

Unaudited Full Year Financial Statement And Dividend Announcement For The Year Ended 31 December 2012

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

The Board of Directors announces the results of the Group for the year ended 31 December ("FY") 2012. These figures have not been audited.

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

1(a)(i) Income statement	Group		+/- %
	FY 2012 \$'000	FY 2011 \$'000	
Continuing operations			
Revenue	4,112,138	4,625,545	-11.1%
Cost of sales	(3,193,342)	(3,566,859)	-10.5%
Gross profit	918,796	1,058,686	-13.2%
Other (expenses)/income	(1,129)	64,568	NM
Selling and distribution expenses	(437,322)	(500,394)	-12.6%
Research and development costs	(93,441)	(85,646)	9.1%
General and administrative expenses	(195,714)	(205,391)	-4.7%
Finance costs	(72,016)	(55,943)	28.7%
Profit from continuing operations	119,174	275,880	-56.8%
Share of profit of associates and jointly-controlled entity, net of tax	7,647	10,283	-25.6%
Profit before income tax from continuing operations	126,821	286,163	-55.7%
Income tax expense	(51,822)	(36,714)	41.2%
Profit from continuing operations, net of tax	74,999	249,449	-69.9%
Discontinued operations			
Loss from discontinued operations, net of tax	-	(3,107)	NM
Profit for the year	74,999	246,342	-69.6%
Attributable to:			
Owners of the Company			
(Loss)/Profit from continuing operations, net of tax *	(34,910)	83,841	NM
Loss from discontinued operations, net of tax	-	(535)	NM
	(34,910)	83,306	NM
Non-controlling interests			
Profit from continuing operations, net of tax	109,909	165,608	-33.6%
Loss from discontinued operations, net of tax	-	(2,572)	NM
	109,909	163,036	-32.6%

* The net attributable loss for FY 2012 is primarily due to impairment of assets in accordance with the requirement of Financial Reporting Standard (FRS) 36, which impairment is non-cash in nature (please refer to further commentary in Note (2) under Section 1(a)(ii) and in Section 8). Had the assets impairment been excluded, the Group would have reported a net attributable profit of \$16.8 million for FY 2012.

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

	FY 2012	Group FY 2011	+/-
	\$'000	\$'000	%
Profit from operations include the following:			
Loss on disposal of property, plant and equipment and land use rights and intangible assets ⁽¹⁾	(4,260)	(412)	934.0%
Impairment losses recognised on property, plant and equipment and development properties ⁽²⁾	(59,950)	(6,780)	784.2%
Impairment losses written back/(recognised) for trade and other receivables, net	1,902	(28)	NM
Allowance written back for inventories write down, net ⁽³⁾	209	5,663	-96.3%
Depreciation and amortisation	(118,425)	(126,302)	-6.2%
Foreign exchange gain/(loss), net ⁽⁴⁾	1,732	(2,194)	NM

NM: Not meaningful

- (1) Loss on disposal of property, plant and equipment in FY2012 is attributed mainly to the Group's diesel engines unit ("Yuchai") as a result of the write-off of property, plant and equipment no longer in use. Loss on disposal in FY2011 was not significant.
- (2) FY2012 impairment losses were largely due to impairment of assets in respect of the Group's white goods unit ("Xinfei"). FY2011 impairment losses on property, plant and equipment and development properties were mainly related to the hospitality industry by a subsidiary of the Group.
- (3) Yuchai wrote back allowance for inventories in respect of old stocks which were subsequently sold while Xinfei made further allowance for inventories write down in FY2012. The allowance for inventories written back in FY2011 related to those stocks subsequently sold by Yuchai.
- (4) Foreign exchange gain in FY2012 mainly arose from translation of monetary assets and liabilities following strengthening of Singapore dollar vis-à-vis United States dollar and Renminbi ("RMB") at the end of 2012. The foreign exchange loss in FY2011 was largely due to the weaker Singapore dollar vis-à-vis RMB at the end of 2011.

