**HONG LEONG ASIA LTD. (REGISTRATION NO. 196300306G)**

# Unaudited Second Quarter And Half Year Financial Statement And Dividend Announcement For The Period Ended 30 June 2011

## 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 second quarter ("2Q") and half year ended 30 June ("1H") 2011. These figures have not been audited. Certain comparative figures for 2Q 2010 and 1H 2010 have been restated to be consistent with the classification for 2Q 2011 and 1H 2011.

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

### 1(a)(i) Income statement

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2Q 2011 | 2Q 2010 (restated) | Change | 1H 2011 | 1H 2010 (restated) | Change |
| | $'000 | $'000 | % | $'000 | $'000 | % |
| **Continuing operations** | | | | | | |
| Revenue | 1,237,121 | 1,336,513 | -7.4% | 2,482,890 | 2,831,328 | -12.3% |
| Cost of sales | (974,852) | (1,018,832) | -4.3% | (1,928,622) | (2,171,246) | -11.2% |
| **Gross profit** | **262,269** | **317,681** | **-17.4%** | **554,268** | **660,082** | **-16.0%** |
| Other income | 10,532 | 8,317 | 26.6% | 16,457 | 18,392 | -10.5% |
| Selling and distribution expenses | (137,643) | (153,412) | -10.3% | (279,056) | (303,047) | -7.9% |
| Research and development costs | (20,307) | (21,379) | -5.0% | (38,863) | (38,615) | 0.6% |
| General and administrative expenses | (42,833) | (47,340) | -9.5% | (95,041) | (98,303) | -3.3% |
| Finance costs | (11,001) | (12,983) | -15.3% | (25,348) | (25,435) | -0.3% |
| **Profit from continuing operations** | **61,017** | **90,884** | **-32.9%** | **132,417** | **213,074** | **-37.9%** |
| Share of profit of associates, net of tax | 3,171 | 659 | 381.2% | 19,315 | 1,339 | 1342.5% |
| **Profit before income tax from continuing operations** | **64,188** | **91,543** | **-29.9%** | **151,732** | **214,413** | **-29.2%** |
| Income tax expense | (11,284) | (13,879) | -18.7% | (23,233) | (33,938) | -31.5% |
| **Profit from continuing operations, net of tax** | **52,904** | **77,664** | **-31.9%** | **128,499** | **180,475** | **-28.8%** |
| **Discontinued operations** | | | | | | |
| Profit from discontinued operations, net of tax | - | 330 | NM | - | 597 | NM |
| **Profit for the period** | **52,904** | **77,994** | **-32.2%** | **128,499** | **181,072** | **-29.0%** |

**Attributable to :**

| | 2Q 2011 | 2Q 2010 (restated) | Change | 1H 2011 | 1H 2010 (restated) | Change |
|---|---|---|---|---|---|---|
| **Owners of the parent** | | | | | | |
| Profit from continuing operations, net of tax | 19,054 | 31,981 | -40.4% | 47,523 | 67,645 | -29.7% |
| Profit from discontinued operations, net of tax | - | 240 | NM | - | 434 | NM |
| | **19,054** | **32,221** | **-40.9%** | **47,523** | **68,079** | **-30.2%** |
| | | | | | | |
| **Non-controlling interests** | | | | | | |
| Profit from continuing operations, net of tax | 33,850 | 45,683 | -25.9% | 80,976 | 112,830 | -28.2% |
| Profit from discontinued operations, net of tax | - | 90 | NM | - | 163 | NM |
| | **33,850** | **45,773** | **-26.0%** | **80,976** | **112,993** | **-28.3%** |

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| Profit from operations include the following: | 2Q 2011 $'000 | 2Q 2010 $'000 | Change % | 1H 2011 $'000 | 1H 2010 $'000 | Change % |
| (Loss)/gain on disposal of property, plant and equipment and land use rights [1] | (1,074) | (56) | 1817.86% | (1,230) | 2,031 | NM |
| Impairment written back on property, plant and equipment, development properties and assets held-for-sale [2] | 258 | 2,523 | -89.77% | 2,569 | 804 | 219.53% |
| Allowance written back/(made) for trade and other receivables/(bad debts written off) [3] | 2,459 | (7,618) | NM | (1,631) | (7,045) | -76.85% |
| Allowance (made)/written back for stock obsolescence [4] | (239) | 2,246 | NM | 3,219 | 3,785 | -14.95% |
| Depreciation and amortisation [5] | (26,767) | (26,149) | 2.36% | (61,466) | (54,250) | 13.30% |
| Foreign exchange (loss)/gain | (293) | (198) | 47.98% | 1,657 | (899) | NM |

NM: Not meaningful

(1) The gain from disposal of property, plant and equipment in 1H 2010 arose largely from the sale of a factory located in Singapore. One of the Group's China subsidiaries sold an office building at a loss in 2Q 2011.

(2) In 1Q 2011, the Group wrote back an impairment loss in respect of property, plant and equipment in one of its joint-venture companies in which it had disposed of part of its equity interest. The impairment written back in 1H 2010 relates to investment in Thakral Corporation Ltd and to the Group's hospitality business.

(3) Allowances for doubtful debts were made/written back by the Group's China subsidiaries to reflect the ageing of those debts.

