HONG LEONG ASIA LTD.

ANNUAL REPORT 2014

CONTENTS

VISION

To be a market leader by creating sustainable growth through diversification, innovation and organization excellence, contributing to all our stakeholders - our customers, our people, our shareholders, our environment and our society.

INTRODUCTION

Our vision will only be achieved through the combined efforts of each member of the Group, each steered by our six core values. Together, these sum up our attitude towards tackling challenges in an ever-changing economic environment: "**I-ACE-IT**"

I-ACE-IT

Integrity: To uphold the right values through acting responsibly and honestly.
Accountability: To be responsible and take ownership of whatever we commit to do.
Customer focus: To meet customer needs, wants and expectations by providing outstanding products and services.
Embrace change: To accept change with an open mind and leverage on it as an opportunity to improve.
Innovation: To be creative and adopt a market leader mentality in the way we manage our products, services and processes.
Teamwork: To support group decisions and work together cohesively to achieve agreed goals and objectives.

GROUP PROFILE

From being Singapore's leading integrated building materials supplier to its current standing as one of the region's major manufacturing and distribution players, Hong Leong Asia's success is intricately linked to its diversification into the manufacturing and distribution industries in China and Southeast Asia. With over 80 per cent of its market beyond the shores of Singapore, Hong Leong Asia is well placed to leverage on its current position to scale greater heights.

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

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

CG SIAS WEEK Towards Excellence in Corporate Governance 2014

REVENUE DISTRIBUTION

REVENUE BY COUNTRY
(in S$ million)

MAIN OFFICES & FACILITIES

1. Beijing
2. Shanghai
3. Wuhan
4. Suzhou
5. Xiamen
6. Yulin
7. Xinxiang
8. Tianjin
9. Kuala Lumpur
10. Ipoh
11. Singapore

OTHER COUNTRIES
28

TOTAL
S$4.56 billion

REVENUE BY BUSINESS SEGMENT
(in S$ million)

CONSUMER PRODUCTS	DIESEL ENGINES	BUILDING MATERIALS	INDUSTRIAL PACKAGING	AIR-CONDITIONING SYSTEMS	OTHER SEGMENTS
499	3,370	599	60	22	10

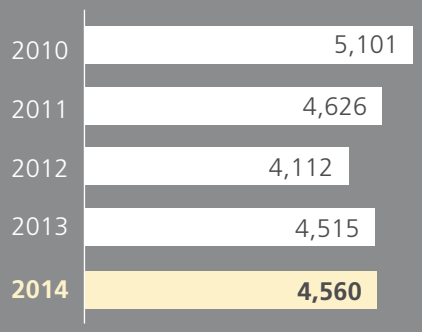




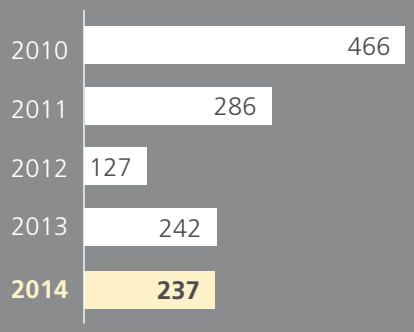
TOTAL
S$4.56 billion

FINANCIAL HIGHLIGHTS

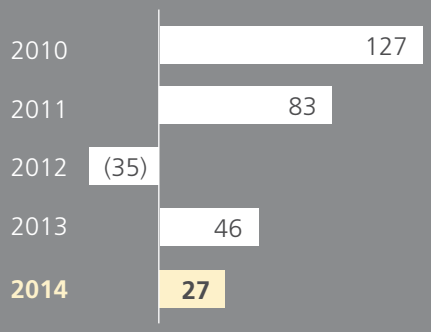
REVENUE
(in $ million)



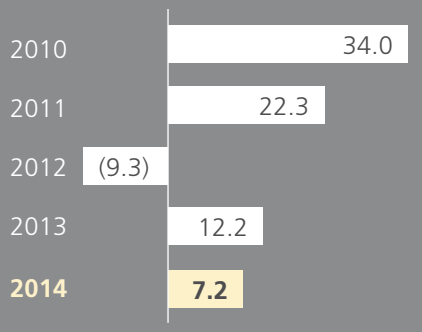
PROFIT BEFORE TAX
(in $ million)



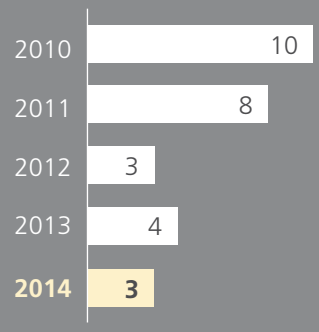
ATTRIBUTABLE PROFIT/(LOSS)
(in $ million)



EARNINGS/(LOSS) PER SHARE
(in cents)



DIVIDEND PER SHARE
(in cents)



DIVIDEND POLICY

The Group aims to maintain a strong capital position to ensure market confidence, to support its on-going business and to meet the expectations of its stakeholders. The Board of Directors aims to pay dividends to shareholders at least once a year, balancing returns to shareholders with prudent capital management and consistent with the Company's overall governing objective of maximising shareholder value over time. Before proposing any dividends, the Board of Directors will consider a range of factors, including the Group's results of operations, long-term and short-term capital requirements, current balance sheet, future investment plans and the general business conditions and other macro environment factors.

Shareholders and potential investors should note that past dividend distributions should not be taken as an indication of future dividend distributions, and this statement is a statement of our present intention and shall not constitute a legally binding commitment in respect of the Company's future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

CHAIRMAN'S MESSAGE

FINANCIAL HIGHLIGHTS

On behalf of the Board of Directors, I wish to present the Annual Report for 2014. I am pleased to inform that the Group has achieved higher revenue of $4.6 billion for the financial year ended 31 December 2014 as compared to the $4.5 billion revenue achieved in 2013.

The higher revenue was achieved on the back of higher sales of $135.4 million contributed by the diesel engines unit ("Yuchai") and $67.9 million by the building materials unit ("BMU"). Sales of the Group's consumer products unit ("Xinfei"), industrial packaging unit ("Rex") and air-conditioning systems unit ("Airwell") however declined by $121.2 million, $22.0 million and $14.9 million respectively.

Net profit attributable to shareholders for 2014 was $26.9 million compared to $45.6 million in 2013 (restated). The decline in net profit was due to higher losses incurred by Xinfei and Rex which reduced higher profit from Yuchai and BMU and lower losses incurred at Airwell.

Gross profit for 2014 was $954.6 million against $962.0 million in the previous year. Gross margins declined to 20.9% from 21.3% in 2013 largely due to higher raw material costs as a percentage of sales.

Selling and distribution ("S&D") expenses decreased by $0.4 million or 0.1% despite the increase in sales, due mainly to lower sales incentives granted by Xinfei. However, this was offset by impairment of trade receivables by Airwell and Yuchai. Research and development ("R&D") expenses increased by 5.3% due to Yuchai's ongoing research and development of new and existing engine products as well as continued initiatives to improve engine quality. General and administrative ("G&A") expenses increased by 9.3% in the year under review due largely to impairment losses on intangible assets of Jining Yuchai Engine Co. Ltd and on plant and equipment of Xinfei. But this was partially offset by lower staff costs at Yuchai. Finance costs decreased 7.0% from $62.6 million in 2013 to $58.2 million in 2014, due mainly to lower interest costs from the outstanding short-term and medium-term notes and less bills discounting by Yuchai.

Gains arising from acquisitions were $19.4 million, contributed from Yuchai (including HL Global Enterprises Limited ("HLGE")) increasing its shareholding interest in Yuchai Remanufacturing Services (Suzhou) Co., Ltd, a jointly-controlled entity from 51% to 100%. The acquisition resulted in a fair value gain and negative goodwill of $13.2 million (RMB64.8 million). The balance gain was due to HLGE increasing its shareholding interest in a hotel property company from 45% to 100%. There was no such gain in 2013.