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

The Group's tax charge in 2012 included an under provision of \$7,458,000 that is largely attributable to Xinfei due to the Chinese tax authority disallowing Xinfei's application of high tech incentive status for FY2008 and FY2009. (2011: write-back of over provision of \$12,992,000) in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	FY 2012	Group FY 2011	+/-
	\$'000	\$'000	%
Profit for the year	74,999	246,342	-69.6%
Other comprehensive income			
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(72,574)	57,746	NM
Net fair value changes	(971)	(2,470)	-60.7%
Total other comprehensive income for the year, net of tax	(73,545)	55,276	NM
Total comprehensive income for the year	1,454	301,618	-99.5%
Attributable to:			
Owners of the Company	(56,087)	94,646	NM
Non-controlling interests	57,541	206,972	-72.2%
Total comprehensive income for the year	1,454	301,618	-99.5%
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax	(56,087)	94,634	NM
Total comprehensive income from discontinued operations, net of tax	-	12	NM
Total comprehensive income for the year attributable to owners of the Company	(56,087)	94,646	NM

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

\$'000	Group		Company	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Non-current assets				
Property, plant and equipment	1,233,263	1,275,919	502	685
Land use rights	127,195	135,309	-	-
Intangible assets	110,200	72,117	320	603
Investment in subsidiaries	-	-	213,344	210,824
Interests in associates	56,492	61,449	13,726	13,726
Interests in jointly-controlled entities	-	23	-	-
Other investments	716	4,007	-	-
Deferred tax assets	94,536	101,352	25	7
Non-current receivables	10,716	5,684	-	-
	1,633,118	1,655,860	227,917	225,845
Current assets				
Other investments	10,900	9,265	4	16
Inventories	602,242	733,424	-	-
Development properties	10,288	11,390	-	-
Trade and other receivables	1,617,798	1,830,859	247,117	238,472
Cash and short-term deposits	1,000,806	1,208,450	10,868	1,913
Assets classified as held-for-sale	21,087	15,285	-	7,500
	3,263,121	3,808,673	257,989	247,901
Current liabilities				
Trade and other payables	1,743,676	1,936,819	39,653	19,030
Provisions	69,297	82,602	-	-
Loans and borrowings	711,392	964,080	139,078	142,993
Current tax payable	26,591	35,605	331	-
Liabilities classified as held-for-sale	3,771	7,635	-	-
	2,554,727	3,026,741	179,062	162,023
Net current assets	708,394	781,932	78,927	85,878
Non-current liabilities				
Loans and borrowings	203,494	233,656	-	-
Deferred tax liabilities	45,534	42,047	1,421	27
Deferred grants	65,891	65,404	-	-
Other non-current payables	14,693	-	-	-
Retirement benefits	200	233	-	-
	329,812	341,340	1,421	27
Net assets	2,011,700	2,096,452	305,423	311,696
Capital and reserves				
Share capital	266,830	266,830	266,830	266,830
Reserves	507,401	587,387	38,593	44,866
	774,231	854,217	305,423	311,696
Non-controlling interests	1,237,469	1,242,235	-	-
Total Equity	2,011,700	2,096,452	305,423	311,696

Explanatory Notes to Statement of Financial Position

Group

- The reduction in property, plant and equipment was due mainly to the loss on impairment of assets of \$57.4 million in respect of Xinfei.
- Intangible assets as at 31 December 2012 increased by \$38.1 million largely due to trademark, patent and development costs arising from the acquisition of Airwell Air-conditioning (Asia) Company Limited group ("Airwell") and Fedders Hong Kong Company Limited. Yuchai generated further patent and development costs during the year.
- Reduction in current assets was due mainly to the reduction in inventories, trade and other receivables and cash and short-term deposits. The lower inventories, trade and other receivables came largely from Xinfei and Yuchai. During the year, cash was used by Yuchai to redeem the RMB denominated short term financing bonds.
- Lower current liabilities were due largely to lower trade and bills payable and redemption of RMB denominated short term financing bonds.

Company

- During the year, the Company provided advances to its subsidiaries to acquire interest and for additional capital injection in Airwell. This was funded by bank borrowings which had since been paid down from dividends and repayment of advances and advances received from subsidiaries.

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

Amount repayable in one year or less, or on demand

As at 31.12.2012		As at 31.12.2011	
Secured	Unsecured	Secured	Unsecured
\$71,199,546	\$640,192,566	\$181,258,962	\$782,821,008

Amount repayable after one year

As at 31.12.2012		As at 31.12.2011	
Secured	Unsecured	Secured	Unsecured
\$174,374,921	\$29,118,687	\$181,284,993	\$52,371,133

Details of any collateral

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 31 December 2012 of \$290,217,000 (31 December 2011: \$408,755,000).

In the statement of cashflows for the Group under Section 1(c), the Group had cash and short-term deposits of \$1.0 billion at the end of 2012.