(4) Allowance for stock obsolescence was written back in 2Q 2010 as those stocks were subsequently sold. One of the Group's China subsidiaries made further allowance for stock obsolescence in respect of certain aged stocks.

(5) Included in 1H 2011 was a further depreciation charge made on the fair value adjustments in respect of purchase of property, plant and equipment relating to the hospitality industry by a subsidiary of the Group.

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

The Group's tax charge for 2Q 2011 included a write-back of over provision of $200,000 (2Q 2010: over provision of $2,739,000) in respect of prior years. The Group's tax charge for 1H 2011 included a tax refund and write-back of over provision of $4,328,000 (1H 2010: over provision of $3,136,000) in respect of prior years.

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2Q 2011<br><br>$'000 | 2Q 2010<br>(restated)<br>$'000 | Change<br><br>% | 1H 2011<br><br>$'000 | 1H 2010<br>(restated)<br>$'000 | Change<br><br>% |
| **Profit for the period** | **52,904** | **77,994** | **-32.2%** | **128,499** | **181,072** | **-29.0%** |
| **Other comprehensive income:** | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations | (13,935) | (12,086) | 15.3% | (53,750) | (6,902) | 678.8% |
| Net fair value changes | 519 | 722 | -28.1% | 1,899 | 617 | 207.8% |
| **Total other comprehensive income for the year, net of tax** | **(13,416)** | **(11,364)** | **18.1%** | **(51,851)** | **(6,285)** | **725.0%** |
| **Total comprehensive income for the period** | **39,488** | **66,630** | **-40.7%** | **76,648** | **174,787** | **-56.1%** |
| **Attributable to:** | | | | | | |
| Owners of the parent | 9,702 | 29,225 | -66.8% | 25,736 | 67,085 | -61.6% |
| Non-controlling interests | 29,786 | 37,405 | -20.4% | 50,912 | 107,702 | -52.7% |
| **Total comprehensive income for the period** | **39,488** | **66,630** | **-40.7%** | **76,648** | **174,787** | **-56.1%** |
| | | | | | | |
| **Attributable to:** | | | | | | |
| **Owners of the parent** | | | | | | |
| Total comprehensive income from continuing operations, net of tax | 9,702 | 28,985 | -66.5% | 25,736 | 66,651 | -61.4% |
| Total comprehensive income from discontinued operations, net of tax | - | 240 | NM | - | 434 | NM |
| **Total comprehensive income for the period attributable to owners of the parent** | **9,702** | **29,225** | **-66.8%** | **25,736** | **67,085** | **-61.6%** |
| | | | | | | |

**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.**

| | Group | | Company | |
|---|---|---|---|---|
| **$'000** | 30/06/2011 | 31/12/2010 | 30/6/2011 | 31/12/2010 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,117,613 | 1,141,147 | 610 | 351 |
| Land use rights | 131,048 | 123,438 | - | - |
| Intangible assets | 70,727 | 69,580 | 443 | 583 |
| Investment in subsidiaries | - | - | 210,824 | 213,824 |
| Interests in associates | 57,257 | 22,534 | 13,726 | 13,816 |
| Investment properties | - | 7,055 | - | - |
| Other investments | 1,869 | 2,101 | - | - |
| Deferred tax assets | 78,513 | 87,502 | - | 3 |
| Non-current receivables | 2,765 | 12,666 | - | - |
| | **1,459,792** | **1,466,023** | **225,603** | **228,577** |
| **Current assets** | | | | |
| Other investments | 10,779 | 12,596 | 31 | 37 |
| Inventories | 673,129 | 746,397 | - | - |
| Development properties | 11,469 | 15,764 | - | - |
| Trade and other receivables | 1,813,499 | 1,285,517 | 211,699 | 183,608 |
| Cash and short-term deposits | 902,822 | 1,168,143 | 1,066 | 1,125 |
| Assets classified as held-for-sale | 26,617 | 58,252 | 28,974 | 36,499 |
| | **3,438,315** | **3,286,669** | **241,770** | **221,269** |
| **Current liabilities** | | | | |
| Trade and other payables | 2,159,878 | 2,097,200 | 19,148 | 27,442 |
| Provisions | 81,176 | 89,938 | - | - |
| Loans and borrowings | 402,612 | 235,333 | 136,127 | 116,597 |
| Current tax payable | 19,273 | 49,648 | - | - |
| Liabilities classified as held-for-sale | 11,556 | 19,066 | - | - |
| | **2,674,495** | **2,491,185** | **155,275** | **144,039** |
| | | | | |
| **Net current assets** | **763,820** | **795,484** | **86,495** | **77,230** |
| | | | | |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 243,626 | 220,680 | - | - |
| Deferred tax liabilities | 37,765 | 37,999 | 42 | 45 |
| Deferred grants | 60,179 | 46,192 | - | - |
| Retirement benefits | 233 | 241 | - | - |
| | **341,803** | **305,112** | **42** | **45** |
| | | | | |
| **Net assets** | **1,881,809** | **1,956,395** | **312,056** | **305,762** |
| | | | | |
| **Capital and reserves** | | | | |
| Share capital | 266,749 | 266,143 | 266,749 | 266,143 |
| Reserves | 498,873 | 502,253 | 45,307 | 39,619 |
| | 765,622 | 768,396 | 312,056 | 305,762 |
| Non-controlling interests | 1,116,187 | 1,187,999 | - | - |
| **Total Equity** | **1,881,809** | **1,956,395** | **312,056** | **305,762** |

## Explanatory Notes to Statement of Financial Position

### Group

- Compared to 31 December 2010, the total assets increased largely as a result of lower trade debts of Yuchai as customers had to pay by year-end (31 December 2010) before they could be granted payment and other sales discounts. This same factor accounted for higher cash holdings as at 31 December 2010. Total liabilities increased primarily due to borrowings to fund further purchases of shares in China Yuchai International Limited ("CYI") by the Group and increase in trade bills.

