into account amongst other factors, the individual's performance, the performance of the Group 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 Share Option Scheme Committee) 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 the financial year ended 31 December ("FY") 2011 is set out below.

Remuneration of Directors for FY 2011

	Base Salary(1)	Variable Bonuses/ Allowances(1)	Board/ Board Committee Fees(2)	Share Option Grants(4)	Other Benefits	Total
	%	%	%	%	%	%
Above $1,000,000 up to $1,250,000						
Kwek Leng Peck	36	29	14(3)	21	–	100
Above $750,000 up to $1,000,000						
Francis Yuen Kin Pheng(5)	40	32	10(3)	8	10	100
$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 Board Committee fees for FY 2011, which are subject to approval by shareholders as a lump sum at the 2012 AGM, and AC fees for FY 2011 that had already been approved by shareholders at the 2010 and 2011 AGMs.

(3) Includes Directors' fees paid or payable by subsidiaries of the Company.

(4) These relate to options granted during FY 2008 and FY 2011. The fair value of the options as at the date of grant ranges from $0.53 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 was appointed a Director and CEO on 18 May 2011 and the Board fee payable to him for FY 2011 is pro-rated accordingly.

(6) There were no salary and variable bonuses/allowances for FY 2011 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 FY 2011, 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.

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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 Board was provided with a representation letter by the CEO and/or the CFO in connection with the issue of the unaudited quarterly financial statements of the Group confirming that to the best of their knowledge and belief, nothing has come to their attention which may render the financial statements to be false or misleading in any material respect. The CEO and the CFO also received similar representation letters from the various business units within the Group. The Board in turn provided a negative assurance confirmation 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. The AC believes that it has sufficient financial management expertise and experience amongst its members to discharge its functions within its written terms of reference.

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 full access to and co-operation of Management. It may invite any Director, officer or employee of the Group to attend its meetings and is also authorised to seek external professional advice to enable it to discharge its functions.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's financial reporting process (including reviewing the accounting policies and practices of the Company) and key internal controls, including financial, operational, compliance 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 adequacy, accuracy and fairness;

- to review and approve the 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 the effectiveness of the internal audit ("IA") function;

- 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;

- 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; and

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

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, whistle-blowing, relationships with the Board, communication with shareholders and contribution of AC members to the AC deliberations and decisions.

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 ("E&Y") and gave careful consideration to the Company's relationships with them during 2011. In determining the independence of E&Y, the AC reviewed the Company's relationships with them and considered the nature of the provision of the non-audit services in 2011 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 E&Y 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 E&Y in respect of audit and non-audit services for FY 2011, please refer to note 25 of the Notes to the Financial Statements on page 121.

In reviewing the nomination of E&Y for re-appointment for the financial year ending 31 December 2012, the AC had considered the adequacy of the resources, experience and competence of E&Y. Consideration was also given to the engagement partner and key team members' experience in handling the audit of multi listed entities under different jurisdictions. The size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into account. The AC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity.

E&Y has confirmed that they are registered with ACRA in accordance with Rule 712(2) of the Listing Rules issued by SGX-ST. On the basis of the above, the AC has recommended to the Board the nomination of E&Y for re-appointment as external auditors of the Company at the 2012 AGM.

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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 19 April 2011. 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 coming AGM for the renewal of the IPT Mandate.

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

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

Name of Interested Person	Aggregate value of all Interested Person Transactions in FY 2011 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted in FY 2011 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	$'000	$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	Provision of management services by Interested Persons to the Group : 515	Nil

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

Whistle-blowing Policy

HLA has in place a whistle-blowing policy where staff of the Group can raise in confidence concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters as well as breach of the internal code of business conduct and ethics, without fear of reprisals in any form. The AC has the responsibility of overseeing this policy which is administered by the Group Internal Audit Manager. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken. 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 and Tasek Corporation Berhad, are responsible for the oversight of their respective groups' internal control and risk management systems and 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 judgement 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 risks, 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 the internal auditors during the financial year, as well as the statutory audit by E&Y, and the assurance from Management, the Board, with the concurrence of the AC, is of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place is adequate to address in all material respects the financial, operational and compliance risks within the current scope of the Group's business operations.

PRINCIPLE 13: INTERNAL AUDIT

Reporting Line and Qualifications

The IA function is independent of the activities it audits. The Group IA Manager's primary reporting line is to the chairman of the AC with an administrative line of reporting to the Executive Director of the Company. The AC meets the Group IA Manager at least once annually without the presence of Management. The Group IA Manager has unfettered access to the AC, the Board and Management.

IA operates within the framework stated in its Internal Audit 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 credit risks, market risks and operational risks (including finance and accounting risks).

The AC approved the annual IA plan for 2011 in November 2010 and received regular reports during 2011 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 also members of the Institute of Internal Auditors of Singapore and chartered member of professional bodies, the team receives regular updates on the latest development of internal audit 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 chairmen of the AC, NC, RC and Share Option Scheme Committee, and the external auditors were present at the last AGM, and will endeavour to be present at the forthcoming 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 the AGM in the AR. 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, email or facsimile.

RISK MANAGEMENT

An organisational risk management framework has been established by Management to formalise and document the internal processes to enable significant business risks within the relevant Group companies to be identified, assessed, monitored, managed and evaluated. Reports on risk management issues are presented by the Group IA Manager who also acts as the Risk Coordinator, to the AC on a regular basis. The IA has responsibility to audit compliance of risk management processes by the relevant business units.

16 March 2012

FINANCIAL CONTENTS

directors' report

The directors are pleased to present their report to the members together with the audited financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), for the financial year ended 31 December 2011.

DIRECTORS

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

Kwek Leng Beng	
Kwek Leng Peck	
Yuen Kin Pheng, Francis	(Appointed on 18 May 2011)
Ernest Colin Lee	
Goh Kian Hwee	
Quek Shi Kui	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed under the section on "Share Options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year or date of appointment	**At end of the year**
The Company		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,430,000	1,680,000
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 or date of appointment	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	420,000	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	4,603,567
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	3,560,000	3,920,000
Hong Leong Holdings Limited Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428

directors' report

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year or date of appointment	At end of the year
Related Corporations (cont'd)		
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

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

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

The directors' interests in the Company as at 31 December 2011 disclosed above remained unchanged as at 21 January 2012.

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

DIRECTORS' CONTRACTUAL BENEFITS

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase/sale of investments, property, industrial and consumer 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.

directors' report

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

During the financial year, the following options were granted to Group Employees under the Share Option Scheme:

Date of grant	Exercise price per share	Number of Shares under options	Exercise period
5/1/2011	$3.17	1,190,000	5/1/2012 to 4/1/2021
18/5/2011	$2.62	200,000	18/5/2012 to 17/5/2021

(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	Shares under options granted during financial year	Aggregate Shares under options granted since commencement of the Share Option Scheme to end of financial year	Aggregate Shares under options exercised since commencement of the Share Option Scheme to end of financial year	Aggregate Shares under options outstanding as at end of financial year	Number of new Shares issued during financial year
Kwek Leng Beng	–	660,000	660,000	–	–
Kwek Leng Peck	300,000	2,150,000	1,680,000	470,000	250,000
Yuen Kin Pheng, Francis	200,000	200,000	–	200,000	–
Ernest Colin Lee	–	150,000	150,000	–	–

There were no existing Shares transferred to the directors during the financial year.

SHARE OPTIONS (CONT'D)

(B) OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (CONT'D)

(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 options 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 options 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 options 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.

(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 OPTIONS

There were a total of 1,290,000 unissued Shares under the options 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 2011	Options granted	Options exercised	Options cancelled/ lapsed	Number of options outstanding at 31 December 2011	Number of option holders at 31 December 2011	Exercise period
10/1/2007	$1.88	85,000	–	(85,000)	–	–	–	10/1/2008 to 9/1/2017
15/5/2008	$2.36	353,200	–	(183,200)	–	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*
5/6/2009	$1.42	67,000	–	(67,000)	–	–	–	5/6/2010 to 4/6/2019
5/1/2011	$3.17	–	1,190,000	–	(570,000)	620,000	7	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		805,200	1,390,000	(335,200)	(570,000)	1,290,000		

* 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 2011 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.

AUDITORS

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

On behalf of the Board of Directors

Kwek Leng Peck
Director

Yuen Kin Pheng, Francis
Director

16 March 2012

statement by directors

We, Kwek Leng Peck and Yuen Kin Pheng, Francis, 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 2011 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
Director

Yuen Kin Pheng, Francis
Director

16 March 2012

independent auditors' report

for the financial year ended 31 December 2011

TO THE MEMBERS OF HONG LEONG ASIA LTD.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hong Leong Asia Ltd. (the Company) and its subsidiaries (collectively, the Group) set out on pages 48 to 156, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and 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 (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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

independent auditors' report

for the financial year ended 31 December 2011

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 2011 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

16 March 2012

balance sheets

as at 31 December 2011

	Note	Group			Company	
		2011 $'000	2010 $'000 (restated)	1.1.2010 $'000 (restated)	2011 $'000	2010 $'000
Non-current assets						
Property, plant and equipment	3	1,275,919	1,141,147	1,135,447	685	351
Land use rights	4	135,309	123,438	115,118	–	–
Intangible assets	5	72,117	69,580	68,733	603	583
Investment in subsidiaries	7	–	–	–	210,824	213,824
Interests in associates	8	61,449	55,218	56,561	13,726	13,816
Interests in jointly-controlled entities	9	23	–	–	–	–
Investment properties	10	–	7,055	7,008	–	–
Other investments	11	4,007	2,101	2,259	–	–
Non-current receivables	12	5,684	12,666	6,790	–	–
Deferred tax assets	13	101,352	87,502	67,704	7	3
		1,655,860	1,498,707	1,459,620	225,845	228,577
Current assets						
Inventories	14	733,424	746,397	669,287	–	–
Development properties	15	11,390	15,764	18,879	–	–
Other investments	11	9,265	12,596	1,331	16	37
Trade and other receivables	16	1,830,859	1,291,097	940,231	238,472	183,608
Cash and short-term deposits	17	1,208,450	1,168,143	1,076,233	1,913	1,125
Assets classified as held-for-sale	18	15,285	34,928	81,556	7,500	36,499
		3,808,673	3,268,925	2,787,517	247,901	221,269
Total assets		5,464,533	4,767,632	4,247,137	473,746	449,846

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

balance sheets

as at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000 (restated)	Group 1.1.2010 $'000 (restated)	Company 2011 $'000	Company 2010 $'000
Current liabilities						
Trade and other payables	22	1,936,819	2,097,200	1,815,192	19,030	27,442
Provisions	23	82,602	89,938	66,371	–	–
Loans and borrowings	21	964,080	235,333	269,373	142,993	116,597
Current tax payable		35,605	49,648	45,453	–	–
Liabilities classified as held-for-sale	18	7,635	19,066	4,586	–	–
		3,026,741	2,491,185	2,200,975	162,023	144,039
Net current assets		781,932	777,740	586,542	85,878	77,230
Non-current liabilities						
Loans and borrowings	21	233,656	220,680	256,642	–	–
Deferred tax liabilities	13	42,047	37,999	32,198	27	45
Deferred grants		65,404	46,192	36,735	–	–
Retirement benefits		233	241	221	–	–
		341,340	305,112	325,796	27	45
Total liabilities		3,368,081	2,796,297	2,526,771	162,050	144,084
Net assets		2,096,452	1,971,335	1,720,366	311,696	305,762
Equity attributable to owners of the Company						
Share capital	19	266,830	266,143	264,996	266,830	266,143
Reserves	20	587,387	512,911	446,997	44,866	39,619
		854,217	779,054	711,993	311,696	305,762
Non-controlling interests		1,242,235	1,192,281	1,008,373	–	–
Total equity		2,096,452	1,971,335	1,720,366	311,696	305,762
Total equity and liabilities		5,464,533	4,767,632	4,247,137	473,746	449,846

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 2011

	Note	Group 2011 $'000	Group 2010 $'000 (restated)
Continuing operations			
Revenue	24	4,625,545	5,101,472
Cost of sales		(3,566,859)	(3,830,058)
Gross profit		1,058,686	1,271,414
Other item of income			
Other income		64,568	70,760
Other items of expense			
Selling and distribution expenses		(500,394)	(564,468)
Research and development expenses		(85,646)	(85,212)
General and administrative expenses		(205,391)	(189,912)
Finance costs	26	(55,943)	(49,007)
Profit from continuing operations		275,880	453,575
Share of profit of associates and jointly-controlled entities, net of income tax		10,283	12,511
Profit before income tax from continuing operations	25	286,163	466,086
Income tax expense	28	(36,714)	(73,149)
Profit from continuing operations, net of tax		249,449	392,937
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	29	(3,107)	1,539
Profit for the year		246,342	394,476
Attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		83,841	126,030
(Loss)/profit from discontinued operations, net of tax		(535)	982
		83,306	127,012
Non-controlling interests			
Profit from continuing operations, net of tax		165,608	266,907
(Loss)/profit from discontinued operations, net of tax		(2,572)	557
		163,036	267,464
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
- Basic		22.43	33.74
- Diluted		22.43	33.70
Earnings per share (cents per share)			
- Basic	30	22.29	34.01
- Diluted	30	22.29	33.96