At Group level, the net asset value per share for 2014 was $2.32 compared to $2.25 in 2013. Earnings per share both on a weighted and on a fully diluted basis in 2014, was 7.20 cents.

' …THE GDP GROWTH IN CHINA, WHERE THE GROUP DERIVES 85% OF ITS SALES, IS EXPECTED TO FALL TO 7% THIS YEAR AS COMPARED TO 7.4% IN 2014. CHINA WILL CONTINUE TO FACE STRUCTURAL RISKS WELL INTO 2015 AS MANY SECTORS ARE THREATENED BY FALLING COMMODITY PRICES, CREDIT RISKS, INHERENT OVERCAPACITY, AND A SLUMP IN THE PROPERTY SECTOR.'

CONSUMER PRODUCTS UNIT ("XINFEI")

The Chinese economy grew at a slower rate of 7.4% in 2014 affecting the growth of the white goods industry there. The intensified competition and the weaker property market in China have led to lower consumer demand for Xinfei's products during the year, with the company recording sales of $498.6 million in 2014, a 19.6% drop from 2013.

Xinfei completed about 25 new refrigerator and freezer models in 2014. These were showcased in the December 2014 National Distributor Conference in Zhengzhou, China. Xinfei is well positioned to increase its brand awareness and to promote its new products to the customers, with the appointment of a popular brand ambassador who has appearances in television advertising, in other media, as well as online marketing activities, which started in October and will continue until March 2015.

Gross profit margins were maintained despite rising labour costs and keen pricing competition. However, Xinfei incurred a higher operating loss during the year under review due to lower sales despite reduction in S&D and G&A expenses.

DIESEL ENGINES UNIT ("YUCHAI")

Yuchai sold 483,825 engines in 2014, a 3.4% drop from the 500,756 units sold in 2013. The decrease was due to a decline in engines sales in the truck and industrial engine markets, although this was offset by higher sales of engines for agriculture application.

The company performed better than the market. The commercial vehicle industry dipped 10.8% in unit sales (excluding gasoline-powered vehicles) in 2014, as reported by the China Association of Automobile Manufacturers.

Yuchai continued to maintain its strong position as the leading diesel engine supplier in China. Yuchai recorded sales of $3.4 billion, 4.2% higher as compared to the previous year.

With the completion of the new R&D center in Nanning, which is now operational, the R&D center will focus on the development and testing of new engine products and components, especially emission control and fuel-saving systems, as well as on the improvement of product quality.

Yuchai won the "Fuel efficient Heavy – Duty Truck of the Year 2014" at China's largest annual commercial vehicle event held in Beijing earlier this year. At its annual sales and marketing conference held on 24 January 2015, Yuchai introduced 10 new engines for 2015.

BUILDING MATERIALS UNIT ("BMU")

Despite the Singapore construction industry's growth of only 3.0% in 2014 (6.1% in 2013), BMU's revenue increased across all divisions in 2014 (except for the trading division).

In Malaysia, subsidiary Tasek Corporation Berhad ("Tasek") achieved higher revenues due to higher volume of cement sales compared to the previous year. Improved pricing in ready-mixed concrete also contributed to higher revenue in the year under review. As a result, Tasek recorded higher profit after tax as compared to 2013.

BMU's total revenue was $599.4 million in 2014, compared to a revenue of $531.5 million the previous year.

'... IN SINGAPORE, THE GDP GROWTH RATE IS PROJECTED AT BETWEEN 2 - 4% IN 2015 AS COMPARED TO 2.9% IN 2014. WITH THE EXISTING PROPERTY COOLING MEASURES CONTINUING TO WEIGH DOWN THE PROPERTY MARKET, PUBLIC SECTOR PROJECTS WILL BE THE KEY DEMAND DRIVER FOR THE SINGAPORE CONSTRUCTION SECTOR WHICH IS EXPECTED TO REMAIN POSITIVE IN 2015. '

INDUSTRIAL PACKAGING UNIT ("REX")

Rex registered revenue of $60.1 million for 2014, down 26.7% from $82.1 million in 2013. The decline was due mainly to a key customer diversifying its risk by engaging two to three supplier sources. The sales recovery plan established in 2014 recovered a small section of the lost sales.

The performance of Rex was also affected by lower sales volume and higher raw material costs.

AIR-CONDITIONING SYSTEMS UNIT ("AIRWELL")

Airwell sold 37,696 air-conditioners in 2014 against 63,810 units in 2013. Revenue also declined from $36.4 million in 2013 to $21.5 million in 2014. The products were sold to its customers in Europe and China.

CASH FLOW AND LIQUIDITY

The Group had cash and short-term deposits of $0.8 billion at the end of 2014, against $1.0 billion at the end of year 2013, a decrease of $0.2 billion. A substantial portion of approximately $0.5 billion of the cash and short-term deposits are held by Yuchai.

The Group generated cash of $89.0 million from operating activities. The cash generated was derived from operating profit, lower collection from trade and other receivables and lower inventory holdings but was used to pay down trade and other payables.

During the year, the Group invested $171.7 million for the purchase of property, plant and equipment and $2.0 million on land use rights.

For financing activities, the Group had loans as at the end of 2014 of $949.7 million as compared with $949.9 million as at the end of 2013, a decrease of $0.2 million.

OUTLOOK

Global economic growth is forecast to grow 3.5% for 2015, marginally higher than the 3.3% achieved in 2014. However, the GDP growth in China, where the Group derives 85% of its sales, is expected to fall to 7% this year as compared to 7.4% in 2014. China will continue to face structural risks well into 2015 as many sectors are threatened by falling commodity prices, credit risks, inherent overcapacity, and a slump in the property sector.

The significant decline in the oil prices since September 2014 partly due to demand weaknesses in major economies are expected to boost growth in oil importing countries. This has led to lower inflation and increases in some economic activity in oil importing countries.

On the other hand, the oil exporting countries are experiencing severe decline in fiscal revenues due to fall in oil prices. The uncertainty about the oil price will affect the growth recovery of many countries.

We have witnessed a decline of 10.8% in volume of unit sales of commercial vehicles in the commercial vehicle sector and a 9.3% drop in sales in the consumer appliances sector in China in 2014. We believe challenges within these sectors will continue in 2015. Rex and Airwell will focus on developing its customer base to increase sales

' ... THE GROUP CONTINUES TO BE EXPOSED TO CURRENCY FLUCTUATION RISK AS THE BULK OF ITS BUSINESSES ARE LOCATED OUTSIDE OF SINGAPORE. WITH PRUDENT CAPITAL MANAGEMENT AND A HEALTHY BALANCE SHEET, THE GROUP IS WELL-POSITIONED TO MEET THE CHALLENGES AHEAD. '

and manage its costs consciously by improving efficiency in plant operations and reorganizing activities.

In Singapore, the GDP growth rate is projected at between 2 - 4% in 2015 as compared to 2.9% in 2014. With the existing property cooling measures continuing to weigh down the property market, public sector projects will be the key demand driver for the Singapore construction sector which is expected to remain positive in 2015. The outlook for the construction sector in Malaysia is also expected to remain positive with the ongoing government MRT projects, LRT line extensions and other infrastructure works.

The Group will continue to monitor market movements closely and exercise cost discipline in all business areas. The Group continues to be exposed to currency fluctuation risk as the bulk of its businesses are located outside of Singapore. With prudent capital management and a healthy balance sheet, the Group is well-positioned to meet the challenges ahead.

DIVIDENDS

The Board is recommending a final dividend of 2 cents per ordinary share in respect of 2014. If approved by the members of the Company at the forthcoming annual general meeting, this will bring the total dividend, including the interim dividend of 1 cent per share paid on 12 September 2014, to 3 cents per share for the full year.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, customers, business associates for their continuing support. I would also like to thank my fellow Directors, management and all employees of the Group for their dedication and commitment during the financial year.