- Net current assets decreased for the two comparative periods due to higher working capital requirements (inventories, trade and other receivables, net of trade and other payables) arising from prompt payment by customers at last year-end which was partly compensated by a reduction in 'Assets classified as held-for-sale' as at 30 June 2011 compared to 31 December 2010. The latter was due to (1) two associates of Tasek Corporation Berhad ("Tasek"), which had been put up for sale since mid February 2009 but the sale exercise has since been aborted; (2) disposal of part of the Group's equity interest in Angkasa Hong Leong Pte Ltd ("AHL") (now known as Angkasa Amsteel Pte Ltd) to its joint venture partner; and (3) partly compensated by an office building in Johore owned by a subsidiary of CYI, which was previously treated as investment properties.

- Non-current liabilities rose due largely to (1) higher grants being given by the Chinese Government to one of the Group's China subsidiaries for research and development activities, and (2) higher bank borrowings to fund the construction of a plant for the manufacture of heavy duty engines and to redeem preference shares issued by a subsidiary of the Group.

### Company

- Trade and other receivables rose primarily due to advances granted to a subsidiary company for its purchase of shares in CYI.

- The reduction in assets classified as held-for-sale was due to the disposal of part of the Company's equity interest in AHL to its joint venture partner.

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

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

| As at 30/06/2011 | | As at 31/12/2010 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| $10,809,808 | $391,801,842 | $32,268,494 | $203,064,463 |

### Amount repayable after one year

| As at 30/06/2011 | | As at 31/12/2010 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| $180,014,978 | $63,611,345 | $176,820,695 | $43,858,998 |

### 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 30 June 2011 of $238,384,000 (31 December 2010: $289,524,000).

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

| | 2Q 2011 | 2Q 2010 (restated) | 1H 2011 | 1H 2010 (restated) |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Operating Activities** | | | | |
| Profit before income tax from continuing operations | 64,188 | 91,543 | 151,732 | 214,413 |
| Profit before income tax from discontinued operations | - | 440 | - | 788 |
| Adjustment for : | | | | |
| Depreciation and amortisation | 26,767 | 26,149 | 61,466 | 54,250 |
| Allowance made/(written back) for stock obsolescence | 239 | (2,246) | (3,219) | (3,785) |
| Impairment losses (written back)/made for trade and other receivables | (2,459) | 7,618 | 1,631 | 7,045 |
| Cost of share-based payment | 238 | 28 | 486 | 82 |
| Fair value loss on investments | - | - | 1,347 | - |
| Impairment losses written back for property, plant and equipment and assets held for sale | (258) | (2,523) | (2,569) | (804) |
| Loss/(gain) on disposal of property, plant and equipment | 2,954 | 56 | 3,110 | (2,031) |
| Gain on disposal of land use rights | (1,880) | - | (1,880) | - |
| Loss on disposal of investment | - | 6 | - | 6 |
| Loss/(gain) on liquidation of subsidiaries | 469 | (69) | 469 | (522) |
| Loss on liquidation of an associate | - | - | 682 | - |
| Finance costs | 11,001 | 12,983 | 25,348 | 25,435 |
| Dividends and interest income | (3,634) | (4,609) | (7,342) | (8,431) |
| Provision for warranties and other costs, net | 23,712 | 32,674 | 41,679 | 59,947 |
| Share of profit of associates | (3,171) | (659) | (19,315) | (1,339) |
| Operating profit before working capital changes | 118,166 | 161,391 | 253,625 | 345,054 |
| Changes in working capital: | | | | |
| Inventories | 110,991 | 98,762 | 57,922 | 50,276 |
| Trade and other receivables | (311,962) | (166,646) | (540,220) | (687,327) |
| Trade and other payables | 79,949 | (47,561) | 125,334 | 356,784 |
| Provisions utilised | (30,135) | (21,222) | (48,301) | (36,452) |
| | (32,991) | 24,724 | (151,640) | 28,335 |
| Income tax paid | (47,207) | (51,890) | (49,779) | (55,359) |
| Cash flows used in operating activities | (80,198) | (27,166) | (201,419) | (27,024) |
| **Investing Activities** | | | | |
| Interests and dividends received | 5,772 | 4,160 | 10,125 | 8,684 |
| Proceeds from disposal of a subsidiary, net of cash disposed | - | (1) | - | (4) |
| Proceeds from disposal of associates and joint ventures | - | - | 867 | - |
| Proceeds from disposal of investments | - | 35 | - | 35 |
| Proceeds from disposal of property, plant and equipment | 14,707 | 205 | 15,093 | 8,164 |
| Proceeds from disposal of land use rights | 3,478 | - | 3,845 | - |
| Proceeds from disposal of assets held for sale | 7,650 | - | 7,650 | - |
| Acquisition of non-controlling interests in a subsidiary | (34,300) | - | (34,300) | (6,210) |
| Purchase of property, plant and equipment | (58,197) | (25,196) | (98,856) | (56,303) |
| Payment of land use rights | (89) | (6,099) | (13,436) | (14,664) |
| Purchase of intangible assets | (669) | (100) | (1,721) | (282) |
| Cash flows used in investing activities | (61,648) | (26,996) | (110,733) | (60,580) |
| **Financing Activities** | | | | |
| Proceeds from share issue | 57 | 38 | 606 | 1,100 |
| Grant received from government | 1,315 | 170 | 15,349 | 22,601 |
| Capital contribution by non-controlling interests of a subsidiary | - | 3,936 | - | 9,898 |
| Proceeds from bank borrowings | 29,824 | 56,551 | 69,670 | 103,898 |
| Proceeds from issuance of bond | - | - | 193,733 | - |
| Repayment of bank borrowings | (4,870) | (19,926) | (52,601) | (68,085) |
| Repayment of obligations under finance leases | (4,846) | - | (9,911) | - |
| Dividends paid to shareholders of the Company | (26,167) | (26,147) | (26,167) | (26,147) |
| Dividends paid to non-controlling interests of subsidiaries | (85,605) | (15,080) | (85,605) | (24,579) |
| (Placement)/release of fixed deposits pledged with banks | (22) | 20,833 | 5 | 20,892 |
| Interest paid | (12,181) | (13,812) | (27,767) | (27,418) |
| Cash flows (used in)/from financing activities | (102,495) | 6,563 | 77,312 | 12,160 |
| **Net decrease in cash and cash equivalents** | (244,341) | (47,599) | (234,840) | (75,444) |
| **Cash and cash equivalents at beginning of the period** | 1,155,487 | 1,028,568 | 1,167,479 | 1,054,674 |
| Effects of exchange rate changes on cash and cash equivalents | (9,346) | (5,266) | (30,839) | (3,527) |
| **Cash and cash equivalents at end of the period** | 901,800 | 975,703 | 901,800 | 975,703 |
| Comprising: | | | | |
| Fixed deposit, bank and cash balances | | | 902,822 | 989,052 |
| Less: Bank overdraft | | | (1,000) | (13,299) |
| Fixed deposits pledged | | | (22) | (50) |
| | | | 901,800 | 975,703 |