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

	FY 2012 \$'000	FY 2011 \$'000
Operating activities		
Profit before tax from continuing operations	126,821	286,163
Loss before tax from discontinued operations	-	(3,070)
Profit before tax, total	<u>126,821</u>	<u>283,093</u>
Adjustments for:		
Share of profit of associates and jointly-controlled entities, net of tax	(7,647)	(10,283)
Cost of share-based payments	300	570
Depreciation and amortisation	118,934	126,302
Allowance written back for inventories write-down	(209)	(5,663)
Impairment losses (written back)/recognised for trade and other receivables	(1,902)	28
Impairment losses recognised on property, plant and equipment and development property	59,950	6,780
Property, plant and equipment written off	748	291
Intangible assets written off	1,313	562
Finance costs	72,016	55,943
Dividend income from other investments	(689)	(381)
Interest income	(28,163)	(17,071)
(Gain)/loss on disposal of:		
- subsidiaries	1,980	471
- associates	-	682
- property, plant and equipment	4,324	2,306
- land use rights	-	(1,894)
- intangible assets	(64)	-
- investment property	-	(1,155)
- assets held-for-sale	-	(24,567)
- other investment	162	-
Fair value (gain)/loss on investments	(1,630)	1,000
Provision for warranties and other costs, net	<u>76,242</u>	<u>92,370</u>
Operating profit before working capital changes	<u>422,486</u>	<u>509,384</u>
Changes in working capital:		
Inventories	120,637	46,788
Trade and other receivables	116,310	(471,984)
Trade and other payables	(115,440)	(216,385)
Provisions utilised	<u>(86,672)</u>	<u>(102,395)</u>
Cash flows from/(used in) operations	<u>457,321</u>	<u>(234,592)</u>
Income tax paid	<u>(50,019)</u>	<u>(62,619)</u>
Cash flows from/(used in) operating activities	<u>407,302</u>	<u>(297,211)</u>
Investing activities		
Acquisition of subsidiaries and businesses, net of cash acquired	(5,981)	-
Acquisition of non-controlling interests in a subsidiary	-	(55,775)
Purchase of treasury shares in a subsidiary from non-controlling interests	(8,224)	-
Investment in associates	-	(764)
Dividends received from:		
- associates	3,255	3,206
- other investments	689	381
Interest received	34,896	19,277
Purchase of:		
- property, plant and equipment	(210,006)	(253,594)
- land use rights	(7,353)	(16,664)
- intangible assets	(23,503)	(3,702)
- other investments	(5)	-
Proceeds from disposal of:		
- subsidiaries, net of cash disposed	20,438	-
- associates and jointly-controlled entities	-	867
- property, plant and equipment	14,765	30,945
- land use rights	-	3,671
- intangible assets	184	-
- investment property	-	7,915
- assets held-for-sale	7,650	35,650
- other investments	1,161	-
Net cash flows used in investing activities	<u>(172,034)</u>	<u>(228,587)</u>
Financing activities		
Dividend paid to:		
- non-controlling interests of subsidiaries	(52,603)	(90,532)
- shareholders of the Company	(22,434)	(37,383)
Interest paid	(78,406)	(62,866)
Proceeds from borrowings	577,162	343,234
Proceeds from issuance of short-term bonds	197,900	465,677
Advances from related company	2,942	-
(Placement)/release of restricted deposits with banks	(47,153)	5
Proceeds from share issues	-	687
Capital contribution by non-controlling interests of subsidiaries	5,411	-
Grant received from government	7,182	19,536
Repayment in respect of borrowings	(554,851)	(94,692)
Repayment of obligation under finance leases	(488)	(5,426)
Redemption of short-term bonds	<u>(472,981)</u>	<u>-</u>
Net cash flows (used in)/from financing activities	<u>(438,319)</u>	<u>538,240</u>
Net (decrease)/increase in cash and cash equivalents	<u>(203,051)</u>	<u>12,442</u>
Cash and cash equivalents at beginning of the period	1,208,271	1,167,479
Effect of exchange rate changes on balances held in foreign currencies	(42,845)	28,350
Cash and cash equivalents reclassified to assets held-for-sale	<u>(9,105)</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u>953,270</u>	<u>1,208,271</u>
Comprising:		
Cash and short-term deposits	1,000,806	1,208,450
Less: Bank overdraft	(361)	(157)
Restricted deposits	<u>(47,175)</u>	<u>(22)</u>
	<u>953,270</u>	<u>1,208,271</u>