Kwek Leng Beng
Chairman
23 March 2015

主席报告书

财务摘要

我谨代表董事会作 2014 年度常年报告。我很高兴地告诉大家，截止 12 月 31 日，集团在 2014 财年（下称“财年”）实现收入达 46 亿新元，高于 2013 年的 45 亿新元。

柴油引擎单位（“玉柴”）销售额增加 1.354 亿新元；建筑材料单位（“BMU”）增加 6,790 万新元收入，都为集团较高的收入做出了贡献。但是集团家电产品单位（“新飞”）、工业包装单位（“利士”）和空调系统单位（“欧威尔”）的销售额分别下降了 1.212 亿新元、2,200 万新元和 1,490 万新元。

2014 年股东应得的净利润为 2,690 万新元，相比 2013 年（重新公布）为 4,560 万新元。净利润的减少是因新飞和利士较大的损失拉低了玉柴和 BMU 较高的利润和欧威尔较低的亏损。

2014 年的毛利润为 9.546 亿新元，而 2013 年为 9.620 亿新元。毛利率从 2013 年的 21.3% 下降到 20.9%，主要是因为原材料成本在销售成本中占据较大份额。

销售虽然上升了，但销售及分销（“S&D”）费用却下降了 40 万新元或 0.1%，这主要是因新飞减少促销所致。不过，欧威尔和玉柴贸易应收款减值与此相抵消。研发（“R&D”）的费用增长了 5.3%，这是因为玉柴正在研发新引擎和现有引擎产品，并将不断积极致力于提高引擎质量。管理（“G&A”）费用增长了 9.3%，主要是因为济宁玉柴发动机股份有限公司的无形资产及新飞的机器及生产设备的减值损失所造成。但玉柴较低的员工成本在一定程度上也抵消了费用的增加。融资成本较 2013 年的 6,260 万新元减少 7.0% 至 2014 年的 5,820 万新元，这主要是因为短期票据与中期票据占款的利息成本较低，并且玉柴的票据贴现较少。

玉柴（包括 HL Global Enterprises Limited（“HLGE”））通过将所持有的联合控股的玉柴再制造工业（苏州）有限公司的股份从 51% 提高到 100% 获得并购收益 1,940 万新元。并购获得公允价值盈利和负商誉 1,320 万新元（6,480 万元人民币）。其他收益是由 HLGE 将其在一家酒店中的持股比例从 45% 提高至 100% 获得。2013 财年并无此类收益。

在集团层面，2014 年每股的净资产值为 2.32 新元，相较于 2013 年为 2.25 新元。2014 年每股在加权和完全稀释后的收益为 7.20 分。

家电产品单位（“新飞”）

2014 年中国经济增长放缓为7.4%，白色家电产业的增长受到影响。中国市场竞争激烈，地产持续走弱，导致消费者全年对新飞产品的需求量降低，公司在 2014 年记录的销售额为 4.986 亿新元，较 2013 年下降 19.6%。

新飞在 2014 年推出 25 款新冰箱和冰柜。并曾在中国郑州 2014 年12月份的全国经销商会议上展出。新飞正在提高其产品知名度，并向消费者推销其新产品，聘请了广受欢迎的品牌大使出演电视广告，并同时在其他媒体以及网络展开市场营销活动，此次活动从 10 月份开始，将持续到 2015 年 3 月。

“... 中国作为可为集团带来 85% 的销售额的国家，其 GDP 增长预计会回落至 7%，而在 2014 年数值为 7.4%。中国在 2015 年将继续面临结构性风险，多个行业将受到大宗商品价格下跌、产能过剩、房地产市场低迷以及信用风险等的威胁。”

尽管劳动力成本不断上升，价格竞争越来越激烈，新飞仍然能维持毛利率。然而，尽管新飞降低了 S&D 和 G&A 的开支，由于销售低迷，当年营业亏损仍然较大。

柴油发引擎单位（“玉柴”）

玉柴在 2014 年销售发动机 483,825 台，较 2013 年销量 500,756 台下降 3.4%。销量下降是因卡车和工业发动机市场的发动机销售减少所造成，但被较高销量的农用发动机所抵消。

公司业绩优于市场。根据中国汽车工业协会的报告，2014 年商用汽车产业的单位销量（不包括汽油车）下跌 10.8%。

玉柴作为中国柴油发动机的主要供应商，不断加强其强势地位，记录销售额达 34 亿新元，较上年增长 4.2%。

随着南宁的新研发中心竣工并投入使用，研发中心将把精力集中在开发和测试新发动机产品和部件，特别是排放控制和节能系统上，并不断增强产品质量。

今年早些时候，玉柴在北京举行的中国最大的年度商用汽车盛会上荣膺“2014 年度最节能的重型卡车”称号。玉柴于 2015 年 1 月 24 日召开年度销售和市场营销大会，并发布了 10 款 2015 年的新发动机。

建筑材料单位（“BMU”）

尽管新加坡建筑业 2014 年的增长仅为 3.0%（2013 年为 6.1%），但 BMU 各个部门的收入均在 2014 年实现增长（贸易部门除外）。

位于马来西亚的子公司 Tasek Corporation Berhad（“Tasek”）实现较高营业收入，主要原因是水泥销量较前年实现大幅增长。提高预拌混凝土的定价也为实现本年度较高营业收入做出贡献。因此，Tasek 的税后利润较 2013 年高。

BMU 2014 年的总收入为 5.994亿新元，上一年度的收入为 5.315 亿新元。

工业包装单位（“利士”）

利士 2014 年销售收入为 6,010 万新元，比 2013 年的 8,210 万新元下降 26.7%。下降的原因主要是因为重点客户采用了 2 到 3 家供应商来分散其风险。2014 年制定的销售恢复计划，挽回了一小部分损失的销量。

利士的业绩也受到低销量和高原材料成本的影响。

空调系统单位(“欧威尔”)

欧威尔在 2014 年销售空调 37,696 台，而 2013 年的销量为 63,810 台。收入从 2013 年的 3,640 万新元下降至 2014 年的 2,150 万新元。产品销售给了欧洲和中国的客户。

现金流和流动性

截止 2014 年底，集团拥有现金和短期存款 8 亿新元，比 2013 年底时的 10 亿新元减少 2 亿新元。大约 5 亿新元现金和短期存款主要由玉柴持有。

集团通过经营活动获得 8,900 万新元资金。所得现金来源于经营利润、降低贸易、其他应收款项和库存量的减少，该现金用于支付贸易和其他应付款项。

本年度集团投资 1.717 亿新元用于购买地产、工厂和设备，并投入 200 万新元购买土地使用权。

在融资活动方面，截止 2014 年底，集团融资的贷款 9.497 亿新元，相较于 2013 年底的 9.499 亿新元减少 20 万新元。

展望

2015年的全球经济增长预计为 3.5%，略高于 2014 年的 3.3%。但是，中国作为可为集团带来 85% 的销售额的国家，其 GDP 增长预计会回落至 7%，而在 2014 年数值为 7.4%。中国在 2015 年将继续面临结构性风险，多个行业将受到大宗商品价格下跌、产能过剩、房地产市场低迷以及信用风险等的威胁。

油价自 2014 年 9 月以来出现明显下降，部分原因是因为市场所期望能拉动石油进口国/地区增长的主要经济体需求不旺盛。这降低了通货膨胀，并促进了石油进口国/地区的一些经济活动。

‘... 预计 2015 年新加坡的 GDP 增长率将在 2 - 4% 之间，而在 2014 年的增长率为 2.9%。现有房地产降温措施不断推进以压抑房地产市场，公共领域项目将是新加坡建筑行业的主要驱动因素，预计 2015 年仍将保持乐观。’

另一方面，受油价下跌的影响，石油出口国家/地区正在经历严重的财政收入缩减。油价的不确定性将影响许多国家/地区的增长恢复。

我们亲眼目睹了中国 2014 年在商用汽车行业单位销售 10.8% 的下降，以及家电行业销量 9.3% 的下降。我们认为这些行业的挑战将在 2015 年继续。利士和欧威尔将着重关注发展其客户基础，通过提高工厂运营和重组活动的效率，增加销量并积极的管理其成本。