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 2011

	Group	
	2011	**2010**
	$'000	**$'000**
		(restated)
Profit for the year	246,342	394,476
Other comprehensive income		
Exchange differences on translation of financial statements of foreign subsidiaries and associates	57,746	(84,933)
Net fair value changes	(2,470)	5,041
Other comprehensive income for the year, net of income tax	55,276	(79,892)
Total comprehensive income for the year	301,618	314,584
Attributable to:		
Owners of the Company	94,646	102,805
Non-controlling interests	206,972	211,779
Total comprehensive income for the year	301,618	314,584
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	94,634	102,489
Total comprehensive income from discontinued operations, net of tax	12	316
Total comprehensive income for the year attributable to owners of the Company	94,646	102,805

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 2011

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		–	–	–	–	–	–	–	–	–	–	(68,372)	(68,372)
Discount on acquisition of non-controlling interests	7	–	–	–	–	–	–	12,597	–	–	12,597	–	12,597
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.

consolidated statement of changes in equity

for the financial year ended 31 December 2011

Group (restated)	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 2009 (as previously stated)		264,996	(28,672)	29,664	44,015	2,009	(18,757)	–	–	414,798	708,053	1,006,596	1,714,649
Adjustment arising from reclassification of assets classified as held-for-sale		–	–	–	–	–	(23)	–	–	3,963	3,940	1,777	5,717
At 1 January 2010 (restated)		264,996	(28,672)	29,664	44,015	2,009	(18,780)	–	–	418,761	711,993	1,008,373	1,720,366
Total comprehensive income for the year		–	–	–	5,041	–	(29,248)	–	–	127,012	102,805	211,779	314,584
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Shares issued during the year	19	1,147	–	–	–	–	–	–	–	–	1,147	–	1,147
Reversal of share-based payments	27	–	–	–	–	(72)	–	–	–	–	(72)	–	(72)
Capital reduction by a subsidiary		–	–	–	–	–	–	–	–	–	–	(6,993)	(6,993)
Transfer to statutory reserve		–	–	2,904	–	–	–	–	–	(2,904)	–	–	–
Shares issued to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	9,456	9,456
Dividends paid to shareholders	31	–	–	–	–	–	–	–	–	(37,354)	(37,354)	–	(37,354)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	–	–	–	(24,603)	(24,603)
Reserve attributable to disposal group classified as held-for-sale		–	–	–	(1,909)	(488)	754	–	1,643	–	–	–	–
Realisation of reserves upon disposal of subsidiaries and associates		–	–	–	1,248	28	–	–	710	–	1,986	5,226	7,212
Changes in ownership interests in subsidiaries													
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(10,464)	(10,464)
Disposal of subsidiaries by non-controlling interests		–	–	–	–	–	–	–	–	–	–	(493)	(493)
Premium paid on acquisition of non-controlling interests	7	–	–	–	–	–	–	(1,451)	–	–	(1,451)	–	(1,451)
At 31 December 2010		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

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 2011

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 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
At 1 January 2010		264,996	9,199	5	1,496	48,326	324,022
Total comprehensive income for the year		–	–	3	–	18,016	18,019
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the year	19	1,147	–	–	–	–	1,147
Reversal of share-based payments		–	–	–	(72)	–	(72)
Dividends paid to shareholders	31	–	–	–	–	(37,354)	(37,354)
At 31 December 2010		266,143	9,199	8	1,424	28,988	305,762

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 2011

	Note	Group 2011 $'000	Group 2010 $'000 (restated)
Operating activities			
Profit before income tax from continuing operations		286,163	466,086
(Loss)/profit before income tax from discontinued operations	29	(3,070)	1,941
Adjustments for:			
Share of profit of associates and jointly-controlled entities, net of income tax		(10,283)	(12,511)
Cost/(reversal) of share-based payments	27	570	(72)
Depreciation and amortisation	25	126,302	111,299
Allowance written back for inventories written down	25	(5,663)	(22,700)
Impairment losses recognised/(written back) for trade and other receivables	16	28	(2,604)
Impairment losses recognised on property, plant and equipment, development properties and assets classified as held-for-sale	25	6,780	5,947
Property, plant and equipment written off	25	291	1,404
Intangible assets written off	25	562	1,521
Finance costs	26	55,943	49,007
Dividend income from other investments	25	(381)	(36)
Interest income	25	(17,071)	(19,627)
(Gain)/loss on disposal of:			
- subsidiaries	25	471	(702)
- associates	25	682	(1,174)
- property, plant and equipment	25	2,306	(19,352)
- land use rights		(1,894)	–
- investment property		1,155	–
- assets held-for-sale	25	(24,567)	435
Fair value gain on investments		–	(1,338)
Provisions for warranties and other costs, net	25	92,370	126,080
Operating cash flows before changes in working capital		510,694	683,604
Changes in working capital:			
Inventories		46,788	(99,892)
Trade and other receivables		(473,294)	(427,455)
Trade and other payables		(216,385)	401,817
Provisions utilised	23	(102,395)	(99,001)
Cash flows (used in)/from operations		(234,592)	459,073
Income taxes paid		(62,619)	(83,874)
Net cash flows (used in)/from operating activities		(297,211)	375,199

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 2011

	Note	Group 2011 $'000	Group 2010 $'000 (restated)
Investing activities			
Acquisition of non-controlling interests in subsidiaries		(55,775)	(11,915)
Investment in associates		(764)	–
Dividends received from:			
- associates		3,206	2,750
- other investments	25	381	36
Interest received		19,277	19,628
Purchase of:			
- intangible assets	5	(3,702)	(3,171)
- property, plant and equipment	3	(253,594)	(178,531)
Payment for land use rights	4	(16,664)	(16,472)
Proceeds from disposal of:			
- subsidiaries, net of cash disposed		–	452
- associates and jointly-controlled entities		867	12,925
- property, plant and equipment		30,945	37,307
- land use rights		3,671	367
- investment property		7,915	–
- assets held-for-sale		35,650	62,250
Net cash flows used in investing activities		(228,587)	(74,374)

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 2011

	Note	Group 2011 $'000	Group 2010 $'000 (restated)
Financing activities			
Dividends paid to:			
- non-controlling interests of subsidiaries		(90,532)	(24,603)
- shareholders of the Company	31	(37,383)	(37,354)
Interest paid		(62,866)	(51,680)
Proceeds from borrowings		343,234	194,104
Proceeds from issuance of bonds		465,677	–
Release of fixed deposits pledged with banks for banking facilities		5	20,915
Proceeds from share issues	19	687	1,147
Capital reduction by a subsidiary		–	(6,993)
Capital contribution by non-controlling interests of subsidiaries		–	9,456
Grant received from government		19,536	11,514
Repayments in respect of borrowings		(94,692)	(256,196)
Repayment of obligation under finance leases		(5,426)	(1,782)
Net cash flows from/(used in) financing activities		538,240	(141,472)
Net increase in cash and cash equivalents		12,442	159,353
Cash and cash equivalents at the beginning of the financial year	17	1,167,479	1,054,674
Effect of exchange rate changes on balances held in foreign currencies		28,350	(41,737)
Cash and cash equivalents reclassified to assets held-for-sale		–	(4,811)
Cash and cash equivalents at the end of the financial year	17	1,208,271	1,167,479

Note:

Cash and bank balances totalling $891,773,000 (2010: $1,084,665,000) are held in countries which operate foreign exchange controls.

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

consolidated cash flow statement

for the financial year ended 31 December 2011

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	
	2011	**2010**
	$'000	**$'000**
Liquidation/disposal		
Non-current assets	–	65
Net current assets	2	1,119
Non-controlling interests	(205)	(752)
Capital reserves	711	(17)
Realisation of translation differences	(37)	(391)
(Loss)/gain on disposal/liquidation of subsidiaries	(471)	702
Total cash consideration	–	726
Less: Cash and bank balance of subsidiaries disposed	–	(274)
Disposal of subsidiaries, net of cash disposed	–	452

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

notes to 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, diesel engines and related products, industrial packaging products, biodegradable products and building materials, and of investment holding and dealing.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

notes to the financial statements

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

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 107 Disclosures - Transfer of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax - Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of items of Other Comprehensive income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013

Except for the Amendments to FRS 12, Amendments to FRS 1, FRS 111 and 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 12, Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112 are described below.

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

The Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2012.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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

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

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

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

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

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will affect the Group's financial statements presentation.

FRS 112 Disclosure of Interests in Other Entities

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

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

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

2.4 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 controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

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

- 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 were recognised in goodwill.

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

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

(a) Basis of consolidation (cont'd)

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

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(b) Business combinations

Business combinations from 1 January 2010

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

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

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

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

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

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

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

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

(b) Business combinations (cont'd)

Business combinations prior to 1 January 2010

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

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

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

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

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

2.5 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheets, separately from equity attributable to owners of the Company.

Changes in the Company owners' 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 SUBSIDIARIES

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.7 ASSOCIATES

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable 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.

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 shown on the face of 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 JOINT VENTURE

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

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

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

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

2.9 FOREIGN CURRENCY

The 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.

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

2.9 FOREIGN CURRENCY (CONT'D)

(b) Consolidated financial statements

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

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

2.10 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, 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.

notes to the financial statements

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 20 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

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

2.12 INTANGIBLE ASSETS (CONT'D)

(b) Other intangible assets (cont'd)

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

Trademarks acquired are treated as having indefinite useful lives and are not amortised until their useful lives are determined to be finite.

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

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.

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.

notes to the financial statements

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.

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.

Other financial liabilities

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

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

2.14 FINANCIAL LIABILITIES (CONT'D)

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.

notes to the financial statements

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.

Unsold development properties

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete development and selling expenses. Costs to complete development include cost of land and other direct and related development expenditure, including borrowing cost incurred in developing the properties.

Sold development properties

Revenue and cost on development properties that have been sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the development costs incurred to date to the estimated total costs for the property. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

The aggregated costs incurred and the profit/loss recognised in each development property that has been sold is compared against progress billings up to the financial year end. Where costs incurred are and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on development properties, under trade and other receivables. Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is shown as due to customers on development properties, under trade and other payables.

2.19 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each end of the reporting period 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 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.

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 incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

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

2.19 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

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

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.

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.

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

2.20 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONT'D)

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.

2.22 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.

notes to the financial statements

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

2.22 EMPLOYEE BENEFITS (CONT'D)

(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.

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

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.

(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 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.

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

2.24 REVENUE RECOGNITION (CONT'D)

(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.

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

2.27 BORROWING COSTS

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

2.28 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.

Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as an offset against staff costs upon receipt.

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.

notes to the financial statements

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

2.29 TAXES (CONT'D)

(b) Deferred tax

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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.

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

2.29 TAXES (CONT'D)

(b) Deferred tax (cont'd)

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

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

(c) Sales tax

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.

notes to the financial statements

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

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.

2.33 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 2010	56,471	501,050	1,810	571,131	29,022	35,446	136,289	1,331,219
Translation differences	699	(24,653)	(520)	(27,948)	(1,583)	(564)	(6,796)	(61,365)
Additions	424	25,360	1,083	8,771	5,229	5,205	132,459	178,531
Transfers	–	36,383	4,339	76,392	4,666	155	(121,935)	–
Disposals	(3,717)	(7,949)	(1,437)	(17,045)	(3,526)	(2,353)	–	(36,027)
Write-off	–	(1,208)	–	(1,651)	(500)	(119)	–	(3,478)
Transfer from/(to) assets classified as held-for-sale	610	(7,213)	(140)	(4,010)	(369)	(121)	(35)	(11,278)
At 31 December 2010 and 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)
Write-off	–	(194)	(227)	(2,829)	(572)	–	(5,504)	(9,326)
Transfer from/(to) assets classified as held-for-sale	–	(960)	(25)	19,532	1,372	(2,388)	–	17,531
At 31 December 2011	54,157	540,226	5,739	777,712	41,201	40,157	209,492	1,668,684

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

Group	Freehold land $'000	Buildings $'000	Leasehold improve-ments $'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 2010	1,101	70,362	185	81,569	7,065	27,769	7,721	195,772
Translation differences	360	(5,541)	(340)	(10,330)	(1,216)	(781)	(506)	(18,354)
Charge for the year	–	21,857	2,766	71,441	7,533	3,378	–	106,975
Impairment losses	–	4,417	–	–	215	131	814	5,577
Reversal of impairment losses	–	–	–	(3,048)	–	–	–	(3,048)
Transfer to assets classified as held-for-sale	–	(6,852)	(26)	(3,034)	(321)	(88)	–	(10,321)
Disposals	–	(2,006)	(7)	(12,168)	(2,023)	(1,868)	–	(18,072)
Write-off	–	(287)	–	(1,193)	(485)	(109)	–	(2,074)
At 31 December 2010 and 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	1,460	119,735	4,279	218,977	18,446	27,797	2,071	392,765
Net book value								
At 31 December 2010	53,026	439,820	2,557	482,403	22,171	9,217	131,953	1,141,147
At 31 December 2011	52,697	420,491	1,460	558,735	22,755	12,360	207,421	1,275,919

notes to the financial statements

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

Company	Leasehold improve-ments $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Total $'000
Cost				
At 1 January 2010	133	883	407	1,423
Additions	–	50	–	50
Disposals	–	(13)	–	(13)
At 31 December 2010 and 1 January 2011	133	920	407	1,460
Additions	–	19	568	587
Disposals	–	–	(407)	(407)
At 31 December 2011	133	939	568	1,640
Accumulated depreciation				
At 1 January 2010	127	529	272	928
Charge for the year	5	138	51	194
Disposals	–	(13)	–	(13)
At 31 December 2010 and 1 January 2011	132	654	323	1,109
Charge for the year	1	125	68	194
Disposals	–	–	(348)	(348)
At 31 December 2011	133	779	43	955
Net book value				
At 31 December 2010	1	266	84	351
At 31 December 2011	–	160	525	685

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 $4,337,000 (2010: $2,963,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.43% (2010: 5.00%), 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 $44,000 (2010: $6,542,000).