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

	FY 2012 \$'000	FY 2011 \$'000
Acquisitions		
Non-current assets	27,506	-
Net current liabilities	(10,804)	-
Non-current liabilities	(750)	-
Non-controlling interests	(6,017)	-
Goodwill	54	-
Currency translation differences	79	-
Total consideration	<u>10,068</u>	-
Less: Cash and cash equivalents of subsidiaries acquired	(4,087)	-
Acquisition of subsidiaries, net of cash acquired	<u><u>5,981</u></u>	-
Disposals		
Non-current assets	21,543	-
Net current assets	12,682	2
Non-current liabilities	-	-
Non-controlling interests	(12,737)	(205)
Capital reserves	-	711
Realisation of translation differences	-	(37)
Realisation of reserves	2,027	-
Loss on disposal/liquidation of subsidiaries	(1,980)	(471)
Currency translation differences	383	-
Total cash consideration	<u>21,918</u>	-
Less: Cash and cash equivalents of subsidiaries disposed/liquidated	(1,480)	-
Disposal/liquidation of subsidiaries, net of cash disposed	<u><u>20,438</u></u>	-

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

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Equity compensation reserve \$'000	Translation reserve \$'000	Discount/ (Premium Reserve of paid) on disposal acquisition of non- of non- classified as controlling held-for- interests sale \$'000 \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000	
The Group												
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 period	-	-	-	(2,470)	-	13,810	-	-	83,306	94,646	206,972	301,618
Transactions with owners, recorded directly in equity												
<i>Contributions by and distributions to owners</i>												
Shares issued during the period	687	-	-	-	-	-	-	-	-	687	-	687
Cost of share-based payments	-	-	-	-	570	-	-	-	-	570	-	570
Transfer to capital reserve	-	728	-	-	-	-	-	-	(728)	-	-	-
Transfer to statutory reserve	-	-	1,234	-	-	-	-	-	(1,234)	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(37,383)	(37,383)	-	(37,383)
Dividends paid/payable to non- controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,532)	(90,532)
Realisation of reserves on 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 on liquidation of a subsidiary	-	711	-	-	-	(37)	-	-	-	674	(205)	469
Changes in ownership interests in subsidiaries that do not result in a loss of control												
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(68,372)	(68,372)
Discount on acquisition of non- controlling interests	-	-	-	-	-	-	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
At 1 January 2012	266,830	(2,437)	33,802	46,760	2,047	(27,714)	11,146	-	523,783	854,217	1,242,235	2,096,452
Total comprehensive income for the period	-	-	-	(971)	-	(20,206)	-	-	(34,910)	(56,087)	57,541	1,454
Transactions with owners, recorded directly in equity												
<i>Contributions by and distributions to owners</i>												
Cost of share-based payments	-	-	-	-	300	-	-	-	-	300	-	300
Transfer to statutory reserve	-	-	432	-	-	-	-	-	(432)	-	-	-
Shares issued to non-controlling interests of subsidiaries	-	(33)	-	-	-	-	-	-	-	(33)	5,411	5,378
Effect of treasury shares in a subsidiary acquired from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,224)	(8,224)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	6,048	6,048
Shares issued during the year	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(22,434)	(22,434)	-	(22,434)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(52,603)	(52,603)
Reserve attributable to disposal group classified as held-for-sale	-	-	-	-	-	2,813	-	(2,813)	-	-	-	-
Realisation of reserves upon disposal of assets classified as held-for-sale	-	866	-	-	-	(4,605)	-	-	-	(3,739)	-	(3,739)
Realisation of reserves upon disposal of subsidiaries	-	-	(17)	-	-	-	2,027	-	(3)	2,007	-	2,007
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(12,939)	(12,939)
At 31 December 2012	266,830	(1,604)	34,217	45,789	2,347	(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700

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

Statement of Changes In Equity	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Equity compensation reserve \$'000	Accumulated profits \$'000	Total equity \$'000
The Company						
At 1 January 2011	266,143	9,199	8	1,424	28,988	305,762
Total comprehensive income for the period	-	-	(8)	-	42,068	42,060
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Shares issued during the period	687	-	-	-	-	687
Cost of share-based payments	-	-	-	570	-	570
Dividends paid to shareholders	-	-	-	-	(37,383)	(37,383)
At 31 December 2011	266,830	9,199	-	1,994	33,673	311,696
At 1 January 2012	266,830	9,199	-	1,994	33,673	311,696
Total comprehensive income for the period	-	-	-	-	15,861	15,861
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Cost of share-based payments	-	-	-	300	-	300
Dividends paid to shareholders	-	-	-	-	(22,434)	(22,434)
At 31 December 2012	266,830	9,199	-	2,294	27,100	305,423

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

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

There was no change in the Company's issued share capital during the year ended 31 December 2012.