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

| | 2Q 2011 $'000 | 2Q 2010 $'000 | 1H 2011 $'000 | 1H 2010 $'000 |
|---|---|---|---|---|
| **Disposals** | | | | |
| Non-controlling interests | (205) | - | (205) | - |
| Capital reserves | 711 | - | 711 | - |
| Realisation of translation difference | (37) | (70) | (37) | (526) |
| Gain on liquidation of a subsidiary | (469) | 69 | (469) | 522 |
| Disposal of a subsidiary, net of cash disposed | - | (1) | - | (4) |

## 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 Compen-sation Reserve $'000 | Translation Reserve $'000 | Discount/ (premium) paid on acquisition of non-controlling interests Interests $'000 | Reserve of disposal group classified as held-for-sale S$'000 | Revenue Reserve $'000 | Total $'000 | Non-controlling Interests $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Group | | | | | | | | | | | | |
| At 1 January 2010 | 264,996 | (28,672) | 29,664 | 44,015 | 2,009 | (18,757) | - | - | 414,798 | 708,053 | 1,006,596 | 1,714,649 |
| Total comprehensive income for the period | - | - | - | (105) | - | 2,107 | - | - | 35,858 | 37,860 | 70,297 | 108,157 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | | | | |
| Share issued during the period | 1,062 | - | - | - | - | - | - | - | - | 1,062 | - | 1,062 |
| Cost of share-based payments | - | - | - | - | 54 | - | - | - | - | 54 | - | 54 |
| Acquisition of business combination and others | - | - | - | - | - | - | - | - | (143) | (143) | 217 | 74 |
| Dividends paid/payable to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | (9,499) | (9,499) |
| Shares issued to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | 5,962 | 5,962 |
| **Changes in ownership interests in subsidiaries that do not result in a loss of control** | | | | | | | | | | | | |
| Acquisition of non-controlling interests | - | - | - | - | - | - | - | - | - | - | (3,879) | (3,879) |
| Premium paid on acquisition of non-controlling interests | - | - | - | - | - | - | (2,331) | - | - | (2,331) | - | (2,331) |
| At 31 March 2010 | 266,058 | (28,672) | 29,664 | 43,910 | 2,063 | (16,650) | (2,331) | - | 450,513 | 744,555 | 1,069,694 | 1,814,249 |
| | | | | | | | | | | | | |
| At 1 April 2010 | 266,058 | (28,672) | 29,664 | 43,910 | 2,063 | (16,650) | (2,331) | - | 450,513 | 744,555 | 1,069,694 | 1,814,249 |
| Total comprehensive income for the period | - | - | - | 722 | - | (3,718) | - | - | 32,221 | 29,225 | 37,405 | 66,630 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | | | | |
| Share issues during the period | 38 | - | - | - | - | - | - | - | - | 38 | - | 38 |
| Cost of share-based payment | - | - | - | - | 28 | - | - | - | - | 28 | - | 28 |
| Dividends paid to shareholders | - | - | - | - | - | - | - | - | (26,147) | (26,147) | - | (26,147) |
| Dividends paid/payable to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | (15,080) | (15,080) |
| Shares issued to non-controlling interests of a subsidiary | | - | - | - | - | - | - | - | - | - | 3,936 | 3,936 |
| At 30 June 2010 | 266,096 | (28,672) | 29,664 | 44,632 | 2,091 | (20,368) | (2,331) | - | 456,587 | 747,699 | 1,095,955 | 1,843,654 |
| | | | | | | | | | | | | |
| At 1 January 2011 | 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 |
| Total comprehensive income for the period | - | - | - | 1,380 | - | (13,815) | - | - | 28,469 | 16,034 | 21,126 | 37,160 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | | | | |