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 $38,308,000 (2010: $48,136,000) are mortgaged to secure the Group's bank loans (Note 21).

notes to the financial statements

4. LAND USE RIGHTS

	Group 2011 $'000	Group 2010 $'000
Cost		
At 1 January	140,602	129,657
Additions	16,664	16,472
Disposals	(2,976)	(436)
Translation differences	4,737	(5,091)
At 31 December	159,027	140,602
Accumulated amortisation		
At 1 January	17,164	14,539
Amortisation for the year	6,940	3,470
Disposals	(1,199)	(69)
Translation differences	813	(776)
At 31 December	23,718	17,164
Net carrying amount	135,309	123,438
Amount to be amortised:		
- Not later than one year	6,275	3,388
- Later than one year but not later than five years	25,097	13,924
- Later than five years	103,937	106,126

The Group has land use rights over 49 plots of state-owned 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 29 to 50 years (2010: 21 to 50 years) and the non-transferable land use rights have a remaining tenure of 12 to 19 years (2010: 13 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 2010	6,622	62,697	–	12,805	82,124
Additions	3,171	–	–	–	3,171
Write-off	(29)	–	–	(1,492)	(1,521)
Translation differences	(117)	–	–	–	(117)
At 31 December 2010 and 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	13,207	62,697	451	10,748	87,103
Accumulated amortisation and impairment losses					
At 1 January 2010	3,155	–	–	10,236	13,391
Amortisation charge for the year	714	–	–	–	714
Translation differences	(28)	–	–	–	(28)
At 31 December 2010 and 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	4,724	–	26	10,236	14,986
Net carrying amount					
At 31 December 2010	5,806	62,697	–	1,077	69,580
At 31 December 2011	8,483	62,697	425	512	72,117

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 4 to 9 years (2010: 3 to 10 years).

notes to the financial statements

5. INTANGIBLE ASSETS (CONT'D)

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.

Company	Computer software and related costs $'000	Club Membership $'000	Total $'000
Cost			
At 1 January 2010	1,397	–	1,397
Additions	21	–	21
At 31 December 2010 and 1 January 2011	1,418	–	1,418
Additions	3	313	316
At 31 December 2011	1,421	313	1,734
Accumulated amortisation and impairment losses			
At 1 January 2010	553	–	553
Amortisation charge for the year	282	–	282
At 31 December 2010 and 1 January 2011	835	–	835
Amortisation charge for the year	286	10	296
At 31 December 2011	1,121	10	1,131
Net carrying amount			
At 31 December 2010	583	–	583
At 31 December 2011	300	303	603

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

Industrial packaging segment

The industrial packaging segment has 2 main cash-generating units (CGUs), one of which has been incurring losses. An impairment test has been performed on the carrying value of the patents and development expenditure, and property, plant and equipment of this CGU of nil (2010: $444,000) as at 31 December 2011.

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

Consumer products segment

Trademarks relate to the Group's consumer products segment which has been identified as a separate CGU for impairment testing purposes. The attributable trademark to this CGU was $62,697,000 (2010: $62,697,000) as at 31 December 2011. The recoverable amount of trademarks was determined based on their value in use using 5-year cash flows projection.

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 10% per annum. A discount rate of 12% (2010: 12%) was used.

Building materials segment

Due to the disruption of operating in a CGU and management's decision to dispose the steel fabrication unit of the building materials segment, the Group recognised impairment loss of nil (2010: $9,652,000) on the carrying amount of the plant and machinery. The impairment loss was charged to cost of sales in the income statement.

Diesel engines segment

The Group reversed an impairment loss of $2,741,000 (2010: $1,909,000) in the income statement in respect of property, plant and equipment.

Others – hospitality and property development

The Group recognised impairment loss of $7,156,000 (2010: nil) in one of the Group's hospitality unit. Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in China market. The Group uses a 2-year forecast annual revenue growth rate of 10% to 15% per annum. A discount rate of 12% was used.

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. These are increased over the budget period for anticipated efficiency improvements. An improvement of 0.2% to 3.1% per annum was applied for the entire budget period.

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.

notes to the financial statements

7. INVESTMENT IN SUBSIDIARIES

	Company 2011 $'000	Company 2010 $'000
Shares, at cost	238,756	260,776
Impairment losses	(27,932)	(46,952)
	210,824	213,824

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2011 %	Effective equity interest 2010 %
Held by the Company			
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
Island Concrete (Private) Limited ("ICPL") (1)	Singapore	100	100
Held by the Group			
China Yuchai International Limited ("CYI") (2)	Bermuda	34.88	28.24
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	21.58
Guangxi Yuchai Machinery Monopoly Development Co., Ltd (2)	The People's Republic of China	19.14	15.50
Guangxi Yulin Hotel Company Limited (2)	The People's Republic of China	26.65	21.58
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited (2)	The People's Republic of China	25.89	20.96

notes to the financial statements

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Names of significant subsidiaries	Country of incorporation	Effective equity interest	
		2011	2010
		%	%
Held by the Group (cont'd)			
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 Technology Systems Pte Ltd	Singapore	100	100
HL Cement (Malaysia) Sdn. Bhd.	Malaysia	100	100
HL Global Enterprises Limited ("HLGE") (3)	Singapore	17.22	13.38
Hong Leong Electric Pte Ltd	Singapore	100	100
Jining Yuchai Engine Company Limited (2)	The People's Republic of China	13.86	11.22
Qian Hong Packaging Company Limited	Hong Kong	100	100
Rex Holdings Pte Ltd	Singapore	100	100
Tasek Corporation Berhad	Malaysia	72.79	72.79
Xiamen Yuchai Diesel Engines Co., Ltd. (2)	The People's Republic of China	26.65	21.58
Zhejiang Yuchai Sanli Engine Company Limited (2)	The People's Republic of China	13.86	11.22

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.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditing firms for some of the Company's non-significant subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

(1) In 2011, the Company re-assessed the recoverable amount of its investment in ICPL. Based on the assessment, impairment losses of nil (2010: $18,121,000) were recognised respectively in the Company's income statement under general and administrative expenses.

The recoverable amount of the investment in the subsidiaries was estimated based on the estimated net selling price of the subsidiaries.

(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) Having regard to the potential voting rights attributable to the preference shares in HLGE, the Group considers HLGE a subsidiary as it is able to govern the financial and operating policies of HLGE.

Acquisition of non-controlling interests

During the year, the Group acquired additional equity interests in its subsidiaries from its non-controlling interests for a cash consideration of $55,775,000 (2010: $11,915,000). As a result of this acquisition, the carrying value of the net assets at acquisition date was $1,139,961,000 (2010: $931,131,000) and the carrying value of the additional interest acquired was $68,372,000 (2010: $10,464,000). The difference of $12,597,000 (2010: $1,451,000) between the consideration and the carrying value of the additional interest acquired has been recognised as discount (2010: premium paid) on acquisition of non-controlling interests within equity.

8. INTERESTS IN ASSOCIATES

		Group	
	2011	**2010**	**1.1.2010**
	$'000	**$'000**	**$'000**
		(restated)	**(restated)**
Shares, at cost	22,774	28,643	31,430
Share of post-acquisition reserves	38,675	26,575	25,131
	61,449	55,218	56,561

	Company	
	2011	**2010**
	$'000	**$'000**
Shares, at cost	14,605	17,385
Impairment losses	(879)	(3,569)
	13,726	13,816

The Company re-assessed the recoverable amounts of its investment in an associate. Based on the assessment, impairment losses of nil (2010: $879,000) were recognised in the Company's income statement. The recoverable amount was estimated based on the estimated net selling price of the associate.

8. INTERESTS IN ASSOCIATES (CONT'D)

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest 2011 %	2010 %
Held by the Company				
Singapore Cement Manufacturing Company (Private) Limited [1]	Singapore	Storage, packaging and distribution of cement	50	50

(1) Audited by Ernst & Young LLP, Singapore.

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

	2011 $'000	2010 $'000 (restated)	1.1.2010 $'000 (restated)
Assets and liabilities:			
Total assets	191,683	209,019	248,913
Total liabilities	(22,525)	(44,200)	(88,039)
Results:			
Revenue	247,552	291,429	313,181
Profit for the year	30,210	34,155	56,376

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9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2011 $'000	Group 2010 $'000
Unquoted equity shares, at cost	23	–

Particulars of the jointly-controlled entities are as follows:

Names of jointly-controlled entities	Country of incorporation	Principal activities	Effective equity interest 2011 %	Effective equity interest 2010 %
Jointly-controlled entities of HL Global Enterprises Limited				
Augustland Hotel Sdn. Bhd. (1)	Malaysia	Hotel development and operation	7.75	6.02
Copthorne Hotel Qingdao Co., Ltd. (2)	The People's Republic of China	Owns and operates a hotel in Qingdao	10.33	8.03
Shanghai Equatorial Hotel Management Co., Ltd (2)	The People's Republic of China	Hotel management and consultancy	8.44	6.56
Shanghai International Equatorial Hotel Company Ltd. (2)	The People's Republic of China	Owns and operates a hotel and club in Shanghai	8.61	6.69
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	9.71
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	11.00

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

(2) Audited by Ernst & Young Hua Ming.

(3) Audited by Wu Hu Kai Fan Accounting Firm, the People's Republic of China.

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

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

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

	2011 $'000	2010 $'000
Results:		
Revenue	41,633	89,590
Expenses	(42,318)	(90,632)
Loss before taxation	(685)	(1,042)
Income tax expense	(203)	(562)
Loss after taxation	(888)	(1,604)
Assets and liabilities:		
Non-current assets	95,222	73,172
Current assets	58,418	38,905
Current liabilities	(27,410)	(18,248)
Non-current liabilities	(48,611)	(15,302)
Net assets	77,619	78,527

The Group's share of operating lease commitments and contingent liabilities are nil (2010: nil) and $3,056,000 (2010: $2,638,000) respectively.

According to Qingdao PRC City Government's regulation, all hotels in Qingdao are required to contribute tourism undertaking fee and hotel accommodation augment fee which is equivalent to 1% of total revenue and 3% of room revenue. As of 31 December 2011, the estimated tourism undertaking fee and hotel accommodation augment fee payable by the joint venture in Qingdao was $1,004,000 (2010: $857,000) and $2,052,000 (2010: $1,781,000) respectively. The joint venture, together with other hotel owners in Qingdao, is currently negotiating with the tourism board and government authorities in Qingdao to waive such fees. Management of the joint venture is of the view that the authority is unlikely to collect such fees and accordingly, no provision has been made as at 31 December 2011.

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10. INVESTMENT PROPERTIES

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

	Group	
	2011	**2010**
	$'000	**$'000**
Cost		
At 1 January	7,610	7,448
Disposals	(7,381)	–
Translation differences	(229)	162
At 31 December	–	7,610
Accumulated depreciation		
At 1 January	555	440
Charge for the year	71	140
Disposals	(621)	–
Translation differences	(5)	(25)
At 31 December	–	555
Net carrying amount		
At 1 January	7,055	7,008
At 31 December	–	7,055
Fair value	–	8,161

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

The fair values are determined by Henry Butcher Malaysia, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair values are based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

11. OTHER INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Non-current				
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	594	847	–	–
Unquoted equity securities				
- other companies	3,413	1,254	–	–
	4,007	2,101	–	–
Current				
Fair value through profit or loss financial assets				
Quoted equity securities	8,287	11,156	–	–
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	890	1,258	–	–
- other companies	88	182	16	37
	9,265	12,596	16	37

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

12. NON-CURRENT RECEIVABLES

The non-trade amounts due from joint venture partners are unsecured and not expected to be repaid within the next 12 months. The effective interest rate as at balance sheet date is 0.86% (2010: 1.68%) per annum.