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

During the year, there was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "Scheme"):

As at 31 December 2012, there were a total of 1,180,000 (31 December 2011: 1,290,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2008	\$2.36	470,000
2011	\$3.17	510,000
2011	\$2.62	200,000
Total		1,180,000

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

The Company did not hold any treasury shares as at 31 December 2012 and 31 December 2011.

The total number of issued ordinary shares as at 31 December 2012 and 31 December 2011 was 373,908,559.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the year ended 31 December 2012.

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

The figures have not been audited nor reviewed.

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

Not applicable

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2011.

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

The Group adopted the following revised accounting standards that are effective for annual periods beginning on or after 1 January 2012. Insofar as the Group is concerned, these revised accounting standards are effective on 1 January 2012 as 2012 is the first annual period for the Group subsequent to 1 January 2012. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 Disclosures - Transfer of Financial Assets	1 July 2011

As the above is a disclosure standard, adoption of the standard will have no impact to the financial position and financial performance of the Group.

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

	Group	
	2012	2011
Earnings per ordinary share based on net (loss)/profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue (cts)	(9.34)	22.29
(ii) On a fully diluted basis (cts)	(9.34)	22.29

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

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 31 December 2012 and as at 31 December 2011 (cts)	207.06	228.46	81.68	83.36

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

2012 versus 2011

Revenue for the year declined by 11.1% from \$4.6 billion in FY2011 to \$4.1 billion in FY2012. The decline was due mainly to the slowdown in China's economy which affected a significant portion of the Group's business in China. This was somewhat mitigated by the improvement in the building materials unit ("BMU") and the inclusion of revenue from the newly acquired climate control unit ("Airwell"). Sales in the industrial packaging unit ("Rex") were marginally better than FY2011.

Keen competition, over capacity in the white goods industry and insufficient new models affected the sales of the Group's consumer products unit ("Xinfei"). The decline was also exacerbated by the expiry of the rural subsidy incentive programs and the slowdown in the real estate industry as a result of the Chinese government's effort to contain inflation during the year. Xinfei recorded sales of \$760.5 million in 2012, a drop of 22.7% compared to the previous year.

Sales in the diesel engines unit (“Yuchai”) were affected by the sluggish economy in China. The drop was due mainly to continued weaker demand in the commercial vehicle market. Bus and marine engines improved compared to the previous year but the increase was not significant. The “China Automobile Industry Newsletter of Production & Sales” report issued by China Association of Automobile Manufacturers showed that the demand for diesel engines vehicles in the auto industry had declined compared to the previous year. The decrease was mainly in the truck segment, in particular, heavy trucks. There was some increase in demand for the bus and passenger car segments but the increase was not sufficient to offset the drop in trucks. During the year, Yuchai sold 431,350 units of engines compared with 510,777 units sold in FY2011.

The buoyant construction industry in Singapore had benefitted BMU in 2012. This was due largely to the increased number of flats being built in Singapore. Tasek Corporation Berhad (“Tasek”), on the other hand, registered a marginal decrease in revenue due to intense competition and pricing pressure.

Gross profit for FY2012 dropped to \$918.8 million compared with \$1,058.7 million last year due mainly to lower sales volume. As a result, gross margin declined from 22.9% in FY2011 to 22.3% in FY2012. Raw materials as a percentage of sales were lower in FY2012 compared to FY2011 but this was offset by higher labour cost and the effect of lower volume to leverage the fixed production overheads. Overall average selling price for Xinfai decreased while those in Yuchai had increased. Yuchai’s margin was also affected by the shift in sales mix to lower margin 4-cylinder engines compared to the previous year. Rex’s gross margin improved as a result of lower resin costs but this was partially offset by higher labour costs. BMU’s gross margin was affected by higher raw materials and labour costs despite higher sales volume, and higher rebates given out by Tasek due to greater competition.