预计 2015 年新加坡的 GDP 增长率将在 2 - 4% 之间，而在 2014 年的增长率为 2.9%。现有房地产降温措施不断推进以压抑房地产市场，公共领域项目将是新加坡建筑行业的主要驱动因素，预计 2015 年仍将保持乐观。展望马来西亚建筑行业，也因政府的 MRT 项目、LRT 线路延伸和其他基础设施建设而保持积极态势。

集团将继续密切监视市场动向，并在所有业务领域执行成本控制。集团将持续面对汇率波动风险，这是因为其大量业务均在新加坡境外。集团将采取稳健的资本管理措施并维持健康的资产负债表，为将来的挑战做好充足的准备。

红利

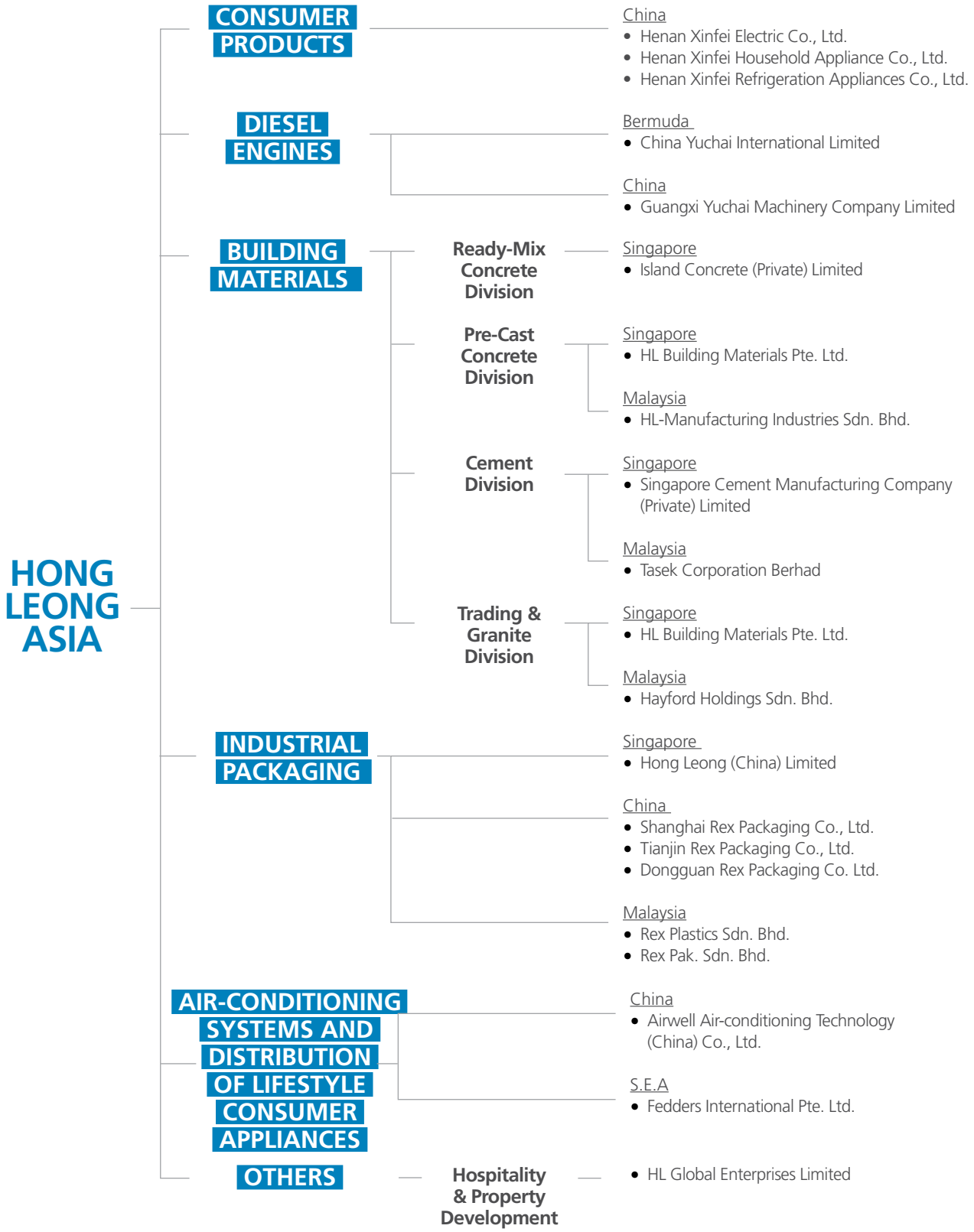
董事会建议 2014 年普通股每股的最后红利为2分。如果在即将到来的股东年会上获得公司成员的批准，将给全年带来每股3分的红利（包括 2014 年 9 月 12 日支付的中期红利）。

感谢

我谨代表董事会向股东、客户、生意伙伴表达我的感谢，感谢他们长久以来的支持。我还要感谢其他董事、管理层和所有集团的员工，感谢他们在这一财年所做出的贡献和承诺。

郭令明
董事会主席
2015年3月23日

CORPORATE STRUCTURE



OPERATIONS HIGHLIGHTS

Consumer Products

Diesel Engines

Air-conditioning Systems

Building Materials

CONSUMER PRODUCTS

Henan Xinfei Electric Co., Ltd. ("Xinfei"), is now marketed as Frestec. It is one of the leading manufacturers of major consumer appliances in China. Through its well-established nationwide distribution network in China, Frestec offers a variety of major consumer appliances which include refrigerators, freezers, wine chillers, air -conditioners and washing machines to residential customers in China. Frestec is known for its high-quality products that are innovative and energy saving, with reliable after sales service. It also exports its products to various overseas markets.

DIESEL ENGINES

China Yuchai International Limited ("CYI") is listed on the New York Stock Exchange. Its principal subsidiary, Guangxi Yuchai Machinery Company Limited ("GYMCL") manufactures, assembles and sells diesel engines for trucks, buses, passenger vehicles, construction equipment, marine and agriculture applications, diesel-powered generators, engine parts and components. GYMCL evolved into the largest single diesel engine facility and has been ranked as one of the largest diesel engine manufacturers in unit sales by the China Association of Automobile Manufacturers for several years. GYMCL has expanded its manufacturing facility in Xiamen and established joint ventures in Zhejiang, Shangdong, Anhui and Suzhou to manufacture diesel engines for passenger vehicles, heavy-duty trucks and also remanufacture components to service Yuchai engines.

BUILDING MATERIALS

Hong Leong Asia Ltd.'s Building Materials unit ("BMU") is one of the largest suppliers of essential building materials to Singapore's construction industry. BMU sells all grades of ready-mixed concrete from nine separate locations in Singapore. It is also the largest producer of pre-cast concrete elements for public housing construction, all of which are fabricated in its factories in Singapore and Senai, Malaysia. BMU imports and distributes cement in Singapore and also operates a granite quarry in Johor, Malaysia. BMU has also played a key role in the building of many infrastructural icons in Singapore. In Malaysia, Hong Leong Asia Ltd.'s subsidiary, Tasek Corporation Berhad is the fourth largest cement producer, and is now going through a period of major growth.

INDUSTRIAL PACKAGING

Rex Industrial Packaging unit has manufacturing operations in China and Malaysia. It is a diversified group that manufactures and distributes a wide range of rigid plastic packaging products to serve both industrial and consumer packaging markets. Rex covers key packaging markets such as personal care, household, food and beverage, lubricant and chemicals, and has manufacturing operations in China and Malaysia.

AIR-CONDITIONING SYSTEMS AND LIFESTYLE CONSUMER APPLIANCES

Airwell Air-conditioning Technology (China) Co., Ltd.("AAT") is engaged in the research and development, manufacture and distribution of air-conditioning systems and other lifestyle consumer appliances. Its range of products include residential heat pumps, multi-split systems, variable refrigerant flow systems (VRF), central AC systems, floor heating systems, air cooled and water cooled chillers, fan coils and air handling units. Its products are used in private households, residential, commercial and industrial applications. Hong Leong Asia's lifestyle appliance arm also includes FEDDERS, an American brand which was established in 1896. FEDDERS will continue to build its footprints in China and South East Asia regions. It will position itself as a total solutions-based company offering a comprehensive range of air-conditioning and consumer lifestyle appliances for both business and end users.