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 2011 $'000	Recognised in income statement $'000	Recognised in equity $'000	Transfer to assets classified as held-for-sale (Note 18) $'000	Translation differences $'000	At 31 December 2011 $'000
Deferred tax liabilities						
Property, plant and equipment	(19,722)	998	–	–	333	(18,391)
Unremitted income	(8,051)	–	–	–	(232)	(8,283)
Other items	(10,226)	(4,587)	–	–	(560)	(15,373)
Total	(37,999)	(3,589)	–	–	(459)	(42,047)
Deferred tax assets						
Property, plant and equipment	5,522	(3,256)	–	–	(39)	2,227
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	60,989	6,484	–	–	2,626	70,099
Tax value of loss carried forward	315	–	–	–	22	337
Other items	5,846	6,511	–	–	484	12,841
Total	87,502	10,179	–	–	3,671	101,352

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 2010 $'000	Recognised in income statement $'000	Recognised in equity $'000	Transfer to assets classified as held-for-sale (Note 18) $'000	Translation differences $'000	At 31 December 2010 $'000
Deferred tax liabilities						
Property, plant and equipment	(22,664)	2,545	62	668	(333)	(19,722)
Unremitted income	(8,359)	–	–	–	308	(8,051)
Other items	(1,175)	(9,403)	20	104	228	(10,226)
Total	(32,198)	(6,858)	82	772	203	(37,999)
Deferred tax assets						
Property, plant and equipment	12,979	(7,659)	–	–	202	5,522
Inventories	11,349	(1,546)	–	–	(509)	9,294
Intangible assets	–	540	–	–	(13)	527
Trade and other receivables	4,139	(115)	–	–	(194)	3,830
Provisions	2,349	(1,096)	–	–	(74)	1,179
Accruals	35,372	28,011	–	–	(2,394)	60,989
Tax value of loss carried forward	–	353	–	–	(38)	315
Other items	1,516	4,456	–	–	(126)	5,846
Total	67,704	22,944	–	–	(3,146)	87,502

13. DEFERRED TAX (CONT'D)

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

	Company	
	2011	2010
	$'000	$'000
Deferred tax liabilities		
Property, plant and equipment	(27)	(45)
Deferred tax assets		
Provisions	7	3

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax assets	101,352	87,502	7	3
Deferred tax liabilities	(42,047)	(37,999)	(27)	(45)
	59,305	49,503	(20)	(42)

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

	Group	
	2011	2010
	$'000	$'000
Unutilised tax losses	96,818	97,440
Unabsorbed capital allowances	6,432	6,265
	103,250	103,705

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 2011 $'000	Group 2010 $'000
Raw materials and consumables	421,660	397,682
Allowance for inventories written down	(24,218)	(47,066)
	397,442	350,616
Manufacturing work-in-progress	24,844	24,269
Allowance for inventories written down	(39)	(34)
	24,805	24,235
Finished goods	323,374	386,110
Allowance for inventories written down	(12,197)	(14,564)
	311,177	371,546
Total	733,424	746,397
Inventories recognised as an expense in cost of sales (Note 25)	3,043,310	3,316,967
Inclusive of the following charge/(credit):		
- Inventories written down	7,931	9,444
- Reversal of inventories written down	(13,594)	(32,144)

15. DEVELOPMENT PROPERTIES

	Group 2011 $'000	Group 2010 $'000
Properties held-for-sale (net)		
Freehold land	7,848	9,897
Development costs	908	2,777
Overhead expenditure capitalised	2,634	3,090
	11,390	15,764

The income statement includes allowance for impairment made for development properties of $1,633,000 (2010: $640,000) (Note 25).

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16. TRADE AND OTHER RECEIVABLES

	Group 2011 $'000	Group 2010 $'000 (restated)	Group 1.1.2010 $'000 (restated)
Trade receivables	279,949	264,201	222,954
Bill receivables	1,404,894	897,142	605,904
Impairment losses	(16,322)	(12,276)	(17,858)
Net trade receivables	1,668,521	1,149,067	811,000
Amounts receivable from:			
- immediate holding company (non-trade)	8	–	9
- associates (trade)	–	253	6,434
- associates (non-trade)	199	5,654	13,136
- other related corporations (non-trade)	584	467	37
Advances paid to suppliers	44,830	62,313	53,698
Prepaid expenses	5,887	13,366	15,555
Refundable deposits	2,375	2,089	1,765
Tax recoverable	61,474	15,742	17,860
Other receivables	50,618	44,155	25,392
Impairment losses - other receivables	(3,637)	(2,009)	(4,655)
	162,338	142,030	129,231
Total trade and other receivables	1,830,859	1,291,097	940,231

	Company 2011 $'000	Company 2010 $'000
Trade receivables	2,553	5,494
Net trade receivables	2,553	5,494
Amounts receivable from:		
- subsidiaries (non-trade)	235,486	177,242
- associates (non-trade)	5	2
- other related corporations (non-trade)	3	–
Prepaid expenses	47	42
Refundable deposits	23	50
Other receivables	355	778
	235,919	178,114
Total trade and other receivables	238,472	183,608

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 $147,635,000 (2010: $94,841,000) which bear interest at rates ranging from 0.80% to 4.44% (2010: 0.79% to 4.68%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 4.33% (2010: 4.43%) 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 and 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		
	2011	**2010**	**1.1.2010**
	$'000	**$'000**	**$'000**
		(restated)	**(restated)**
Industrial packaging	20,375	16,348	17,648
Diesel engines	1,322,446	801,988	505,226
Consumer products	276,949	290,183	231,493
Building materials	102,038	101,680	103,776
Others	170	55	–
	1,721,978	1,210,254	858,143

	Company	
	2011	**2010**
	$'000	**$'000**
Industrial packaging	–	71
Diesel engines	3	8
Consumer products	1,647	351
Building materials	4,547	10,370
Others	232,205	172,716
	238,402	183,516

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:

	2011 Gross $'000	2010 Gross $'000 (restated)	1.1.2010 Gross $'000 (restated)
Group			
Not past due	1,593,646	1,138,602	764,706
Past due 0 to 30 days	58,687	30,331	44,958
Past due 31 to 120 days	49,954	26,814	31,211
Past due 121 days to one year	15,869	11,896	9,346
More than one year	19,389	16,896	30,435
	1,737,545	1,224,539	880,656

	Impairment losses $'000	Impairment losses $'000 (restated)	Impairment losses $'000 (restated)
Not past due	–	(190)	–
Past due 0 to 30 days	–	(29)	(183)
Past due 31 to 120 days	(1,499)	(1,258)	(919)
Past due 121 days to one year	(3,452)	(1,321)	(2,401)
More than one year	(10,616)	(11,487)	(19,010)
	(15,567)	(14,285)	(22,513)

	2011 Gross $'000	2010 Gross $'000
Company		
Not past due	7,194	26,464
Past due 0 to 30 days	1,045	229
Past due 31 to 120 days	20,140	8,869
Past due 121 days to one year	35,458	44,368
More than one year	174,565	103,586
	238,402	183,516

16. TRADE AND OTHER RECEIVABLES (CONT'D)

The change in impairment losses in respect of trade and other receivables and non-current receivables during the year is as follows:

	Group		
	2011	2010	1.1.2010
	$'000	$'000	$'000
		(restated)	(restated)
At 1 January	14,285	22,513	21,414
Impairment losses recognised/(written back)	28	(2,604)	4,320
Impairment losses utilised	(1,006)	(4,833)	(3,374)
Translation differences	2,260	(791)	153
At 31 December	15,567	14,285	22,513

	Company	
	2011	2010
	$'000	$'000
At 1 January	–	300
Impairment losses utilised	–	(300)
At 31 December	–	–

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 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Fixed deposits		809,135	653,503	–	–
Cash at banks and in hand		399,315	514,640	1,913	1,125
		1,208,450	1,168,143	1,913	1,125
Bank overdrafts (unsecured)	21	(157)	(637)		
Deposits pledged		(22)	(27)		
Cash and cash equivalents in the cash flow statement		1,208,271	1,167,479		

Deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain credit facilities.

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

	Group 2011 %	Group 2010 %	Company 2011 %	Company 2010 %
Fixed deposits	2.97	3.09	–	–
Bank overdrafts	6.60	7.40	–	–

Interest rates will be repriced within 12 months.

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

In view of the disruption of operations in a CGU of building materials segment and other strategic reasons, the Group plans to divest its investment in the above CGU, one jointly-controlled entity and one associate of the Group (the "disposal group").

	Group		
	2011 $'000	2010 $'000 (restated)	1.1.2010 $'000 (restated)
Property, plant and equipment	1,722	3,222	6,587
Inventories	5,927	11,850	–
Trade and other receivables	5,231	12,879	15,518
Deferred tax assets	–	2,166	2,345
Cash and short-term deposits	2,405	4,811	–
Interests in associates	–	–	57,106
	15,285	34,928	81,556
Trade and other payables	(7,114)	(16,597)	(2,926)
Provisions	–	(1,426)	(1,660)
Current tax payable	(129)	(258)	–
Deferred tax liabilities	(386)	(772)	–
Loans and borrowings	(6)	(13)	–
	(7,635)	(19,066)	(4,586)

	Company	
	2011 $'000	2010 $'000
Investment in a jointly-controlled entity	7,500	15,000
Trade and other receivables	–	21,499
	7,500	36,499

19. SHARE CAPITAL

	2011		2010	
	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	373,573	266,143	372,956	264,996
Shares issued under the Share Option Scheme	335	687	617	1,147
At 31 December	373,908	266,830	373,573	266,143

The Company has issued share options 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	
	2011 $'000	2010 $'000 (restated)	2011 $'000	2010 $'000
Capital reserve	(2,437)	(28,672)	9,199	9,199
Statutory reserve	33,802	32,568	–	–
Translation reserve	(27,714)	(47,274)	–	–
Fair value reserve	46,760	48,395	–	8
Equity compensation reserve	2,047	1,477	1,994	1,424
Accumulated profits	523,783	505,515	33,673	28,988
Reserve of disposal group classified as held-for-sale	–	2,353	–	–
Discount/(premium paid) on acquisition of non-controlling interests	11,146	(1,451)	–	–
	587,387	512,911	44,866	39,619

20. RESERVES (CONT'D)

(a) Capital reserve comprises:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'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	5,505	(20,730)	–	–
	(2,437)	(28,672)	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% (2010: 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 of the disposal group.

(g) Discount/(premium paid) on acquisition of non-controlling interests comprises discount/(premium paid) on acquisition of additional equity interests of subsidiaries.

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21. LOANS AND BORROWINGS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Current liabilities				
Unsecured bank overdrafts (Note 17)	157	637	–	–
Unsecured bank loans	294,926	202,428	142,993	116,597
Secured bank loans	181,249	30,342	–	–
Obligations under finance leases (Note 33)	10	1,926	–	–
Short-term bonds	487,738	–	–	–
	964,080	235,333	142,993	116,597
Non-current liabilities				
Unsecured bank loans	52,371	43,859	–	–
Secured bank loans	181,259	173,251	–	–
Obligations under finance leases (Note 33)	26	3,570	–	–
	233,656	220,680	–	–
Total loans and borrowings	1,197,736	456,013	142,993	116,597

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 3.12% (2010: 7.75%) per annum.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Property, plant and equipment	38,308	48,136	–	–
Investment in subsidiaries	191,342	219,202	–	–
Floating charge on trade receivables	179,105	22,186	–	–

21. LOANS AND BORROWINGS (CONT'D)

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

	2011			
	Weighted average interest rate %	**Year of maturity**	**Face value $'000**	**Carrying amount $'000**
Group				
Secured bank loans:				
- RMB floating rate loans	5.5	2012	179,970	179,970
- RMB floating rate loans	7.3	2013	11,062	11,062
- MYR floating rate loans	5.4	2012	1,279	1,279
- MYR floating rate loans	9.6	2013	158,554	158,554
- MYR floating rate loans	6.0	2014	4,634	4,634
- USD floating rate loans	6.8	2013	7,009	7,009
			362,508	362,508
Unsecured bank loans:				
- RMB fixed rate loans	7.3	2012	63,688	63,688
- RMB floating rate loans	6.3	2012	59,510	59,510
- RMB floating rate loans	6.1	2013	42,201	42,201
- USD floating rate loans	0.9	2012	75,380	75,380
- HKD floating rate loans	1.6	2012	498	498
- MYR fixed rate loans	5.5	2012	2,962	2,962
- SGD floating rate loans	0.9	2012	93,058	93,058
- SGD floating rate loans	1.6	2014	10,000	10,000
- bank overdrafts	6.6	2012	157	157
			347,454	347,454
Obligations under finance leases:				
- RMB fixed rate loans	3.1	2014	26	26
- RMB fixed rate loans	3.1	2012	10	10
			36	36
Short-term bonds:				
- RMB fixed rate short-term bonds	5.2	2012	487,738	487,738
			1,197,736	1,197,736
Company				
Unsecured bank loans:				
- USD floating rate loans	0.9	2012	75,380	75,380
- SGD floating rate loans	0.8	2012	67,613	67,613
			142,993	142,993