Other income in FY 2011 consists primarily of a \$26.0 million gain on sale of PT Karimun Granite. The absence of such gain in FY 2012 and the impairment loss of Xinfai’s assets amounting to \$57.4 million resulted in other expenses of \$1.1 million in FY 2012. This was offset by higher interest income and exchange gain. The impairment assessment was performed in accordance with the requirement of FRS 36 and is non-cash in nature.

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

Lower S&D expenses were due largely to the decrease in volume related and promotional expenses incurred by Xinfai and Yuchai, particularly in advertising & promotion, sales incentives & rebates, warranty and staff costs. S&D expenses as a percentage of sales was marginally lower in FY2012 compared to the previous year.

The increase in research and development expenses of \$7.8 million was mainly attributed to Yuchai due to the increase in staff and testing expenses.

The absence of fair value adjustments on assets relating to the Group’s hospitality business in FY2011 and lower staff costs incurred by Yuchai had resulted in lower G&A expenses for Yuchai. Other than Yuchai, G&A expenses of the other business units had increased with the exception of BMU which had reduced marginally.

Finance costs increased significantly compared to the previous year mainly due to higher interest costs incurred by Xinfai and Yuchai arising from higher bills discounting and borrowings. In addition, there was an increase in the average interest rate.

Share of profit from associates dropped by \$2.6 million compared to the previous year due to lower income from an associate in Malaysia.

Income tax expense for FY2012 was higher than FY2011 mainly due to the higher losses in Xinfai for which deferred tax assets was not recognized. In addition, the Group has taken up an additional tax liability of \$6.9 million as a result of the Chinese tax authority disagreeing with Xinfai on the application of the high tech incentive status granted for FY2008 and FY2009.

The Group incurred a loss attributable to the Owners of the Company of \$34.9 million due mainly to assets impairment and larger operating loss incurred by Xinfai, and loss incurred by Airwell due largely to relocation of its factory from Shenzhen to Taicang, Jiangsu and delay in the initial commercial production of the new plant. Had the assets impairment been excluded, the Group would have reported a profit of \$16.8 million for FY2012.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.0 billion at the end of 2012 compared with \$1.2 billion as at the end of 2011.

The Group generated net cash from operating activities of \$407.3 million. The cash generated came mainly from the reduction in inventories and collection of trade receivables in Xinfei and Yuchai in addition to the cash generated from the operating profit which was partially used to pay down its trade and other payables.

During the year, the Group spent \$217.4 million for the purchase of property, plant and equipment and land use rights.

Yuchai repaid \$473.0 million (Rmb2.4 billion) bonds in July 2012 but issued another RMB-denominated, unsecured short term financing bonds of \$197.9 million (Rmb1.0 billion) in August 2012, resulting in a net decrease of \$275.1 million (Rmb1.4 billion) in borrowings. The new issuance will bear a fixed annual interest rate of 4.45%.

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

None.

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

Based on the recent World Economic Outlook Update report, the global economy is projected to improve for 2013 with a growth forecast of 3.5% compared with 2012 of 3.2%. The improvement is likely to be driven by the emerging markets. United States of America is expected to continue its growth next year by about 2% which is marginally lower than 2012. Eurozone, however, is expected to remain in negative growth territory. In China, where the Group has the most exposure, growth of 8.2% is expected, an improvement over 2012's growth of 7.8%. Singapore's economy is expected to grow between 1% and 3% in 2013 while the Malaysian economy is expected to remain strong.

The transition to a new team of leaders in China last year went smoothly. They are expected to take over the government in the first quarter of 2013.

Operating cost in China has continued to trend upwards, in particular, the labour costs had been increasing rapidly over the last few years. This is expected to continue.

Demand for diesel engines is likely to improve as China's economy improves. The white goods industry, however, is expected to continue to remain challenging but sales on refrigerators and freezers are expected to improve going into the summer months. The Group recognizes the issues surrounding the profit decline in Xinfei and management is focusing its efforts on improving the operations..

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

Barring any unforeseen circumstances including any change in policies of the Chinese government and any adverse change in the business climate, the Group expects to return to profitability in the first quarter and in the current financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim (Paid)	Proposed Final
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share	2 cents per ordinary share
Tax Rate	Tax Exempt (1-tier)	Tax Exempt (1-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim (Paid)	Final (Paid)
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	3 cents per ordinary share	5 cents per ordinary share
Tax Rate	Tax Exempt (1-tier)	Tax Exempt (1-tier)

(c) Date payable

20 May 2013

(d) Books closure date

5.00 p.m. on 13 May 2013

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

Not applicable.