| Share issued during the period | 549 | - | - | - | - | - | - | - | - | 549 | - | 549 |
| Cost of share-based payment | - | - | - | - | 248 | - | - | - | - | 248 | - | 248 |
| Realisation of reserves upon disposal of assets | - | - | - | (2,978) | - | - | - | - | - | (2,978) | (2,568) | (5,546) |
| At 31 March 2011 | 266,692 | (28,672) | 32,568 | 46,797 | 1,725 | (61,084) | (1,451) | 2,353 | 523,321 | 782,249 | 1,206,557 | 1,988,806 |
| | | | | | | | | | | | | |
| At 1 April 2011 | 266,692 | (28,672) | 32,568 | 46,797 | 1,725 | (61,084) | (1,451) | 2,353 | 523,321 | 782,249 | 1,206,557 | 1,988,806 |
| Total comprehensive income for the period | - | - | - | 519 | - | (9,871) | - | - | 19,054 | 9,702 | 29,786 | 39,488 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | | | | |
| Share issued during the period | 57 | - | - | - | - | - | - | - | - | 57 | - | 57 |
| Cost of share-based payment | - | - | - | - | 238 | - | - | - | - | 238 | - | 238 |
| Dividends paid to shareholders | - | - | - | - | - | - | - | - | (26,167) | (26,167) | - | (26,167) |
| Reserve attributable to disposal group classified as held for sale | - | (860) | - | - | - | 4,516 | - | (3,656) | - | - | - | - |
| Realisation of reserves upon disposal of assets held for sale | - | - | - | - | - | - | - | (1,177) | - | (1,177) | - | (1,177) |
| Dividends paid/payable to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | (85,605) | (85,605) |
| Realisation of reserves upon liquidation of a subsidiary | - | 711 | - | - | - | (37) | - | - | - | 674 | (205) | 469 |
| **Changes in ownership interests in subsidiaries that do not result in a loss of control** | | | | | | | | | | | | |
| Discount/(premium) paid on acquisition of non-controlling interests | - | - | - | - | - | - | 46 | - | - | 46 | (34,346) | (34,300) |
| At 30 June 2011 | 266,749 | (28,821) | 32,568 | 47,316 | 1,963 | (66,476) | (1,405) | (2,480) | 516,208 | 765,622 | 1,116,187 | 1,881,809 |

### 1(d)(i) Statement of changes in equity for the periods ended 30 June (cont'd)

| Statement of Changes In Equity | Share Capital $'000 | Capital Reserves $'000 | Fair Value Reserves $'000 | Compensation Reserves $'000 | Revenue Reserves $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| The Company | | | | | | |
| At 1 January 2010 | 264,996 | 9,199 | 5 | 1,496 | 48,326 | 324,022 |
| Total comprehensive income for the period | - | - | (2) | - | (3,429) | (3,431) |
| Share issued during the period | 1,062 | - | - | - | - | 1,062 |
| Cost of share-based payment | - | - | - | 54 | - | 54 |
| At 31 March 2010 | 266,058 | 9,199 | 3 | 1,550 | 44,897 | 321,707 |

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 April 2010 | 266,058 | 9,199 | 3 | 1,550 | 44,897 | 321,707 |
| Total comprehensive income for the period | - | - | 5 | - | 11,247 | 11,252 |
| Share issued during the period | 38 | - | - | - | - | 38 |
| Cost of share-based payment | - | - | - | 28 | - | 28 |
| Dividends | - | - | - | - | (26,147) | (26,147) |
| At 30 June 2010 | 266,096 | 9,199 | 8 | 1,578 | 29,997 | 306,878 |

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 January 2011 | 266,143 | 9,199 | 8 | 1,424 | 28,988 | 305,762 |
| Total comprehensive income for the period | - | - | (6) | - | 28,779 | 28,773 |
| Share issued during the period | 549 | - | - | - | - | 549 |
| Cost of share-based payment | - | - | - | 248 | - | 248 |
| At 31 March 2011 | 266,692 | 9,199 | 2 | 1,672 | 57,767 | 335,332 |