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21. LOANS AND BORROWINGS (CONT'D)

	2010			
	Weighted average interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
Secured bank loans:				
- RMB floating rate loans	6.2	2013	11,291	11,291
- RMB floating rate loans	4.8	2011	23,005	23,005
- MYR floating rate loans	4.6	2011	1,674	1,674
- MYR floating rate loans	8.7	2012	161,960	161,960
- MYR floating rate loans	5.7	2018	5,663	5,663
			203,593	203,593
Unsecured bank loans:				
- RMB fixed rate loans	5.7	2011	1,162	1,162
- RMB floating rate loans	5.0	2012	23,859	23,859
- RMB floating rate loans	4.7	2011	51,220	51,220
- USD floating rate loans	0.8	2011	37,597	37,597
- HKD floating rate loans	1.6	2011	587	587
- SGD floating rate loans	1.1	2011	111,862	111,862
- SGD floating rate loans	1.2	2014	20,000	20,000
- bank overdrafts	7.4	2011	637	637
			246,924	246,924
Obligations under finance leases:				
- RMB fixed rate loans	7.8	2011	1,926	1,926
- RMB fixed rate loans	4.9	2015	22	22
- RMB fixed rate loans	7.8	2014	3,548	3,548
			5,496	5,496
			456,013	456,013
Company				
Unsecured bank loans:				
- USD floating rate loans	0.8	2011	37,597	37,597
- SGD floating rate loans	0.9	2011	79,000	79,000
			116,597	116,597

21. LOANS AND BORROWINGS (CONT'D)

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

		Cash flows			
	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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	–
2010					
Floating interest rate loans	448,718	486,566	252,312	234,254	–
Fixed interest rate loans	6,658	7,152	3,155	3,997	–
Bank overdrafts	637	637	637	–	–
Trade and other payables *	1,885,055	1,885,055	1,885,055	–	–
	2,341,068	2,379,410	2,141,159	238,251	–
Company					
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	–	–
2010					
Floating interest rate loans	116,597	117,602	117,602	–	–
Trade and other payables	27,442	27,442	27,442	–	–
	144,039	145,044	145,044	–	–

* Excludes advances from customers.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables	1,339,045	1,473,993	–	40
Accrued expenses	411,926	351,467	2,267	3,040
Other payables	79,412	48,310	213	1,086
Advances from customers	98,995	212,145	–	–
Trust receipts	2,538	1,727	–	–
Amounts due to:				
- immediate holding company (non-trade)	135	–	–	–
- subsidiaries (trade)	–	–	4,055	–
- subsidiaries (non-trade)	–	–	12,495	23,276
- associates (trade)	4,687	9,333	–	–
- associates (non-trade)	–	16	–	–
- other related corporations (non-trade)	81	209	–	–
Total trade and other payables	1,936,819	2,097,200	19,030	27,442

Trade payables / other payables

These amounts are non-interest bearing. Trade and other payables are normally settled on agreed credit terms ranging from 7-day to 90-day terms.

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	
	2011	2010	2011	2010
	%	%	%	%
Trust receipts	3.00	3.06	–	–

Interest rates will be repriced within 12 months.

23. PROVISIONS

Group	Onerous contracts $'000	Claims $'000	Warranties $'000	Total $'000
At 1 January 2010	1,803	3,511	61,057	66,371
Provision made	6,900	2,038	120,521	129,459
Provision utilised	–	(1,125)	(97,876)	(99,001)
Provision reversed	(1,803)	(1,576)	–	(3,379)
Translation differences	–	(7)	(3,505)	(3,512)
At 31 December 2010 and 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	4,553	2,422	75,627	82,602

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.

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24. REVENUE

	Group 2011 $'000	Group 2010 $'000 (restated)
Sale of goods	4,587,465	5,064,563
Services rendered	37,355	31,871
Sale of development properties	640	4,903
Rental income	85	135
	4,625,545	5,101,472

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 2011 $'000	Group 2010 $'000 (restated)
Impairment losses recognised/(written back) for trade and other receivables	16	28	(2,604)
Inventories recognised as an expense in cost of sales	14	3,043,310	3,316,967
Amortisation of intangible assets	5	888	714
Depreciation of property, plant and equipment and investment properties	3, 10	118,474	107,115
Amortisation of land use rights	4	6,940	3,470
Property, plant and equipment written off	3	291	1,404
Intangible assets written off	5	562	1,521
Audit fees:			
- auditors of the Company		116	105
- other auditors		2,624	2,773
Non-audit fees paid/payable to:			
- auditors of the Company		25	27
- other auditors of subsidiaries		147	156
Exchange loss/(gain), net		2,194	(2,336)
Operating lease expense		15,768	16,381
Loss/(gain) on disposal of property, plant and equipment		2,306	(19,352)
Loss/(gain) on disposal of subsidiaries		471	(702)
Loss/(gain) on disposal of associates		682	(1,174)
(Gain)/loss on disposal of assets classified as held-for-sale		(24,567)	435
Provisions made, net	23	92,370	126,080
Allowance written back for inventories written down	14	(5,663)	(22,700)
Impairment losses on:			
- property, plant and equipment	3	7,888	5,577
- assets classified as held-for-sale		–	2,778
Reversal of impairment losses on property, plant and equipment	3	(2,741)	(3,048)
Allowance made for development properties	15	1,633	640
Dividend income from other investments		(381)	(36)
Interest income:			
- cash and short-term deposits		(16,814)	(19,542)
- jointly-controlled entities		(257)	(85)
Sale of scrap		(5,768)	(5,799)
Write-off debt owing to creditors		–	(446)
Government grant		(8,764)	(3,612)

notes to the financial statements

26. FINANCE COSTS

	Group 2011 $'000	Group 2010 $'000
Bank term loans	22,300	22,063
Bank overdrafts	24	49
Short-term bonds	12,530	–
Trust receipts	182	392
Bills discounting	18,595	24,988
Bank charges	2,301	1,477
Finance leases	1	17
Facilities fees	10	21
	55,943	49,007

27. EMPLOYEE BENEFITS

	Group 2011 $'000	Group 2010 $'000
Wages and salaries	293,178	289,728
Jobs credits granted by the Singapore government	–	(216)
Cost/(reversal) of share-based payments	570	(72)
Contributions to defined contribution plans	62,080	44,867
	355,828	334,307

28. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	Group	
	2011	**2010**
	$'000	**$'000**
		(restated)
Consolidated income statement:		
Current tax charge		
- Current year	56,489	99,788
- Over provision in respect of prior years	(13,185)	(10,553)
	43,304	89,235
Deferred tax (credit)/expense		
- Movements in temporary differences	(6,783)	(12,891)
- Under/(over) provision in respect of prior years	193	(3,195)
	(6,590)	(16,086)
Income tax attributable to continuing operations	36,714	73,149
Income tax attributable to discontinued operations	37	402
Income tax expense recognised in profit or loss	36,751	73,551

28. INCOME TAX EXPENSE (CONT'D)

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 2011 and 2010 are as follows:

	Group	
	2011	**2010**
	$'000	**$'000**
		(restated)
Profit before income tax from continuing operations	286,163	466,086
Income tax using China tax rate of 25% (2010: 25%)	71,541	116,521
Adjustments:		
Effect of different tax rates in other countries	(21,652)	(12,888)
Effect of tax concessions	(8,932)	(30,112)
Non-deductible expenses	5,864	12,524
Tax-exempt income	(2,007)	(1,092)
Utilisation of deferred tax benefits previously not recognised	(16)	(4,054)
Deferred tax benefits not recognised	14,351	932
(Over)/under provision in respect of prior years:		
- current	(13,185)	(10,553)
- deferred	193	(3,195)
Others	(9,443)	5,066
	36,714	73,149

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% (2010: 25%). This concession is available subject to certain conditions including these entities remain engaged in advance 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".

On 13 July 2010, one of the Group's subsidiaries entered into a Sales and Purchase Agreement to dispose a piece of property for a total consideration of $22,773,000. The disposal of the property was completed on 15 December 2010. 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 2011 and 2010 are set out below:

Consolidated income statement disclosures

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

	Group	
	2011	**2010**
	$'000	**$'000**
		(restated)
Revenue	423	3,180
Expenses	(3,493)	(1,239)
(Loss)/profit before tax from discontinued operations	(3,070)	1,941
Income tax expense (Note 28)	(37)	(402)
(Loss)/profit from discontinued operations, net of tax	(3,107)	1,539

Statement of cash flow disclosures

The cash flows attributable to the subsidiaries are as follows:

	Group	
	2011	**2010**
	$'000	**$'000**
		(restated)
Operating	–	1,114
Investing	–	(32)
Net cash inflow	–	1,082

29. DISCONTINUED OPERATIONS (CONT'D)

Earnings per share disclosures

	Group	
	2011	**2010 (restated)**
(Loss)/earnings per share from discontinued operations attributable to owners of the Company (cents per share):		
Basic	(0.14)	0.27
Diluted	(0.14)	0.26

30. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on:

	Group	
	2011 $'000	**2010 $'000 (restated)**
(i) Net profit attributable to owners of the Company	83,306	127,012
(ii) Issued ordinary shares at beginning of the year	373,573,359	372,956,359
Weighted average number of shares issued during the year	225,757	522,935
Weighted average number of shares at the end of the year	373,799,116	373,479,294

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	
	2011 No. of shares	**2010 No. of shares**
Weighted average number of shares issued, used in the calculation of basic earnings per share	373,799,116	373,479,294
Dilutive effect of share options	20,980	509,151
Weighted average number of ordinary shares (diluted)	373,820,096	373,988,445

31. DIVIDENDS

	Group 2011 $'000	Group 2010 $'000
Interim tax exempt dividend paid of 3 cents per share in respect of year 2011 (2010: 3 cents per share in respect of year 2010)	11,216	11,207
Final tax exempt dividend paid of 7 cents per share in respect of year 2010 (2010: 7 cents per share in respect of year 2009)	26,167	26,147
	37,383	37,354

After the balance sheet date, the Directors proposed a final tax exempt dividend of 5 cents (2010: 7 cents) per ordinary share in respect of year 2011 amounting to approximately $18,695,000 (2010: $26,167,000) on the basis that the number of shares (373,908,559 shares) in issue at the time of payment remains the same as that as at 29 February 2012. 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 2011	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Number of options outstanding at 31 December 2011	Number of options exercisable at 1 January 2011	Number of options exercisable at 31 December 2011	Proceeds on options exercised during the year credited to share capital	Market price of shares at exercise date of option	Exercise period
10/1/2007	$1.88	85,000	–	(85,000)	–	–	85,000	–	$159,800	$2.530	10/1/2008 to 9/1/2017
15/5/2008	$2.36	353,200	–	(183,200)	–	170,000	166,200	170,000	$432,352	$2.530 -$2.570	15/5/2009 to 14/5/2018
15/5/2008	$2.36	300,000	–	–	–	300,000	198,000	300,000	–	–	15/5/2009 to 14/5/2013 *
5/6/2009	$1.42	67,000	–	(67,000)	–	–	–	–	$95,140	$1.575 -$2.370	5/6/2010 to 4/6/2019
5/1/2011	$3.17	–	1,190,000	–	(570,000)	620,000	–	–	–	–	5/1/2012 to 4/1/2021
18/5/2011	$2.62	–	200,000	–	–	200,000	–	–	–	–	18/5/2012 to 17/5/2021
Total		805,200	1,390,000	(335,200)	(570,000)	1,290,000	449,200	470,000	$687,292		

* 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.

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		**Company**	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Capital commitments in respect of property, plant and equipment	273,964	264,455	–	–

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	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	10,431	11,863	150	422
After 1 year but within 5 years	11,588	13,026	–	150
After 5 years	9,427	9,025	–	–
	31,446	33,914	150	572

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% (2010: 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 2020 and 2025. One of these leases includes contingent rentals of $8,778,000 (2010: nil).

Operating lease commitments as lessor

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

	Group	
	2011	**2010**
	$'000	**$'000**
Within 1 year	1,176	1,443
After 1 year but within 5 years	1,610	2,185
After 5 years	2,711	3
	5,497	3,631

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			
	2011		2010	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Within 1 year	11	10	2,252	1,926
After 1 year but within 5 years	30	26	4,304	3,570
Total minimum lease payments	41	36	6,556	5,496
Less: Amounts representing finance charges	(5)	–	(1,060)	–
Present value of minimum lease payments	36	36	5,496	5,496

34. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Group	
	2011 $'000	2010 $'000 (restated)
Short-term employee benefits	6,217	5,900
Equity compensation benefits	319	(72)
	6,536	5,828

During the financial year, the Group has adopted the revised FRS 24 Related Party Disclosures. The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. Accordingly, the Group has restated the compensation of key management personnel for the financial year ended 2010.