13. Interested persons transactions

Name of Interested Person	Aggregate value of all interested person transactions for FY2012 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hong Leong Investment Holdings Pte. Ltd. and its associates - General Transactions comprising 3 different lease transactions by the Company with the interested persons	\$1,356,714

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

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

14 (a)(i). Business Segments

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

\$' 000	Consumer products	Industrial packaging	Building materials	Diesel engines	Others ⁽¹⁾	Total
2012						
External revenue	760,462	92,061	535,534	2,663,819	60,333	4,112,209
Interest revenue	296	360	6,541	19,973	453	27,623
Interest expense	(8,490)	(864)	(286)	(42,262)	(4,137)	(56,039)
Depreciation and amortisation	(14,528)	(2,560)	(22,743)	(70,330)	(7,717)	(117,878)
Reportable segment (loss)/profit before income tax	(117,635)	(1,066)	83,803	190,464	(11,644)	143,922
Share of profit/(loss) of associates, net of tax	-	-	7,177	73	397	7,647
Reportable segment (loss)/profit after income tax	(125,836)	(2,166)	67,836	162,118	(12,560)	89,392
2011						
External revenue	984,039	91,588	481,858	3,036,824	31,236	4,625,545
Interest revenue	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, net of 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

(1) Others relate to hospitality, property development and climate control operations.

14 (a)(i). Business Segments (Cont'd)

Reconciliation of reportable segment revenue and profit before income tax

	2012 \$'000	2011 \$'000
Revenue		
Total revenue for reportable segments	4,051,876	4,594,309
Other revenue	60,333	31,236
Elimination of revenue	(71)	0
Consolidated revenue	4,112,138	4,625,545
Profit or loss		
Total profit before income tax for reportable segments	155,566	280,752
Other loss	(11,644)	(4,009)
	143,922	276,743
Elimination of inter-segment profits		
Unallocated amounts:		
- Other corporate (loss)/profit	(17,101)	9,420
Consolidated profit before income tax	126,821	286,163

14 (a)(ii). Geographical Segments

\$'000	China (including Hong Kong)	Singapore	Malaysia	Indonesia	Others	Consolidated
2012						
Total revenue from external customers	3,523,973	296,095	261,973	-	30,097	4,112,138
2011						
Total revenue from external customers	4,096,586	253,071	251,634	457	23,797	4,625,545

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

Please refer to section 8 above.

16. A breakdown of sales.

	Group		
	2012 \$'000	2011 \$'000	Increase/ (Decrease)
Sales reported for first half	2,186,331	2,482,890	-11.9%
Operating profit after tax before deducting non-controlling interests reported for first half year	75,646	128,499	-41.1%
Sales reported for second half	1,925,807	2,142,655	-10.1%
Operating (loss)/profit after tax before deducting non-controlling interests reported for second half year	(647)	117,843	NM

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

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	11,217	29,911
Preference	0	0
Total:	11,217	29,911

The figure under the latest full year comprises:

- (i) the net interim dividend for FY 2012 that was paid on 20 September 2012; and
- (ii) the proposed final dividend for FY 2012 which is subject to shareholders' approval at the forthcoming Annual General Meeting, and calculated based on 373,908,559 issued shares in the capital of the Company as at 1 March 2013.

The figure under the previous full year comprises net interim and final dividends paid in respect of FY 2011.

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Kwek Leng Peck	56	Cousin of Mr Kwek Leng Beng, Chairman of Hong Leong Asia Ltd. (" HLA ").	Executive Director of HLA since April 1998. - Responsible for strategic decision making and control of significant activities within the Group.	Nil
Kwek Kon Chun	33	Nephew of: (i) Mr Kwek Leng Beng, Chairman of HLA; and (ii) Mr Kwek Leng Peck, Executive Director of HLA.	Vice President, Corporate Management of HLA, since 1 July 2006. - Responsible for the corporate development and management of HLA's business plans and assist in overseeing the Group's strategic management initiatives: (a) Quality & Productivity Programme (b) Financial Discipline & Control (c) Human Capital Management - Assist in overseeing some of the Group's overseas investments.	Mr Kwek Kon Chun has ceased to hold this position in 2012.

BY ORDER OF THE BOARD

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

1 March 2013