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 April 2011 | 266,692 | 9,199 | 2 | 1,672 | 57,767 | 335,332 |
| Total comprehensive income for the period | - | - | - | - | 2,596 | 2,596 |
| Share issued during the period | 57 | - | - | - | - | 57 |
| Cost of share-based payment | - | - | - | 238 | - | 238 |
| Dividends | - | - | - | - | (26,167) | (26,167) |
| At 30 June 2011 | 266,749 | 9,199 | 2 | 1,910 | 34,196 | 312,056 |

**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**

| | Number of Shares | Issued and Paid-Up Capital |
|---|---|---|
| Ordinary Shares | | $'000 |
| Balance as at 1 April 2011 | 373,823,359 | 266,692 |
| Shares issued for cash upon the exercise of options under the Hong Leong Asia Share Option Scheme 2000 (the " Scheme") | 28,200 | 57 |
| Balance as at 30 June 2011 | 373,851,559 | 266,749 |

The Company did not hold any treasury shares as at 30 June 2011 and 30 June 2010.

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

During 2Q 2011, the following options were exercised pursuant to the terms of the Scheme:

| Year of Grant | Exercise Price Per Share | 2Q 2011 | Cumulative To Date |
|---|---|---|---|
| 2001 | $0.41 | - | 6,107,000 |
| 2002 | $1.00 | - | 1,153,800 |
| 2003 | $1.79 | - | - |
| 2004 | $1.51 | - | 809,000 |
| 2005 | $1.28 | - | 247,700 |
| 2007 | $1.88 | - | 1,031,400 |
| 2008 | $2.36 | 18,200 | 380,000 |
| 2009 | $1.42 | 10,000 | 43,000 |
| 2011 | $3.17 | - | - |
| 2011 | $2.62 | - | - |
| Total | | 28,200 | 9,771,900 |

As at 30 June 2011, there were a total of 1,647,000 (30 June 2010: 1,338,200) unissued shares under options granted pursuant to the Scheme. Details are as follows:

| Year of Grant | Exercise Price | Number of Outstanding Options |
|---|---|---|
| 2008 | $2.36 | 470,000 |
| 2009 | $1.42 | 57,000 |
| 2011 | $3.17 | 920,000 |
| 2011 | $2.62 | 200,000 |
| Total | | 1,647,000 |

**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 30 June 2011 and 31 December 2010.

The total number of issued ordinary shares as at 30 June 2011 and 31 December 2010 were 373,851,559 and 373,573,359 ordinary shares respectively.

**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 three months ended 30 June 2011.

**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 2010.

**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 February 2010. Insofar as the Group is concerned, these revised accounting standards are effective on 1 January 2011 as 2011 is the first annual period for the Group subsequent to 1 February 2010. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues* | 1 February 2010 |
| INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2010 |
| Revised FRS 24 *Related Party Disclosures* | 1 January 2011 |
| Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement* | 1 January 2011 |
| INT FRS 115 *Agreements for the Construction of Real Estate* | 1 January 2011 |

Except for the revised FRS 24, the adoption of the other standards and interpretations above has no material impact on the financial statements of the Group.

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. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. As this is a disclosure standard, it will have no impact on the financial position or 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 | | | |
|---|---|---|---|---|
| Earnings per ordinary share based on net profit attributable to shareholders | **2Q 2011** | **2Q 2010** | **1H 2011** | **1H 2010** |
| (i) Based on the weighted average number of ordinary shares in issue (cts) | 5.10 | 8.63 | 12.72 | 18.23 |
| (ii) On a fully diluted basis (cts) | 5.10 | 8.62 | 12.71 | 18.20 |

**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 | |
|---|---|---|---|---|
| | 30/6/2011 | 31/12/2010 | 30/6/2011 | 31/12/2010 |
| 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 30 June 2011 and as at 31 December 2010 (cts) | 204.79 | 205.69 | 83.47 | 81.85 |

**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.**

2nd Quarter (2Q) – 2011 versus 2010

Against a background of even tighter monetary policies and stricter credit conditions coupled with soaring inflation, China's economy cooled significantly at an annual pace of 9.5 percent in 2Q 2011 compared to 11.9 percent in the preceding quarter. Like China, Malaysia is also expected to report slower 2Q 2011 economic growth. Based on data from the Ministry of Trade and Industry, Singapore's economy grew by 0.9 percent on a year-on-year basis down from the 9.3 percent growth in the previous quarter.

Profit for 2Q 2011 fell to $52.9 million from $78.0 million achieved in 2Q 2010. This in turn caused a 40.9 percent decline in profit attributable to shareholders for 2Q 2011 to $19.1 million.

Sales revenue of the Group was affected by the translation of Renminbi-denominated sales into Singapore dollars due to the strength of the Singapore dollar compared to the Renminbi in 2Q 2011. This contributed to about $75.3 million reduction in sales revenue or equivalent to 5.6 percent of the 7.4 percent decline in total sales revenue. Other contributory factors were reduced sales of white goods, declining orders for industrial packaging products and lower deliveries of precast concrete.