OTHERS

HL Global Enterprises Limited ("HLGE") deals with the group's indirect investments. It is primarily engaged in investment holding, hospitality and property development businesses.

BOARD OF DIRECTORS

Left to right: Kwek Leng Beng, Kwek Leng Peck, Philip Ting Sii Tien @ Yao Sik Tien

KWEK LENG BENG, 74

Non-Executive and Non-Independent Director

A Non-Executive Director since 25 November 1981, Mr Kwek was appointed Non-Executive Chairman of Hong Leong Asia Ltd. ("HLA") on 3 January 1995. He also sits on the Nominating Committee ("NC"). He was last re-appointed as a Director of HLA on 25 April 2014 pursuant to Section 153(6) of the Companies Act ("Section 153(6)"). He is the Executive Chairman of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (the ultimate holding company of HLA) and City Developments Limited ("CDL"), Chairman and Managing Director of Hong Leong Finance Limited ("HLF") and City e-Solutions Limited, and Non-Executive Chairman of Millennium & Copthorne Hotels plc ("M&C").

Mr Kwek holds a law degree, LL.B. (London) and is also a Fellow of The Institute of Chartered Secretaries and Administrators. He has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as HLF). He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr Kwek's other appointments include being a member of the East Asia Council of INSEAD since its inception in 2003, a board member of the Singapore Hotel Association and a Fellow of the Singapore Institute of Directors. He was also conferred an Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) and an Honorary Doctorate from Oxford Brookes University (UK).

At the Securities Investors Association Singapore (SIAS) Investors' Choice Awards in October 2012, Mr Kwek (as Executive Chairman of CDL), together with Mr Kwek Leng Joo (as Managing Director of CDL), emerged joint winners as "Partners in the Office of the CEO" in the Brendan Wood International – SIAS TopGun CEO Designation Award. This Award was accorded to CEOs who are best in class rated by shareholders.

Mr Kwek was presented the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award in February 2014 which was introduced to honour a pioneering group of real estate industry leaders in Singapore.

In February 2015, Mr Kwek was also presented the Singapore Chinese Chamber of Commerce & Industry (SCCCI) SG50 Outstanding Chinese Business Pioneers Award. The award honours the Republic's outstanding Chinese business pioneers and their exemplary contributions to nation-building.

KWEK LENG PECK, 58

Executive Director

Appointed to the Board since 1 September 1982 and currently an Executive Director of HLA, Mr Kwek also sits on the Hong Leong Asia Share Option Scheme 2000 Committee ("SOSC"). He was last re-elected as a Director of HLA on 25 April 2013. He is the Non-Executive Chairman of Tasek Corporation Berhad ("TCB"), an Executive Director of HLIH, and a Non-Executive Director of CDL, HLF, M&C and China Yuchai International Limited ("CYI").

Mr Kwek holds a Diploma in Accountancy and has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management.

BOARD OF DIRECTORS

Left to right: Ernest Colin Lee, Goh Kian Hwee, Quek Shi Kui

PHILIP TING SII TIEN @ YAO SIK TIEN, 60

Executive Director

Appointed as Director and Chief Executive Officer ("CEO") of HLA since 14 January 2013, Mr Ting was re-elected as a Director on 25 April 2013. He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd (the immediate holding company of HLA), Executive Director and Group CEO of TCB and a Non-Executive Director of HL Global Enterprises Limited. In the preceding 3-year period, he was a Non-Executive Director of Thakral Corporation Ltd until his resignation in January 2015.

Mr Ting was previously the Group Chief Financial Officer ("CFO") of HLA and CFO of CYI. He has over 25 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft (Singapore) and Bank of Montreal, Singapore. He is an associate member of the Institute of Chartered Accountants in England and Wales.

ERNEST COLIN LEE, 74

Non-Executive and Lead Independent Director

Appointed a Non-Executive Director of HLA since 3 April 2000, Mr Lee was last re-appointed on 25 April 2014 pursuant to Section 153(6). He is also the Chairman of the NC, Remuneration Committee ("RC") and SOSC as well as a member of the Audit Committee ("AC") of HLA. He was appointed as Lead Independent Director of HLA on 26 February 2013.

Mr Lee holds a Bachelor of Civil Engineering (Honours) degree (University of Queensland, Australia). He is a professional project consultant and has extensive experience in management, engineering and business development in Singapore and Australia.

GOH KIAN HWEE, 60

Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA since 15 March 2004, Mr Goh was last re-elected on 25 April 2014. He also sits on the AC, NC, RC and SOSC of HLA. He is also a Non-Executive Director of Hwa Hong Corporation Limited, CapitaCommercial Trust Management Limited and QAF Limited.

Mr Goh is a Senior Partner of the legal firm, Rajah & Tann Singapore LLP, and has over 30 years' experience in corporate and capital markets law. He holds a LL.B. (Honours) degree (University of Singapore) and has been a practising lawyer since 1980.

QUEK SHI KUI, 78

Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA since 28 April 2005, Mr Quek was last re-appointed on 25 April 2014 pursuant to Section 153(6). He is also the Chairman of the AC and a member of the NC, RC and SOSC of HLA.

A Chartered Accountant, Mr Quek has extensive auditing, accounting and financial experience in Singapore and overseas. He was previously a managing partner of an international accounting firm in Singapore.

Mr Quek is a member of the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore ("ICPAS")), the ACCA United Kingdom and the Singapore Institute of Directors. He also serves as Chairman of the Board of Trustees, ACCA Singapore Branch. He was formerly a council member of ICPAS and was awarded an ICPAS Gold medal for his contributions and services to the accountancy profession and the community on 3 November 2011.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Board Chairman
Kwek Leng Beng - *Non-Executive and Non-Independent*

Executive
Kwek Leng Peck
Philip Ting Sii Tien @ Yao Sik Tien
- *Chief Executive Officer*

Lead Independent Director*
Ernest Colin Lee

Non-Executive
Goh Kian Hwee - *Independent*
Quek Shi Kui - *Independent*

AUDIT COMMITTEE

Quek Shi Kui - *Chairman*
Ernest Colin Lee
Goh Kian Hwee

NOMINATING COMMITTEE

Ernest Colin Lee - *Chairman*
Kwek Leng Beng
Quek Shi Kui
Goh Kian Hwee

REMUNERATION COMMITTEE

Ernest Colin Lee - *Chairman*
Quek Shi Kui
Goh Kian Hwee

HONG LEONG ASIA SHARE OPTION SCHEME 2000 COMMITTEE

Ernest Colin Lee - *Chairman*
Kwek Leng Peck
Quek Shi Kui
Goh Kian Hwee

** Shareholders who wish to communicate directly with the Lead Independent Director on matters pertaining to the Board of Directors may contact him at:*

The Lead Independent Director
c/o The Company Secretary
Hong Leong Asia Ltd.
36 Robinson Road
#03-01 City House
Singapore 068877

SECRETARIES

Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin

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Chief Financial Officer
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Singapore 048581
Tel : (65) 6220 8411
Fax : (65) 6222 0087 / 6226 0502
Website : www.hlasia.com.sg

REGISTRARS & TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel : (65) 6227 6660
Fax : (65) 6225 1452

AUDITORS

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

(Partner-in-charge : Chan Yew Kiang, appointed from commencement of audit of financial statements for the year ended 31 December 2013)

PRINCIPAL BANKERS

CIMB Bank Berhad
DBS Bank Ltd
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE GOVERNANCE REPORT

Hong Leong Asia Ltd. ("**HLA**" or the "**Company**") is committed to maintaining good corporate governance and business integrity in all its business activities.