34. RELATED PARTY TRANSACTIONS (CONT'D)

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

Directors' remuneration included in key management personnel compensation amounted to $2,260,000 (2010: $2,386,000).

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. During the year, 1,050,000 (2010: nil) shares under options were granted to key management personnel pursuant to the Share Option Scheme (the "Options"). All Options are subject to a vesting schedule.

As at the end of the year, 1,020,000 (2010: 797,200) Options granted to key management personnel were outstanding, of which 670,000 (2010: 420,000) 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 $3,000 (2010: $329,000). There was no amount outstanding at the balance sheet date (2010: nil).

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

	Group	
	2011	**2010**
	$'000	**$'000**
Purchase of raw materials		
- associates	40,981	53,514
- jointly-controlled entity	–	2,070
Management services paid and payable		
- related corporations	716	784
Rental paid and payable		
- immediate holding company	259	259
- related corporations	169	190

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 $369 million (2010: $222 million), representing 22% (2010: 19%) of total gross trade and bill receivables of the Group as at 31 December 2011. Of this balance, $300 million (2010: $161 million), or 81% (2010: 72%) is supported by bill receivables from Chinese banks. Except for this, there is no significant concentration of credit risk.

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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 2011		
Floating rate instruments	(3,221)	3,221
31 December 2010		
Floating rate instruments	(2,041)	2,041

	Profit before income tax	
	100 bp Increase $'000	100 bp Decrease $'000
Company		
31 December 2011		
Floating rate instruments	(1,430)	1,430
31 December 2010		
Floating rate instruments	(1,166)	1,166

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 and United States Dollar.

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

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

	2011		
	Singapore Dollar $'000	**Chinese Renminbi $'000**	**United States Dollar $'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

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**
Company			
Trade and other receivables	–	–	94,361
Cash and cash equivalents	–	–	100
Loans and borrowings	–	–	(75,380)
	–	–	19,081

	2010		
	Singapore Dollar $'000	**Chinese Renminbi $'000**	**United States Dollar $'000**
Group			
Other investments	11,742	–	–
Trade and other receivables	83	6,951	69,470
Cash and cash equivalents	17,831	–	6,927
Loans and borrowings	(30,000)	–	(37,597)
Trade and other payables	(9,050)	(873)	(21,723)
	(9,394)	6,078	17,077
Company			
Trade and other receivables	–	–	42,067
Cash and cash equivalents	–	–	55
Loans and borrowings	–	–	(37,597)
	–	–	4,525

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

(d) Foreign currency risk (cont'd)

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	**Company**
	$'000	**$'000**
2011		
Singapore Dollar	(1,325)	–
Chinese Renminbi	912	–
United States Dollar	1,988	1,908
2010		
Singapore Dollar	(939)	–
Chinese Renminbi	608	–
United States Dollar	1,708	453

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 other observable inputs (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

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 other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
2010				
Financial assets				
Other investments	13,443	–	1,254	14,697
At 31 December 2010	13,443	–	1,254	14,697

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 2011 and 2010.

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)

(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.

Set out below is a comparison by category of carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements:

Classification of financial instruments

Group	Loans and receivables	Fair value through profit or loss	Available for sale	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
	$'000	$'000	$'000	$'000	$'000	$'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

notes to the financial statements

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (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	–	–	–	1,832,921	–	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
	–	–	–	3,035,560	332,521	3,368,081

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

Classification of financial instruments (cont'd)

Group	Loans and receivables $'000 (restated)	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000 (restated)	Total $'000 (restated)
2010						
Assets						
Property, plant and equipment	–	–	–	–	1,141,147	1,141,147
Land use rights	–	–	–	–	123,438	123,438
Intangible assets	–	–	–	–	69,580	69,580
Interests in associates	–	–	–	–	55,218	55,218
Investment properties	–	–	–	–	7,055	7,055
Other investments	–	11,156	3,541	–	–	14,697
Non-current receivables	12,666	–	–	–	–	12,666
Deferred tax assets	–	–	–	–	87,502	87,502
Inventories	–	–	–	–	746,397	746,397
Development properties	–	–	–	–	15,764	15,764
Trade receivables	1,149,067	–	–	–	–	1,149,067
Due from related corporations	6,374	–	–	–	–	6,374
Prepaid expenses	–	–	–	–	13,366	13,366
Other receivables and deposits	59,977	–	–	–	–	59,977
Advances paid to suppliers	–	–	–	–	62,313	62,313
Assets classified as held-for-sale	–	–	–	–	34,928	34,928
Cash and short-term deposits	1,168,143	–	–	–	–	1,168,143
	2,396,227	11,156	3,541	–	2,356,708	4,767,632

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

Classification of financial instruments (cont'd)

Group	Loans and receivables	Fair value through profit or loss	Available for sale	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Liabilities						
Advances from customers	–	–	–	–	212,145	212,145
Trade and other payables	–	–	–	1,875,497	–	1,875,497
Due to related corporations	–	–	–	9,558	–	9,558
Loans and borrowings	–	–	–	456,013	–	456,013
Provisions	–	–	–	–	89,938	89,938
Current tax payable	–	–	–	–	49,648	49,648
Liabilities classified as held-for-sale	–	–	–	–	19,066	19,066
Deferred tax liabilities	–	–	–	–	37,999	37,999
Deferred grants	–	–	–	–	46,192	46,192
Retirement benefits	–	–	–	–	241	241
	–	–	–	2,341,068	455,229	2,796,297

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

Classification of financial instruments (cont'd)

Company	**Loans and receivables**	**Fair value through profit or loss**	**Available for sale**	**Liabilities at amortised cost**	**Non-financial assets/ liabilities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'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

notes to the financial statements

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

Classification of financial instruments (cont'd)

Company	Loans and receivables	Fair value through profit or loss	Available for sale	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Assets						
Property, plant and equipment	–	–	–	–	351	351
Investment in subsidiaries	–	–	–	–	213,824	213,824
Intangible assets	–	–	–	–	583	583
Interests in associates	–	–	–	–	13,816	13,816
Other investments	–	–	37	–	–	37
Deferred tax assets	–	–	–	–	3	3
Trade receivables	5,494	–	–	–	–	5,494
Due from related corporations	177,244	–	–	–	–	177,244
Prepaid expenses	–	–	–	–	42	42
Other receivables and deposits	828	–	–	–	–	828
Assets classified as held-for-sale	–	–	–	–	36,499	36,499
Cash and short-term deposits	1,125	–	–	–	–	1,125
	184,691	–	37	–	265,118	449,846
Liabilities						
Trade and other payables	–	–	–	4,166	–	4,166
Due to related corporations	–	–	–	23,276	–	23,276
Loans and borrowings	–	–	–	116,597	–	116,597
Deferred tax liabilities	–	–	–	–	45	45
	–	–	–	144,039	45	144,084

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise 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 2011 and 2010.

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 2011 and 2010.

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

	Group	
	2011	**2010**
	$'000	**$'000**
		(restated)
Loans and borrowings	1,197,736	456,013
Trade and other payables	1,936,819	2,097,200
Less: Cash and short-term deposits	(1,208,450)	(1,168,143)
Financial liabilities, net of cash and short-term deposits attributable to discontinued operation	4,175	11,799
Net debt	1,930,280	1,396,869
Equity attributable to the owners of the Company	854,217	779,054
Less: Fair value reserve	(46,760)	(48,395)
Statutory reserve	(33,802)	(32,568)
Total capital	773,655	698,091
Capital and net debt	2,703,935	2,094,960

notes to the financial statements

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	
	2011	2010
	$'000	$'000
Outstanding bills endorsed to suppliers with recourse obligations	350,187	337,121
Outstanding bills discounted with banks with recourse obligations	281,225	768,283

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, and eco-friendly biodegradable pallets.

(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 and property development operations. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2011 or 2010.

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)

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, development properties and assets held-for-sale	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

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2010 (restated)	Consumer products $'000	Industrial packaging $'000	Building materials $'000	Diesel engines $'000	Others* $'000	Total $'000
Total external revenue	1,113,098	96,356	513,942	3,341,297	36,779	5,101,472
Interest income	387	105	3,950	14,664	197	19,303
Interest expense	(4,314)	(1,045)	(451)	(23,297)	(4,170)	(33,277)
Depreciation and amortisation	(17,242)	(3,928)	(24,272)	(58,469)	(6,908)	(110,819)
Reportable segment profit/(loss) before income tax	34,985	5,626	75,100	378,585	(3,711)	490,585
Share of profit/(loss) of associates	–	1,817	10,718	(133)	109	12,511
Reportable segment profit/(loss) after income tax	31,204	6,184	61,654	315,481	(2,278)	412,245
Other material non-cash items:						
- Impairment losses on property, plant and equipment and assets held-for-sale	–	481	9,652	–	640	10,773
- Reversal of impairment losses on property, plant and equipment	(344)	–	–	(1,956)	(2,526)	(4,826)
- Claims	–	–	462	–	–	462
- Onerous contracts	–	–	5,097	–	–	5,097
- Warranties	8,779	–	–	111,742	–	120,521
Assets and liabilities						
Reportable segment assets	840,191	35,363	599,000	3,042,955	117,773	4,635,282
Interests in associates	–	–	32,684	321	7,279	40,284
Capital expenditure ^	13,122	2,771	17,686	146,679	1,444	181,702
Reportable segment liabilities	577,159	43,158	160,695	1,678,406	142,129	2,601,547

* Others relate to hospitality and property development operations.

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets (including goodwill).

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

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

	2011 $'000	2010 $'000 (restated)
Revenue		
Total revenue for reportable segments	4,594,309	5,064,693
Other revenue	31,236	36,779
Consolidated revenue	4,625,545	5,101,472
Profit or loss		
Total profit before income tax for reportable segments	280,752	494,296
Other loss	(4,009)	(3,711)
	276,743	490,585
Unallocated amounts:		
- Corporate profit/(loss)	9,420	(24,499)
Consolidated profit before income tax	286,163	466,086
Assets		
Total assets for reportable segments	5,161,990	4,517,509
Other assets	111,273	117,773
	5,273,263	4,635,282
Interests in associates	61,449	55,218
Other unallocated amounts	129,821	77,132
Consolidated total assets	5,464,533	4,767,632
Liabilities		
Total liabilities for reportable segments	2,998,702	2,459,418
Other liabilities	132,380	142,129
	3,131,082	2,601,547
Other unallocated amounts	236,999	194,750
Consolidated total liabilities	3,368,081	2,796,297

notes to the financial statements

39. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

Other material items

	Reportable segments total $'000	Adjustments $'000	Consolidated total $'000
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, development properties and assets held-for-sale	(2,009)	8,789	6,780
2010 (restated)			
Interest income	(19,106)	(521)	(19,627)
Interest expense	29,107	19,900	49,007
Capital expenditure	180,258	1,444	181,702
Depreciation and amortisation	103,911	7,388	111,299
Impairment losses/(reversal of impairment losses) on property, plant and equipment and assets held-for-sale	7,833	(1,886)	5,947

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
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
2010 (restated)					
Total revenue from external customers	4,532,055	285,322	257,788	26,307	5,101,472
Non-current assets#	1,051,885	69,748	219,587	–	1,341,220

\# 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 $591,437,000 (2010: $669,164,000) 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 could 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) 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.

41. COMPARATIVE FIGURES

Comparative figures in the consolidated income statement and consolidated balance sheets have been restated due to the following:

(a) Comparatives were restated due to the discontinued operations as disclosed in Note 29.

(b) During the financial year, the Group has reclassified certain investments in associates previously classified as held-for-sale to interests in associates as the Group had reassessed the investments and has decided to hold on to the investments for long term. In accordance with FRS 28 Investments in Associates, the Group has now accounted for the interests in associates under the equity method from the date of their classifications as held-for-sale. Accordingly, the financial statements of the Group for the financial years ended 31 December 2010 and 2009 have been restated.