A shift in product focus by the Consumer Products Unit ("Xinfei") away from airconditioners resulted in a decline in unit sales of white goods even as the Group launched a new product in washing machines this year. Pricing pressure also affected sales revenue of Xinfei. Gradual destocking as well as a slowdown in sales of commercial vehicles resulted in slower sales of the Diesel Engines Unit ("Yuchai") quarter-on-quarter but its 2Q 2011 sales were nonetheless stronger than 2Q 2010 largely due to increased sales of off-highway engines. However a greater shift towards lower-end engines resulted in a smaller increase in sales revenue for Yuchai in 2Q 2011. Reduced orders from a key customer resulted in lower sales volume of the Industrial Packaging Unit ("Rex") even though sales of green technology pallets ("GPac") improved marginally. Sales revenue of the Building Materials Unit ("BMU") declined due to slower deliveries of precast concrete, in contrast to peak deliveries for certain public housing projects in 2Q 2010 as well as deconsolidation of a jointly-controlled entity following the disposal of part of the Company's interest in the said entity in May 2011.

As in sales revenue, gross profit was also affected by the stronger Singapore dollar, which accounted for 4.9 percent of the 17.4 percent decline in total gross profit. Rising labour and raw material costs ate into the gross profit margin of Xinfei and Rex. Xinfei was also affected by the non-recurrence of a write-back of stock obsolescence and government subsidy on sales of airconditioners. The proportionately higher sales of lower capacity engines affected the gross profit of Yuchai. Partly compensating these factors were (1) less competitive bidding, arising from higher raw material costs resulted in improved margin on sales of ready-mix concrete and (2) write-backs of accrued customer claims, assets impairment and onerous contracts provision both of which contributed to an improved gross profit for BMU.

Other income grew largely on account of higher interest income and dividend income received from a company which the Group no longer accounted for as a jointly-controlled entity.

Total operating expenses were favourably affected by exchange rate to the tune of $11.9 million.

Selling and distribution ("S&D") expenses declined for three primary reasons, viz., (1) lower freight costs incurred by Xinfei and Rex due to lower unit sales and lower freight rates; (2) lower direct sales promotional and incentive expenses incurred by Xinfei due to lower sales of airconditioners and showcases; and (3) Yuchai incurred substantially less warranty expenses this quarter as its 2Q 2010 warranty expenses included a one-time adjustment of the accrual for warranty costs. Partly compensating these factors was the costs incurred in launching a new advertising campaign by Xinfei on China Central Television to increase brand awareness as well as additional costs incurred in assisting dealers to dispose those goods that no longer qualify for the Chinese government subsidy.

Research and development ("R&D") costs did not vary much for the comparative quarters.

General and administrative ("G&A") expenses fell primarily on account of lower accrual of staff performance-related costs, in line with lower profitability.

Finance costs fell largely due to lower amount of bills being discounted by Yuchai. This was partly mitigated by interest expense incurred on the issuance of corporate bonds by the same entity.

Share of profit of associates rose due to the reclassification of investments in two companies owned by Tasek from investments 'held-for-sale' to associates, in line with the change of plans by its board of directors. This factor and higher gross profit margin accounted for the improved performance of BMU.

The effective tax rate for the Group, at 17.6 percent, was higher than 15.2 percent in 2Q 2010 as the 2Q 2011 had lower amount for tax provision written back as well as having a larger proportion of its profit earned in higher tax rate jurisdiction.

First Half Year (1H) – 2011 versus 2010

A sharp slowdown in the economic growth in China affected the performance of the Group's China operations as did the continued strength of the Singapore dollar vis-à-vis the Renminbi. Profit after tax for 1H 2011 fell to $128.5 million from $181.1 million in 1H 2010.

The strength of the Singapore dollar eroded sales revenue by more than $150 million, translating to a 5.3 percent decline in total revenue against 1H 2010. Although Xinfei sold more refrigerators in China, with unit sales up by close to 7 percent year-on-year, sales of its other product lines fell year-on-year. A scale-down of airconditioner operations saw sales of this product line reaching just 15.5 percent of 1H 2010's unit sales. Sales of washing machines were just launched this year and have yet to achieve a level that could compensate for the loss of sales of airconditioners. Delay in off-take by a major customer caused a slowdown in sales of showcases. These factors caused a marginal decline in the sales revenue of Xinfei. With about 8.3 percent less diesel engines being sold and a shift towards lower end engines which resulted in lower weighted average selling price, revenue of Yuchai also fell. Sales revenue of BMU was affected by lower sales of precast concrete and cement even as sales of ready-mix improved and prices of cement rose. Reduced orders, particularly from a key customer, resulted in lower sales of industrial packaging products. Despite close to 10 percent more green technology pallets being sold, GPac's revenue remains low.

Of the 16.0 percent decline in gross profit year-on-year, close to 5 percent came from the strength of the Singapore dollar against the Renminbi. Other major factors which caused a decline in gross profit were volume declines suffered by Yuchai, Xinfei and Rex, sharp rise in raw material costs incurred by Xinfei and Rex, rising labour costs in China and a shift towards sales of lower margin industrial diesel engines by Yuchai. The absence of government subsidy from airconditioner sales was another contributing factor.

Other income declined as during 1H 2010, the Group made a gain on the sale of a factory building, earned higher interest income and amortized grant from the Chinese government for R&D projects.

1H 2011 operating expenses had a $23.7 million favourable exchange impact. This was the single largest factor contributing to the $27.0 million decline in total operating expenses.