To demonstrate its commitment to uphold good corporate governance, HLA had joined the Securities Investors Association Singapore ("**SIAS**") and its partners since 2013 together with other companies under the Hong Leong Group, Singapore in making the following public Statement of Support, which was reiterated at the 5th Singapore Corporate Governance Week 2014 (organised by the SIAS) in October 2014:

> *"As an Organisation, we are committed to upholding high standards of corporate governance to enhance shareholder value. We believe, practising good corporate governance is central to the health and stability of our financial markets and economy."*

This report sets out HLA's corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). Where the Company's practices differ from the recommendations under the 2012 Code, the Company's position in respect of the same is also set out in this report.

BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Primary Functions of the Board

The Board oversees the Company's business and its performance. Its primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial and human resources are in place for the Company to meet its objectives, review the Group's performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("**IT**") controls) and risk management for the safeguarding of shareholders' interests and the Company's assets, and assume responsibility for good corporate governance.

Noting that the Company's key stakeholders include its shareholders, customers, suppliers, business partners, employees and the community, the Board and Management have put in place a code of business and ethical conduct for its employees which sets out the Company's principles in its dealings with these key stakeholders.

Independent Judgment

All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and also voluntarily abstain from deliberation on the same. The Board has established the Nominating Committee ("**NC**") which recommends to the Board, the appointments/re-appointments to the Board and Board Committees and assesses the independence of Directors. When assessing the independence of Directors, the NC takes into account the individual Director's objectivity, independent thinking and judgment.

Delegation by the Board

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Audit Committee ("**AC**"), the NC, the Remuneration Committee ("**RC**"), and the Hong Leong Asia Share Option Scheme 2000 ("**SOS**") Committee ("**SOSC**"), all collectively referred to hereafter as the Board Committees. Clear written terms of reference for each of the Board Committees set out the authority and duties of the Board Committees. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance. The composition of each Board Committee can be found under the 'Corporate Directory' section in this Annual Report 2014 ("**AR**").

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective terms of reference and/or limits of delegated authority, and yet without abdicating its responsibility. Please refer to the sections on Principles 4, 5, 7, 8, 11 and 12 in this report for further information on the activities of the NC, RC and AC. Information on the activities of the SOSC is set out in the Directors' Report on pages 42 to 45 and the Financial Statements on pages 144 to 147 of the AR.

Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than 4 times a year. The proposed meetings for the Board and all Board Committees for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including key deliberations and decisions taken are maintained by the Company Secretary. The Company's Articles of Association allow for the meetings of its Board and the Board Committees to be held *via* teleconferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at meetings of the Board and the Board Committees as well as the frequency of such meetings during the financial year ended 31 December 2014 ("**FY 2014**"), are disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice and experience with other Directors and the Company's Management, and strategic networking relationships which would further the interests of the Group.

Directors' Attendance at Board and Board Committee Meetings in 2014

Number of meetings held in 2014:	**Board**	**AC**	**NC**	**RC**
	4	**5**	**2**	**2**
Name of Directors	**Number of meetings attended in 2014**			
Kwek Leng Beng	4	N.A.	2	N.A.
Kwek Leng Peck	4	N.A.	N.A.	2[(a)]
Philip Ting Sii Tien @ Yao Sik Tien	4	5[(a)]	N.A.	N.A.
Ernest Colin Lee	4	5	2	2
Goh Kian Hwee	4	5	0[(b)]	2
Quek Shi Kui	4	5	2	2

Notes:

(a) Attendance by invitation for all or part of the meeting.

(b) Mr Goh Kian Hwee was appointed a member of the NC on 8 December 2014.

No meeting of the SOSC was held in 2014.

Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board such as the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the relevant business units, decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector, corporate or financial restructuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Articles of Association. Management is fully apprised of such matters.

Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director, the Group's businesses, Board processes, corporate governance practices, relevant policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Group's businesses, board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access in future to the Management team. The programme also includes briefings by the Management team on key areas of the Group's operations. Mr Goh Kian Hwee, who was appointed a member of the NC on 8 December 2014, was briefed on the scope and responsibilities of the NC by the NC chairman and the Company Secretary.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Company Director ("**LCD**") Programme conducted by the Singapore Institute of Directors ("**SID**") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the 2012 Code. The Company Secretary will co-ordinate with such Director to endeavor to complete the LCD Programme within one year from his date of appointment subject to SID's training schedule and the Director's availability.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID, and the Directors are encouraged to attend such training at the Company's expense. Three in-house seminars were conducted by invited speakers in 2014 on topics relating to taxation, the role of business in addressing environmental, social and governance challenges, integrated reporting, and the key highlights on the Guidebook for Audit Committees in Singapore (Second Edition). In addition to the training courses/programs, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

Key Management Team

The Board through the NC reviews the appointments and reasons for resignations and terminations of the Chief Executive Officer ("**CEO**") (if not a Director), Group Chief Operating Officer ("**COO**"), Chief Financial Officer ("**CFO**") and other relevant key Management staff.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Independence

The Board currently comprises 6 members, 2 of whom are executive Directors, while the other members of the Board are non-executive Directors ("**NEDs**"). Of the 4 NEDs, the Board has determined 3 of them, being half of the Board, to be independent ("**3 IDs**"), thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. For purposes of determination of independence, the 3 IDs, namely Mr Ernest Colin Lee, Mr Goh Kian Hwee and Mr Quek Shi Kui also provided annual declarations regarding their independence.

Mr Goh Kian Hwee is a partner of a legal firm (with less than 5% stake) which renders professional legal services to the Group from time to time. The amount of the fees paid to his legal firm for FY 2014 was less than $200,000. The NC has determined, and the Board has concurred, that Mr Goh's independence is not affected by this relationship of the Group with the legal firm.

When reviewing the independence of the 3 IDs who have served on the Board for more than 9 years, the NC has given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond 9 years be subject to particularly rigorous review. As the 3 IDs are also members of the NC, the remaining Board members also provided their views in the review on the independence of these 3 IDs. Having considered the 3 IDs' other directorships, annual declaration regarding their independence, and their ability to maintain objectivity in their conduct as Directors of the Company, the Board (with the 3 IDs abstaining in respect of the deliberation of their own independence) has determined all 3 of them to be independent notwithstanding that they have served on the Board beyond 9 years as they have continued to demonstrate independence in character and judgment in the discharge of their responsibilities as Directors of the Company. The Company has also benefitted from their years of experience in their respective fields of expertise.

Board Composition and Size

The NC reviews the size and composition mix of the Board and Board Committees annually. The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Taking into account the scope and nature of the operations of the Group, the current composition mix and size of the Board facilitates effective decision making by the Board. The NC is supportive of gender diversity on the Board and will consider female candidates with the appropriate qualification, experience and competency in its consideration on any new appointments to the Board.

NEDs' Participation

NEDs are encouraged to participate actively in Board meetings in the development of the Group's strategic plans and direction, and in the review and monitoring of Management's performance against budgets. To facilitate this, they are kept informed of the Group's businesses and performance through monthly and quarterly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees to provide constructive input and the necessary review and monitoring of performance of the Group and Management.

PRINCIPLE 3: CHAIRMAN AND CEO

Role of Chairman and the CEO

The Chairman of the Board is Mr Kwek Leng Beng who is a NED while the CEO is Mr Philip Ting. There is a clear division of responsibilities between the Chairman and the CEO. As Chairman of the Board, Mr Kwek bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring that sufficient time is allocated for discussion of agenda items at Board meetings, promoting an open environment within the Board room for constructive debate, encouraging the NEDs to speak freely, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At annual general meetings and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The CEO, Mr Ting who is a key management staff, bears executive responsibility for the performance of the Group and the achievement of the corporate goals set for the Group. The CEO is not related to the Chairman.

Lead Independent Director
In view that the Chairman of the Board, Mr Kwek Leng Beng is not an independent Director, the Board in line with the recommendation under the 2012 Code has appointed Mr Ernest Colin Lee as Lead Independent Director ("**Lead ID**") on 26 February 2013 to serve as a sounding board for the Chairman of the Board and also as an intermediary between the NEDs and the Chairman of the Board. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. During the year, the Lead ID held discussions with the other independent Directors without the presence of Management or the Chairman of the Board.