41. COMPARATIVE FIGURES (CONT'D)

The effects arising from the above restatements are summarised below:

	2010 As previously stated $'000	Restatement $'000	2010 As restated $'000	Note
Effect on consolidated income statement				
Continuing operations				
Revenue	5,102,000	(528)	5,101,472	(a)
Cost of sales	(3,830,461)	403	(3,830,058)	(a)
Other income	70,761	(1)	70,760	(a)
General and administrative expenses	(189,788)	(124)	(189,912)	(a)
Income tax expense	(73,166)	17	(73,149)	(a)
Share of profit of associates and jointly-controlled entities, net of income tax	3,306	9,205	12,511	(b)
Discontinued operations				
Profit from discontinued operations, net of tax	1,306	233	1,539	(a)
Effect on consolidated balance sheet				
Non-current assets				
Interests in associates	22,534	32,684	55,218	(b)
Current assets				
Trade and other receivables	1,285,517	5,580	1,291,097	(b)
Assets classified as held-for-sale	58,252	(23,324)	34,928	(b)
Equity attributable to owners of the Company				
Reserves	502,253	10,658	512,911	(b)
Non-controlling interests	1,187,999	4,282	1,192,281	(b)

The following comparative figures for the basic and diluted earnings per share have also been restated to conform with current year's presentation:

	2010 As previously stated	2010 As restated
Earnings per share from continuing operations attributable to owners of the Company (cents per share)		
- Basic	31.96	33.74
- Diluted	31.92	33.70
Earnings per share (cents per share)		
- Basic	32.21	34.01
- Diluted	32.17	33.96

notes to the financial statements

42. SUBSEQUENT EVENT

(a) To facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006 (the "2006 Scheme"), HLGE had, on 13 January 2012, established a trust known as the HL Global Enterprises Share Option Scheme 2006 Trust (the "Trust") with Amicorp Trustees (Singapore) Limited as the trustee of the Trust (the "Trustee") pursuant to a trust deed dated 13 January 2012 entered into between HLGE and the Trustee (the "Trust Deed").

Under the terms of the Trust Deed, the Trustee will, *inter alia*, acquire and hold existing shares in the capital of HLGE (collectively, the "Trust Shares") for the benefit of participants who are employees of HLGE and/or its subsidiaries and who have been granted share options under 2006 Scheme (excluding directors of HLGE and directors and employees of HLGE's parent company and its subsidiaries) (the "Beneficiaries") and transfer such Trust Shares to the Beneficiaries upon the exercise of their share options under the 2006 Scheme.

The Trustee has the power to vote or abstain from voting at any general meeting of HLGE in its absolute discretion in respect of the Trust Shares.

On 13 January 2012, Grace Star Services Ltd., a controlling shareholder of HLGE and a wholly-owned subsidiary of China Yuchai International Limited, which is in turn a subsidiary of Hong Leong Asia Ltd., transferred 24,189,170 Series B redeemable convertible preference shares in the capital of HLGE (the "Series B Preference Shares"), representing 100% of the remaining unconverted Series B Preference Shares, to the Trustee for a nominal consideration of $1.00 for the purpose of the Trust.

Pursuant to the Articles of Association of HLGE, the 24,189,170 Series B Preference Shares held by the Trustee were converted into 24,189,170 new ordinary shares of HLGE (the "Shares") on 16 January 2012, and the new Shares which rank pari passu in all respects with the existing issued Shares, were held by the Trustee as Trust Shares under the Trust.

Notwithstanding the above, the Group continues to consider HLGE a subsidiary as it is able to govern the financial and operating policies of HLGE.

(b) On 4 January 2012, the Company completed the second tranche of the disposal of the remaining 5,759,000 shares in Angkasa Amsteel Pte. Ltd. (formerly known as Angkasa Hong Leong Pte Ltd) ("Angkasa"), representing approximately 25% of the total number of issued ordinary shares in Angkasa following the exercise of the call option by the purchaser on 28 December 2011 for a consideration of $7.65 million plus 5% simple interest per annum.

(c) On 21 February 2012, one of the Group's subsidiaries acquired 2,478,300 shares of its own through purchases on the Bursa Malaysia. The total amount paid to acquire the shares was $8.56 million.

43. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 16 March 2012.

重点财务报表

资产负债表

2011年12月31日

	附注	集团 2011 $’000	集团 2010 $’000（重列）	集团 1.1.2010 $’000（重列）	母公司 2011 $’000	母公司 2010 $’000
非流动资产						
产业，厂房和设备	3	1,275,919	1,141,147	1,135,447	685	351
土地使用权	4	135,309	123,438	115,118	–	–
无形资产	5	72,117	69,580	68,733	603	583
子公司投资	7	–	–	–	210,824	213,824
联营公司投资	8	61,449	55,218	56,561	13,726	13,816
合营企业投资	9	23	–	–	–	–
投资性房地产	10	–	7,055	7,008	–	–
其它金融资产	11	4,007	2,101	2,259	–	–
长期应收款	12	5,684	12,666	6,790	–	–
递延所得税资产	13	101,352	87,502	67,704	7	3
		1,655,860	1,498,707	1,459,620	225,845	228,577
流动资产						
存货	14	733,424	746,397	669,287	–	–
发展物业	15	11,390	15,764	18,879	–	–
其它金融资产	11	9,265	12,596	1,331	16	37
应收账款和其他应收款	16	1,830,859	1,291,097	940,231	238,472	183,608
现金和短期存款	17	1,208,450	1,168,143	1,076,233	1,913	1,125
持有以备出售资产	18	15,285	34,928	81,556	7,500	36,499
		3,808,673	3,268,925	2,787,517	247,901	221,269
总资产合计		5,464,533	4,767,632	4,247,137	473,746	449,846

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

2011年12月31日

	附注	集团			母公司	
		2011	2010	1.1.2010	2011	2010
		$'000	$'000	$'000	$'000	$'000
			（重列）	（重列）		
流动负债						
应付账款和其他应付款	22	1,936,819	2,097,200	1,815,192	19,030	27,442
各项准备	23	82,602	89,938	66,371	–	–
短期借款	21	964,080	235,333	269,373	142,993	116,597
应付所得税		35,605	49,648	45,453	–	–
持有以备出售负债	18	7,635	19,066	4,586	–	–
		3,026,741	2,491,185	2,200,975	162,023	144,039
净流动资产		781,932	777,740	586,542	85,878	77,230
非流动负债						
长期借款	21	233,656	220,680	256,642	–	–
递延所得税负债	13	42,047	37,999	32,198	27	45
递延补贴		65,404	46,192	36,735	–	–
退休金		233	241	221	–	–
		341,340	305,112	325,796	27	45
总负债合计		3,368,081	2,796,297	2,526,771	162,050	144,084
净资产		2,096,452	1,971,335	1,720,366	311,696	305,762
股本与公积						
发行股本	19	266,830	266,143	264,996	266,830	266,143
各项公积	20	587,387	512,911	446,997	44,866	39,619
		854,217	779,054	711,993	311,696	305,762
少数股东权益		1,242,235	1,192,281	1,008,373	–	–
所有者权益合计		2,096,452	1,971,335	1,720,366	311,696	305,762
负债及所有者权益总计		5,464,533	4,767,632	4,247,137	473,746	449,846

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2011年12月31日

	附注	集团 2011 $'000	集团 2010 $'000 (重列)
持续经营业务			
营业收入	24	4,625,545	5,101,472
营业成本		(3,566,859)	(3,830,058)
毛利润		1,058,686	1,271,414
其他收入项目			
其他收入		64,568	70,760
其他费用项目			
销售费用		(500,394)	(564,468)
研发费用		(85,646)	(85,212)
管理费用		(205,391)	(189,912)
财务费用	26	(55,943)	(49,007)
持续经营业务营业利润		275,880	453,575
应占联营公司及合营公司净利润		10,283	12,511
持续经营业务税前利润	25	286,163	466,086
所得税费用	28	(36,714)	(73,149)
持续经营业务税后利润		249,449	392,937
已终止业务			
已终止业务税后(损失)/利润	29	(3,107)	1,539
本年利润		246,342	394,476
归属于:			
母公司所有者			
持续经营业务税后利润		83,841	126,030
已终止业务税后(损失)/利润		(535)	982
		83,306	127,012
少数股东权益			
持续经营业务税后利润		165,608	266,907
已终止业务税后利润		(2,572)	557
		163,036	267,464
持续经营业务每股收益(分)			
- 基本		22.43	33.74
- 稀释		22.43	33.70
每股收益(分)			
- 基本	30	22.29	34.01
- 稀释	30	22.29	33.96

此报告中的附注是组成这些财务报表不可或缺的内容

综合全面收益表

截至2011年12月31日

	集团	
	2011	**2010**
	$'000	**$'000**
		(重列)
本年利润	246,342	394,476
其他全面收益		
国外子公司和联营公司的外币报表折算差额	57,746	(84,933)
净公允价值变动	(2,470)	5,041
本年其他全面收益(扣除税项)	55,276	(79,892)
本年全面收益总额	301,618	314,584
归属于:		
母公司所有者	94,646	102,805
少数股东权益	206,972	211,779
本年全面收益总额	301,618	314,584
归属于母公司所有者:		
持续经营业务所产生的全面收益	94,634	102,489
已终止业务所产生的全面收益	12	316
本年归属于母公司所有者全面收益总额	94,646	102,805

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2011年12月31日

集团	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(额外支付)/折让 $'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
本年全面收益总额		–	–	–	(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													
向所有者收取和支付													
本年发行股本	19	687	–	–	–	–	–	–	–	–	687	–	687
股份支付费用	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		–	–	–	–	–	–	–	–	–	–	(68,372)	(68,372)
收购少数股东股权的折让	7	–	–	–	–	–	–	12,597	–	–	12,597	–	12,597
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

合并所有者权益变动表

截至2011年12月31日

集团	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
2009年12月31日余额(调整前)		264,996	(28,672)	29,664	44,015	2,009	(18,757)	–	–	414,798	708,053	1,006,596	1,714,649
重分类引起的调整		–	–	–	–	–	(23)	–	–	3,963	3,940	1,777	5,717
2010年1月1日余额(调整后)		264,996	(28,672)	29,664	44,015	2,009	(18,780)	–	–	418,761	711,993	1,008,373	1,720,366
本年全面收益总额		–	–	–	5,041	–	(29,248)	–	–	127,012	102,805	211,779	314,584
与所有者的交易直接在权益确认													
向所有者收取和支付													
本年发行股本	19	1,147	–	–	–	–	–	–	–	–	1,147	–	1,147
股份支付冲回的费用	27	–	–	–	–	(72)	–	–	–	–	(72)	–	(72)
子公司资本缩减		–	–	–	–	–	–	–	–	–	–	(6,993)	(6,993)
转入法定公积		–	–	2,904	–	–	–	–	–	(2,904)	–	–	–
发行股本予子公司少数股东		–	–	–	–	–	–	–	–	–	–	9,456	9,456
支付公司股东股利	31	–	–	–	–	–	–	–	–	(37,354)	(37,354)	–	(37,354)
支付子公司少数股东股利		–	–	–	–	–	–	–	–	–	–	(24,603)	(24,603)
持有以备出售资产的调整		–	–	–	(1,909)	(488)	754	–	1,643	–	–	–	–
子公司和联营公司处置调整		–	–	–	1,248	28	–	–	710	–	1,986	5,226	7,212
对子公司控股权的变动													
收购少数股东股权		–	–	–	–	–	–	–	–	–	–	(10,464)	(10,464)
处置子公司		–	–	–	–	–	–	–	–	–	–	(493)	(493)
收购少数股东股权的额外支付	7	–	–	–	–	–	–	(1,451)	–	–	(1,451)	–	(1,451)
2010年12月31日余额		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

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2011年12月31日

母公司	附注	发行股本 $'000	资本公积 $'000	公允价值公积 $'000	权益报酬公积 $'000	未分配利润 $'000	合计 $'000
2011年1月1日余额		266,143	9,199	8	1,424	28,988	305,762
本年全面收益总额		–	–	(8)	–	42,068	42,060
与所有者的交易直接在权益确认							
向所有者收取和支付							
本年股本发行	19	687	–	–	–	–	687
股份支付费用		–	–	–	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
2010年1月1日余额		264,996	9,199	5	1,496	48,326	324,022
本年全面收益总额		–	–	3	–	18,016	18,019
与所有者的交易直接在权益确认							
向所有者收取和支付							
本年股本发行	19	1,147	–	–	–	–	1,147
股份支付冲回的费用		–	–	–	(72)	–	(72)
支付公司股东股利	31	–	–	–	–	(37,354)	(37,354)
2010年12月31日余额		266,143	9,199	8	1,424	28,988	305,762

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2011年12月31日

	附注	集团 2011 $'000	集团 2010 $'000 (重列)
经营活动产生的现金流量			
持续经营业务税前利润		286,163	466,086
已终止业务税前(亏损)/利润	29	(3,070)	1,941
调整项目:			
应占联营及合营公司利润		(10,283)	(12,511)
股份支付确认/(冲回)的费用	27	570	(72)
折旧与摊销费用	25	126,302	111,299
存货跌价准备冲回	25	(5,663)	(22,700)
应收账款和其他应收款坏账准备/(冲回)	16	28	(2,604)
固定资产，在建房产和持有以备出售资产 减值准备	25	6,780	5,947
固定资产注销	25	291	1,404
无形资产注销	25	562	1,521
财务费用	26	55,943	49,007
投资性股利收入	25	(381)	(36)
利息收入	25	(17,071)	(19,627)
处置以下资产(收益)/损失:			
- 子公司	25	471	(702)
- 联营公司	25	682	(1,174)
- 产业，厂房与设备	25	2,306	(19,352)
- 土地使用权		(1,894)	–
- 投资性房产		1,155	–
- 持有以备出售资产	25	(24,567)	435
可供出售金融资产公允价值变化的投资收益		–	(1,338)
三包费及其他准备计提净额	25	92,370	126,080
流动资金变动前经营活动产生的现金流量		510,694	683,604
流动资金的变动:			
存货		46,788	(99,892)
应收账款和其他应收款		(473,294)	(427,455)
应付账款和其他应付款		(216,385)	401,817
已提准备冲销	23	(102,395)	(99,001)
经营活动(使用)/产生的现金流量		(234,592)	459,073
已付所得税		(62,619)	(83,874)
经营活动(使用)/产生的现金流量净额		(297,211)	375,199