Lower provision for doubtful trade debt by Yuchai combined with the non-recurrence of the one-time adjustment on warranty expenses (made by Yuchai in 2Q 2010) reduced S&D expenses in 1H 2011. However additional costs incurred in assisting dealers to dispose those goods that no longer qualify for the Chinese government subsidy, increased advertising expenses and higher sales incentives incurred by Xinfei partly negated those favourable factors.

R&D expenses were essentially unchanged year-on-year.

G&A expenses declined by 3.3 percent as Yuchai accrued lower staff-related performance bonus, which would have been even lower if not for the higher depreciation expense on fair value adjustments on assets relating to the hospitality business which were acquired by the Group.

The inclusion of two associated companies owned by Tasek which were previously considered as assets 'held-for- sale' largely accounted for the increase in share of profit of associates in 1H 2011 and this was the primary factor in contributing to an improved performance by BMU.

The lower effective tax rate incurred by the Group this year was largely due to the inclusion of after-tax profit of share of profit from associates this year and tax refund given to a Malaysian subsidiary despite the relatively higher proportion of pre-tax profits from jurisdiction with higher tax rate.

Working Capital and Cash Flow

Cash and cash equivalents of the Group fell on account of lower profitability, less bills discounted, purchases of additional shares in CYI, capital expenditure incurred largely for new joint venture investments in diesel engines and increased dividend paid by Yuchai, CYI and Tasek to shareholders outside the Group.

With the exception of BMU, all other operating units had either lower profitability or incurred losses in 2Q 2011. This resulted in a reduction in operating profit for the comparative quarters. The Group increased its cash outflow from operating activities (after working capital changes) arising from lower operating profit as well as lower bill discounting activity, the latter by Yuchai. However, the primary mitigating factor was increased suppliers' credit as the Group sought to leverage on use of trade bills to finance its inventory purchases.

Capital expenditure rose by $33.0 million to reach $58.2 million in 2Q 2011 mostly a result of new assets purchased for joint ventures of Yuchai, capacity expansion projects of Yuchai and Xinfei and progressive payments on the research institute and foundry being built by Yuchai. The Group also increased its equity holdings in CYI and this further increased the cash outflows from investing activities. These outflows were partly compensated by proceeds from the sale of an office building by a subsidiary of CYI as well as the Group's interest in AHL.

In contrast to a net cash inflow from financing activities in 2Q 2010, the Group had a net cash outflow in 2Q 2011 as it paid more dividends to shareholders outside the Group and reduced bank borrowings.

**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.**

As anticipated and reported in the Company's results announcement for 1Q 2011, measures imposed by the Chinese government had an effect on its economic growth. In early July this year, the central bank raised interest rates for the third time this year. China has raised rates five times since October 2010 alongside nine increases in the required reserve ratios for banks. China's monetary policy is expected to remain tight for the rest of the year. Food price inflation is likely to remain elevated due to supply disruptions following recent unfavourable weather conditions. Because consumer spending accounts for roughly 35 percent of China's GDP, overall economic growth can slow when consumers are hit hard by an increase in prices. This would make it more difficult for the Chinese government to achieve its other goals of increasing domestic consumer spending. Further, the financial troubles affecting Europe will undoubtedly affect Chinese exports as would the stronger Renminbi vis-à-vis the United States dollar and the Euro. Given this backdrop, the Group expects consumers' spending to dampen.

Sales of refrigerators and freezers, the two main product lines of Xinfei, will begin to slow for the rest of the year as the colder season sets in. Pricing pressure on white goods is thus expected to be more intense given the expanded capacity as well as declining exports. The current economic environment is not expected to boost demand for commercial vehicles which means that diesel engine sales will continue to be moderate and sales shift towards lower capacity engines, will continue to be the norm. Demand for building materials should pick up but increased price competition and rising raw material costs mean that the same may not translate to any significant increase in profit.

The Group recently sold its equity interest in the Karimun Quarry. This should realize a gain of approximately $26 million. This gain will be reflected in the third quarter of this year.

Barring unforeseen circumstances including any change in policies of the Chinese government and any adverse change in the business climate, the Group expects to operate profitably in the next quarter and for the remaining half of this year.

As part of the Group's efforts to grow its businesses and enhance shareholders' value, the Group continues to explore investment and divestment opportunities. As and when these opportunities materialize, appropriate announcements will be made.

## 11. Dividend

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

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

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

### *(c) Date payable*

26 September 2011.

### *(d) Books closure date*

5.00 p.m. on 7 September 2011.

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

Not applicable

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

## 13. 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.

Not applicable.

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

Not applicable.

## 15. A breakdown of sales.

Not applicable.

## 16. Interested persons transactions

No interested persons transactions ('IPT') were concluded under the Company's IPT Mandate for the quarter ended 30 June 2011.

**BY ORDER OF THE BOARD**

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

12 August 2011

### Confirmation Pursuant to Rule 705(5) of the Listing Manual

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the second quarter and six-month period ended 30 June 2011 to be false or misleading in any material respect.

On behalf of the Board

**Kwek Leng Beng**
Chairman

**Yuen Kin Pheng**
Director & CEO

12 August 2011