PRINCIPLE 4: BOARD MEMBERSHIP

NC Composition and Role
3 out of the 4 members of the NC are independent. The NC chairman is also the Lead ID. Please refer to the 'Corporate Directory' section on page 17 of the AR, for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference, approved by the Board, is to review all Board and Board Committee composition and membership, determine Director's independence, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of key Management which includes the Executive Director ("**ED**"), CEO, COO, CFO and other relevant key management staff and review Directors' training and continuous professional development programme. The Company Secretary maintains records of all NC meetings including records of key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**NC Self-Assessment Checklist**").

The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference, and considered also the contribution of NC members to the deliberation and decision-making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Re-nomination of Directors
The NC reviews annually the nomination of the relevant Directors for re-election and re-appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and re-appointment, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple listed company board representations and/or other principal commitments, and also reviews their independence.

The Articles of Association of the Company provide that not less than one-third of the Directors for the time being shall retire as Directors at each annual general meeting of the Company ("**AGM**"). All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for re-election at the said AGM.

Excluding the Directors above 70 years of age who are subject to annual re-nomination, namely Messrs Kwek Leng Beng, Ernest Colin Lee and Quek Shi Kui, the remaining Directors of the Company will retire about once in every 3 years. In accordance with the Articles of Association of the Company, Mr Kwek Leng Peck retiring by rotation, has offered himself for re-election at the forthcoming AGM ("**2015 AGM**").

Criteria and Process for Nomination and Selection of New Directors
Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in the related industries, and finance, legal and accounting professions. Assistance may also be obtained from professional executive search firms engaged to source for suitable candidates for the NC's consideration.

The NC meets with the proposed candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an independent NED; (b) the composition requirements for the Board and Board Committees (if the candidate is proposed to be appointed to any of the Board Committees); (c) the candidate's age, gender, track record, experience and capabilities or such other factors as may be determined by the NC to be relevant and which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments.

Directors' Time Commitments
When considering the nomination of Directors for appointment or re-election/re-appointment, the NC also takes into account the competing time commitments faced by Directors with multiple listed company board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which is also evident in their level of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. Having considered this issue, the NC does not recommend setting a maximum number of listed board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

The Board at the recommendation of the NC has recently introduced a policy where a Director should consult the Chairman of the Board and the chairman of the NC prior to accepting any new principal commitment or listed company board appointment. This would allow the Director to review his time commitments with the proposed new appointment and in the case of an independent Director, to ensure that his independence would not be affected.

Key Information on Directors
Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and additional information in the notice of AGM for Directors proposed for re-election and re-appointment at the 2015 AGM.

Succession Planning for the Board
The Board believes in carrying out succession planning for itself to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually

and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Group's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

Board Development
The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2014 are set out in the paragraph above under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

PRINCIPLE 5: BOARD PERFORMANCE

Board Evaluation Process
The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The NC's assessment of the performance of the Board Committees is assisted by the self-assessment checklists of the NC, RC, AC, and a report provided by the chairman of the SOSC.

The annual evaluation process for each individual Director's performance comprises 3 parts: (a) background information concerning the Directors including their attendance records at Board and Board Committee meetings; (b) questionnaires for completion by each individual Board member; and (c) NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of each of the Directors are also used by the NC, in its consultation with the Chairman of the Board (who is also a member of the NC), to review, where appropriate, the composition of the Board and Board Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the re-appointment and re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria
The qualitative criteria are set out in a questionnaire covering 3 main areas relating to Board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprise quarterly performance indicators which include a comparison of the Group's performance (including segmental performance) for the financial period under review against that of the corresponding period of the previous year and the Group's budget.

Individual Director Evaluation Criteria
Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and Board Committee meetings including his contribution to Board processes and the business strategies and performance of the Group.

PRINCIPLE 6: ACCESS TO INFORMATION

Complete, Adequate and Timely Information and Access to Management
Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing where possible and practicable, complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. Directors have separate and independent access to Management.

Draft agendas for Board and Board Committee meetings are circulated to the Chairman of the Board and the chairmen of the Board Committees, in advance, for them to review and suggest items for the agenda. The Board and the Board Committees are also furnished with routine reports, where applicable from the various departments of the Company. Each of the chairmen of the AC, NC, RC and SOSC provides an annual report of the respective committees' activities during the year under review to the Board. The minutes of meetings of the Board Committees are circulated to all Board members.

Company Secretary
The Company Secretary, whose appointment and removal are subject to the Board's approval, attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all applicable statutory and regulatory rules. Together with Management, she also advises the Board Chairman, the Board and Board Committees on corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Board Committees, and continuing training and development for the Directors.

On an ongoing basis, the Directors have separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined.

Independent Professional Advice
The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

RC Composition and Role
The RC comprises 3 NEDs, all of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("**KMP**").

The Company has in place a remuneration framework for the Directors and the KMP. The Company currently identifies its ED, CEO, Group COO (appointed on 3 February 2015) and CFO as its KMP. On an annual basis, the RC reviews the annual increments, and year-end and variable bonuses to be granted to the KMP. The RC has reviewed the contracts of employment of the Executive Director ("**ED**"), the CEO, the Group COO and the CFO, and considered the terms therein including the termination clauses, to be fair and reasonable.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC has access to appropriate advice from the Head of Group Human Resources ("**HR Head**"), who attends all RC meetings. In 2013, the Company had appointed Mercer (Singapore) Pte Ltd ("**Mercer**"), a remuneration consultant firm from outside the Company to provide advice on the level of remuneration appropriate for positions equivalent to the KMP. The Company does not have any relationship with Mercer. The Company Secretary maintains records of all RC and SOSC meetings including records of key deliberations and decisions taken.

Two meetings of the RC were convened during 2014. For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**RC Self-Assessment Checklist**").

The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision-making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Remuneration of Directors and KMP
In reviewing the remuneration packages of the KMP, the RC, with the assistance of the HR Head, considers the level of remuneration based on the Company's remuneration policy which comprises the following 3 distinct objectives:

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

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between the current and longer term.

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances which the Company benchmarks with the relevant industry market median), a variable component (comprising short-term incentives in the form of year-end and variable bonuses and long-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable. The variable components take into account amongst other factors, the KMP's performance, the Group's performance, the business unit's performance and industry practices. The Company exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promote the long-term success of the Company.

The mix of fix and variable reward is considered appropriate for the Group and for each individual role. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile. The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth.

The SOS is a long term incentive plan. KMP who have a greater ability to influence the Group's outcomes have a greater proportion of overall reward at risk. It is put in place to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key good employees to achieve superior performance and to motivate them to continue to strive for the Group's long-term shareholder value. It also aims to strengthen the Group's competitiveness in attracting and retaining talented key management employees. There is no provision in the SOS which requires the EDs and KMP to continue to hold their shares upon exercise of the options. Options granted under the SOS to EDs and KMP are already deferred and vest progressively over a period of 3 years. To-date, the Company has granted only Market Price Options and Incentive Price Options (both as defined in the SOS). Information on the SOS is set out in the Directors' Report on pages 42 to 45 and the Financial Statements on pages 144 to 147 of the AR.

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compares the Company's fee structure against industry practices. Other factors taken into consideration in the fee review includes frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review and changes. No Director is involved in deciding his own remuneration.

There is no restriction on Directors holding shares in the Company. The NEDs are eligible to participate in the SOS. The grant of options under the SOS to the NEDs is subject to the SOSC's recommendation and the Board's endorsement.

Since 2014, the letter of offer of options to eligible participants (including EDs and KMP) under the SOS includes a claw-back provision which gives the Company the right to recover or cancel the options (whether in whole or in part, before they are exercised) in the event of exceptional circumstances involving a misstatement of the financial results of the Company and the Hong Leong Asia Group for the financial year on which the grant is based, or any misconduct by any employee of the Company, resulting in financial loss to the Group.

PRINCIPLE 9: DISCLOSURE OF REMUNERATION

Disclosure of Remuneration

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (comprising short-term incentives in the form of year-end and variable bonuses and longer-term incentives in the form of the grant of share option subject to a vesting schedule) and benefits-in-kind, where applicable. There were no termination, retirement and post-employment benefits granted to them for FY 2014.