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2011年12月31日

	附注	集团 2011 $'000	集团 2010 $'000 (重列)
投资活动产生的现金流量			
收购少数股东股权		(55,775)	(11,915)
收购联营公司股权		(764)	–
股利收入:			
- 联营公司		3,206	2,750
- 其他	25	381	36
利息收入		19,277	19,628
购置资产:			
- 无形资产	5	(3,702)	(3,171)
- 产业，厂房与设备	3	(253,594)	(178,531)
支付土地使用权	4	(16,664)	(16,472)
处置资产所得:			
- 子公司，净现金收入		–	452
- 联营公司		867	12,925
- 产业，厂房与设备		30,945	37,307
- 土地使用权		3,671	367
- 土地使用权		7,915	–
- 持有以备出售资产		35,650	62,250
投资活动产生的现金流量净额		(228,587)	(74,374)

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2011年12月31日

	附注	集团 2011 $'000	集团 2010 $'000 (重列)
筹资活动产生的现金流量			
支付股利给:			
- 少数股东		(90,532)	(24,603)
- 本公司股东	31	(37,383)	(37,354)
利息支出		(62,866)	(51,680)
银行借贷所得		343,234	194,104
发行公司债券所得		465,677	–
收回银行抵押存款		5	20,915
发行股本所得	19	687	1,147
子公司资本缩减		–	(6,993)
发行股本予子公司少数股东		–	9,456
政府补贴收入		19,536	11,514
偿还银行贷款		(94,692)	(256,196)
偿还租赁融资		(5,426)	(1,782)
筹资活动产生/(使用)的现金流量净额		538,240	(141,472)
现金及现金等价物净增加		12,442	159,353
现金及现金等价物期初余额	17	1,167,479	1,054,674
汇率变动对现金及现金等价物的影响		28,350	(41,737)
持有以备出售资产中的现金及现金等价物		–	(4,811)
现金及现金等价物期末余额	17	1,208,271	1,167,479

附注:

现金及银行存款合计$891,773,000 (2010: $1,084,665,000)存放于实行外汇管制的国家。

此报告中的附注是组成这些财务报表不可或缺的内容

analysis of shareholdings

as at 8 March 2012

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	373,908,559
Number of Ordinary Shareholders	:	6,524
Voting Rights	:	1 vote for 1 share

As at 8 March 2012, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	23	0.35	7,186	0.002
1,000 - 10,000	5,276	80.87	22,309,550	5.966
10,001 - 1,000,000	1,207	18.50	47,141,645	12.608
1,000,001 and above	18	0.28	304,450,178	81.424
	6,524	100.00	373,908,559	100.000

Based on information available to the Company as at 8 March 2012, approximately 35.09% 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 8 MARCH 2012

(as shown in the Register of Members)

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	17,722,270	4.74
3	Citibank Nominees Singapore Pte Ltd	10,225,843	2.73
4	DBSN Services Pte Ltd	9,704,722	2.60
5	Taiheiyo Singapore Pte Ltd	9,079,659	2.43
6	Starich Investments Pte Ltd	6,664,000	1.78
7	HSBC (Singapore) Nominees Pte Ltd	2,508,591	0.67
8	United Overseas Bank Nominees Pte Ltd	2,194,000	0.59
9	ABN Amro Nominees Singapore Pte Ltd	1,715,000	0.46
10	Bank of Singapore Nominees Pte Ltd	1,596,000	0.43
11	Phillip Securities Pte Ltd	1,454,207	0.39
12	Raffles Nominees (Pte) Ltd	1,441,722	0.39
13	Soon Lee Heng Trading & Transportation Pte Ltd	1,248,000	0.33
14	DBS Vickers Securities (S) Pte Ltd	1,241,000	0.33
15	Maybank Kim Eng Securities Pte. Ltd.	1,206,164	0.32
16	Ling Kung Eng	1,183,000	0.32
17	CIMB Securities (S) Pte Ltd	1,136,000	0.30
18	UOB Kay Hian Pte Ltd	1,130,000	0.30
19	OCBC Securities Private Ltd	994,000	0.27
20	Ang Jwee Herng	670,000	0.18
		306,114,178	81.87

* The percentage of shares held is based on the total number of issued shares of the Company as at 8 March 2012.

analysis of shareholdings

as at 8 March 2012

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholders as at 8 March 2012)

	No. of Shares			
Name of Substantial Shareholder	**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 8 March 2012.

Notes:

(1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 7 of the Companies Act, Chapter 50 (the "Companies Act") to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("Starich").

(2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 7 of the Companies Act to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.

(3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 7 of the Companies Act to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.

(4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 7 of the Companies Act to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Fifty-First 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 Wednesday, 25 April 2012 at 3.00 p.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2011.

2. To declare a tax exempt (1-tier) final dividend of 5 cents per ordinary share for the year ended 31 December 2011 as recommended by the Directors.

3. To approve Directors' fees of $252,740 (excluding the Audit Committee fees) for the year ended 31 December 2011 (year 2010: $260,384) and Audit Committee fees of $20,000 per quarter for the period commencing from 1 July 2012 to 30 June 2013 (period from 1 July 2011 to 30 June 2012: $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, offers themselves for re-election:

   (a) Mr Yuen Kin Pheng, Francis (appointed on 18 May 2011)
   (b) Mr Goh Kian Hwee

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 this Meeting until the next Annual General Meeting:

   (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 Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

notice of annual general meeting

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 "Share Option Scheme") to eligible participants under the Share Option Scheme other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the Share Option Scheme) 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 Share Option Scheme, provided that:

    (a) the aggregate number of shares to be issued pursuant to the Share Option Scheme 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 Share Option Scheme (subject to adjustments, if any, made under the Share Option Scheme) shall not exceed such limits or (as the case maybe) sub-limits as may be prescribed in the Share Option Scheme.

9. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Share Option Scheme to eligible participants under the Share Option Scheme who are Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the Share Option Scheme) 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 Share Option Scheme, 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 Share Option Scheme 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 Share Option Scheme (subject to adjustments, if any, made under the Scheme) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the Share Option Scheme.

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

notice of annual general meeting

(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

notice of annual general meeting

(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

3 April 2012
Singapore

Directors have recommended a tax exempt (1-tier) final dividend of 5 cents per ordinary share in respect of the year ended 31 December 2011 for approval by Shareholders at the Annual General Meeting to be held on 25 April 2012. The final dividend, if approved, will be payable on 21 May 2012.

The Company had on 29 February 2012 advised that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2012. Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited of 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 9 May 2012 will be registered to determine shareholders' entitlements to the proposed dividend for the year ended 31 December 2011.

notice of annual general meeting

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies (whether a member or not) as his proxy to attend and vote on his behalf. 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 forty-eight (48) hours before the time appointed for holding the Meeting.

2. With reference to item 4(b) above (under the heading "Ordinary Business"), Mr Goh Kian Hwee will, upon re-election as a Director of the Company, remain as a member of the Audit Committee ("AC"), Remuneration Committee ("RC") and the Share Option Scheme Committee. Mr Goh is an independent Director.

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 chairman of the NC, RC and Share Option Scheme Committee, and as a member of the AC. Mr Lee is an independent Director.

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 Share Option Scheme Committee. Mr Quek is an independent Director.

6. The Ordinary Resolution proposed in item 7 above (under the heading "Special Business"), if passed, will empower the Directors from the date of the Meeting until the next Annual General Meeting ("AGM") (unless such authority is previously revoked or varied at a general meeting), to issue shares whether by way of rights, bonus or otherwise and/or make or grant Instruments that might require new shares to be issued up to and not exceeding 50% of the Company's total number of issued shares, excluding treasury shares, if any, with a limit of 20% of the Company's total number of issued shares excluding treasury shares, if any, for any issue of shares not made on a *pro rata* basis to shareholders. This authority will expire at the next AGM of the Company, unless revoked or varied at a general meeting.

7. The Ordinary Resolution proposed in item 8 above (under the heading "Special Business"), if passed, will empower the Directors to offer and grant options in accordance with the Share Option Scheme to eligible participants under the Share Option Scheme 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 Share Option Scheme subject to such limits or sub-limits as prescribed in the Share Option Scheme.

8. 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 Share Option Scheme to eligible participants under the Share Option Scheme 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 Share Option Scheme subject to such limits or sub-limits as prescribed in the Share Option Scheme.

9. 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.

notice of annual general meeting

10. 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.

Notes on voting restrictions pursuant to the SGX-ST Listing Manual

Rules 859 and 860

Please note that if a shareholder is eligible to participate in the Share Option Scheme (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 8 in relation to the Share Option Scheme, 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 Share Option Scheme (the "**Parent Group Directors and Employees**"), are required to abstain from voting at the Meeting in respect of the Ordinary Resolution 9 in relation to the Share Option Scheme. 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 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 11 in relation to the proposed renewal of the IPT Mandate.

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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 51st Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Hong Leong Asia Ltd. (Agent Banks: Please see note 8 on required format.)

*I/We, ______________________ with NRIC/Passport No. ______________________
of ____
being *a member/members of HONG LEONG ASIA LTD. (the "Company"), hereby appoint

Name	**Address**	**NRIC/Passport Number**	**Proportion of Shareholdings (%)**

and/or (delete as appropriate)

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Fifty-First 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 Wednesday, 25 April 2012 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 Yuen Kin Pheng, Francis		
		(b) Mr Goh Kian Hwee		
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 "Share Option Scheme") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the Share Option Scheme			
9.	Authority for Directors to offer and grant options to eligible participants under the Share Option Scheme who are Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the Share Option Scheme			
10.	Renewal of Share Purchase Mandate			
11.	Renewal of IPT Mandate for Interested Person Transactions			

Dated this ______________ day of ______________ 2012

Total No. of Shares Held

** Delete accordingly*
Notes: See overleaf

____
Signature(s) of
Member(s)/Common Seal

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

PROXY FORM

Affix
Stamp
Here

The Company Secretary
HONG LEONG ASIA LTD.
36 Robinson Road
#03-01 City House
Singapore 068877

Fold Here

operating network

CORPORATE OFFICE

Hong Leong Asia Ltd.

16 Raffles Quay #26-00,
Hong Leong Building,
Singapore 048581
Tel: (65) 6220 8411 (17 Lines)
Fax: (65) 6222 0087 / 6226 0502

Hong Leong Asia (Shanghai) Co., Ltd.

Room 1006, Urban Development
International Tower,
No. 355 Hongqiao Road,
Xuhui District,
Shanghai 200030,
People's Republic of China
Tel: (86) 21-346 01011/12/13/15
Fax: (86) 21-346 01016

CONSUMER PRODUCTS

Henan Xinfei Electric Co., Ltd.

Henan Xinfei Household Appliance Co., Ltd.

Henan Xinfei Refrigeration Appliances Co., Ltd.

370 Hong Li Road, Xinxiang,
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) 775-322 2188
Fax: (86) 775-328 8168

INDUSTRIAL PACKAGING

Hong Leong (China) Limited

178 Paya Lebar Road #04-10,
Singapore 409030
Tel: (65) 6848 6715
Fax: (65) 6844 3058

Shanghai Rex Packaging Co., Ltd.

1500 Beisong 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

Donguan 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

GREEN PACKAGING

GPac Technology (S) Ptd. Ltd.

178 Paya Lebar Road #04-10,
Singapore 409030
Tel: (65) 6848 6715
Fax: (65) 6844 3058

GPac Technology (M) Snd. Bhd.

PLO 19, Jalan Persiaran Teknologi,
Taman Teknologi Johor,
81400 Senai,
Johor, Malaysia
Tel: (607) 599 6899
Fax: (609) 599 3719

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

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) 6362 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

Quarry Division

Hayford Holdings Sdn Bhd

PTD 2734 and PTD 2735 in
the Mukim of Pengerang,
District of Kota Tinggi,
Johor Darul Ta'zim,
Malaysia
Tel: (607) 598 6828
Fax: (607) 826 6692

OTHERS

HL Global Enterprises Limited

70 Shenton Way, #20-01
Marina House, Singapore 079118
Tel: (65) 6324 9500
Fax: (65) 6221 4861

PRODUCED BY
Group Corporate Affairs
Hong Leong Group Singapore
www.hongleong.com.sg

Hong Leong Asia Ltd.
Co. Reg. No. 196300306G
16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581

www.hlasia.com.sg