HONG LEONG ASIA LTD. (Co. Reg. No. 196300306G)

REPLY TO QUERIES REGARDING THE UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors of Hong Leong Asia Ltd. (the "**Company**") wishes to clarify the following queries raised by the Singapore Exchange Securities Trading Limited on 4 March 2010:

Question 1: We note that there was a significant increase of 264% in "impairment loss on property, plant and equipment, intangibles and assets held for sale" from $8.3 million in FY08 to $30.4 million in FY09. Please explain the circumstances giving rise to the significant increase in impairment loss and elaborate further on the nature of intangibles and assets held for sale which are impaired.

It is the policy of the Group to review impairment of its assets on a quarterly basis.

In 2008, the Group decided to write down the fixed assets of the green technology pallet plant in the light of the weak global business climate. Export markets had weakened, sales were projected to fall and the future cash flows of the green technology pallet plant were expected to be lower than the value of its fixed assets. This was the primary factor for the Group's $8.3 million impairment charge in 2008.

In 2009, one of the Group's China subsidiaries impaired the values of two properties based on valuations against book values. This accounted for about $10 million of the Group's total impairment charge of $30.4 million. Investments in an associate company were also impaired by about $7 million as the realization of proceeds from a sale of such investments was expected to be lower than its carrying costs. These investments were subsequently treated as "Assets Held for Sale". Further impairments of about $4 million of the Group's green technology pallet plant were made during 2009 as the sales continued to be weak. The Group's diesel engines unit made impairments of about $8 million on its fixed assets. About $1 million impairment was made to the air conditioner production line of the Group's consumer products unit. There were no impairments made to intangibles in 2008 and 2009.

Question 2: We note that the Group's allowance for stock obsolescence increased significantly by 500% from $7 million in FY08 to $41.9 million in FY09. Please provide the reasons for the sharp increase in allowance for stock obsolescene and details on the nature of these stock for which the allowance was made.

A large part of the allowance for stock obsolescence in both 2008 and 2009 relates to the Group's diesel engines unit (Yuchai). With the gradual implementation of more stringent emission standards in China, demand for lower emission standard engines fell and Yuchai no longer produces some of these engines. This necessitated the Group to provide for allowances for stock obsolescence in relation to spare parts for such engines.

By Order of the Board
HONG LEONG ASIA LTD.

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

5 March 2010
Singapore