Information on the SOS is set out in the Directors' Report on pages 42 to 45 and the Financial Statements on pages 144 to 147 of the AR.

Each of the Directors receives a base Director's fee with the Board Chairman receiving an additional fee. The Lead ID also receives an additional fee to reflect his expanded responsibility. Directors who serve on the various Board Committees (other than the SOSC) also receive additional fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees receiving a higher fee in respect of their service as chairman of the respective committees.

The structure of fees paid or payable to Directors of the Company for FY 2014 is as follows:

Appointment	Fees per annum $
Director	50,000 (Basic fee)
	Additional Fees
Board Chairman	20,000
Audit Committee (AC) - AC Chairman - AC Member	 55,000 30,000
Nominating Committee (NC) - NC Chairman - NC Member	 18,000 12,000
Remuneration Committee (RC) - RC Chairman - RC Member	 18,000 12,000
Lead Independent Director	10,000

The remuneration of each Director including a breakdown (in percentage terms) earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2014 is set out below:

Director's Remuneration for FY 2014

	Total Remuneration (nearest thousand)	Base Salary[1]	Variable Bonuses/ Allowances[1]	Board/ Board Committee Fees[2]	Share Option Grants[5]	Other Benefits	Total
	$'000	%	%	%	%	%	%
Chairman (Non-executive)							
Kwek Leng Beng	82	0	0	100	0	0	100
Executive Directors							
Kwek Leng Peck	845	57	21	21[4]	0	1	100
Philip Ting Sii Tien @ Yao Sik Tien (CEO)	1,519	48[3]	40[3]	6[4]	1	5	100
Non-executive Directors							
Ernest Colin Lee	126	0	0	100	0	0	100
Goh Kian Hwee	93	0	0	100	0	0	100
Quek Shi Kui	129	0	0	100	0	0	100

Notes:

1. The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.
2. These fees comprise Board and Board Committee fees (excluding AC fees) for FY 2014, which are subject to approval by shareholders as a lump sum at the 2015 AGM as well as the AC fees for FY 2014 that had already been approved by shareholders at the 2013 and 2014 AGMs.
3. Include salary and variable bonuses/allowances for FY 2014 paid or payable by subsidiary(ies) of the Company.
4. Includes Directors' fees paid or payable by subsidiaries of the Company.
5. These relate to options granted during FY 2014. The fair value of the options as at the date of grant ranges from $0.13 to $0.25 for each share under option taking into account the vesting schedule using the Black Scholes method.

Remuneration of Key Management Personnel (not being a Director or CEO) for FY 2014
The Board does not believe it to be in the interest of the Company to disclose the FY 2014 remuneration of its CFO, who is a KMP (not being a Director) having regard to the highly competitive human resource environment.

Remuneration of Director's Immediate Family Member for FY 2014
During FY 2014, none of the Directors had immediate family members not disclosed above who were or are employees of the Company and whose personal annual remuneration exceeded or exceeds $50,000.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

Accountability of Board and Management
The Board provides shareholders with quarterly and annual financial results. Results for the first, second and third quarter are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the CEO and the CFO provided assurance to the Board on the integrity of the quarterly and the full year unaudited financial statements. The CEO and the CFO also received similar representation letters from the various business units within the Group. The Board in turn provided a negative assurance confirmation in respect of the unaudited financial statements for the first 3 quarters to the shareholders in accordance with the regulatory requirements.

Management provides all Directors with monthly Financial Review of the Group's performance including analysis of the same. Any material variances between the month under review as compared to the budget and the corresponding month of the previous year are disclosed and explained.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management
An Enterprise Risk Management ("**ERM**") framework has been established by Management to formalise and document the internal processes to enable significant strategic, financial, operational, compliance and IT risks within the relevant Group companies to be identified, assessed, monitored, managed and evaluated. The Board determines the Group's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. Strong emphasis is placed on creating risk awareness, promoting accountability and setting the appropriate tone at the top. Risk management training is conducted to communicate and enhance the Group's risk culture.

Risk committees (consisting of cross functional personnel) have been set up at both corporate and business unit levels to implement and maintain risk management policies and initiatives across the Group. To maintain internal audit's ("**IA**") independence, the Head of IA has been involved in risk management matters in an advisory/consulting role. The risk management processes at the key business units are driven by their respective risk committees, with regular reporting to the corporate risk committee (comprising members of senior management and headed by the CEO), who in turn reports to the AC. On an ongoing basis, Management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits.

Reports on risk management issues are presented by the ERM Manager to the AC on a regular basis. The IA's role includes independent review of the Group's risk management policies and systems.

Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls including financial, operational, compliance and IT controls, and risk management policies and systems. The boards of the Group's separately listed subsidiaries, namely China Yuchai International Limited ("**CYI**") and Tasek Corporation Berhad, are responsible for the oversight of their respective groups' internal control and risk management systems and the Directors rely on the Company's nominees to the board of directors of these listed subsidiaries to provide oversight together with the other board members on the adoption and implementation of appropriate corporate governance practices, internal control and risk management systems.

The internal controls structure of the Group has been designed and put in place by management of the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

The CEO and the CFO provided assurances to the Board that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the system of internal controls and risk management systems are adequate and effective to address in all material respects the financial, operational, compliance and IT risks within the current scope of the Group's business operation.

The AC reviewed the adequacy of the Group's key internal controls that address the Group's financial, operational, compliance and IT controls, and risk management systems, with the assistance of the internal and external auditors and Management, who provide regular reports during the year to the AC in addition to the briefings and updates provided at the AC meetings.

Based on the work performed by IA and the risk committees during the financial year, as well as the statutory audit by the external auditors, Ernst & Young LLP ("**EY**"), and the written assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls and risk management systems in place as at 31 December 2014 are adequate and effective to address in all material aspects the financial, operational, compliance and IT risks within the current scope of the Group's business operations though improvements are needed especially on the Group's China operations.

The Board wishes to highlight that the majority of the Group's businesses are located in China, which is a challenging control environment to operate in.

The Board noted that CYI, a subsidiary listed on the New York Stock Exchange, had in its FY 2013 annual report filing on Form 20F on 22 April 2014, disclosed that its Independent Public Accountants, EY, had concluded in their opinion, that CYI maintained, in all material respects, effective internal control over financial reporting as of 31 December 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As of the date of this report, CYI is still in the process of evaluating its internal controls over financial reporting. The SOX program will be subject to final review by the auditors, and is currently on-going. To date, CYI's management has not received any report on material weaknesses from its auditors. The full results will not be known until the finalization of CYI's FY 2014 annual report filing on Form 20F in mid April 2015.

As part of internal audit program for FY 2014, audit findings identified control weaknesses at some of the Group's China subsidiaries. Management action plans based on IA's recommendations were developed to address these weaknesses. EY, during the audit of the financial statements of the Group, have also identified certain deficiencies in internal controls,

which have been reported to the AC and are currently in the process of being rectified by management. Management has assessed and determined that the deficiencies do not have significant financial impact on the financial statements of the Group for FY 2014.

Management will continue to review and strengthen the Group's control environment, and further refine its internal policies and procedures. Management continues to devote resources and expertise towards improving the level of governance and internal controls, in particular for the Group's subsidiaries in China.

PRINCIPLE 12: AUDIT COMMITTEE

Composition of AC
The AC comprises 3 NEDs, all of whom including the chairman of the AC are independent. 2 members including the AC chairman possess the relevant accounting or related financial management expertise and experience. With the current composition, the AC believes that it has the relevant accounting or related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Powers and Duties of the AC
The AC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external auditors, the internal auditors and Management. It may invite any Director, Management, officer or employee of the Group, the external auditors and internal auditors to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's financial reporting process (including reviewing the accounting policies and practices of the Company) and key internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements to be issued by the Group before their submission to the Board to ensure their completeness, consistency and fairness;

- to review the integrity of the financial statements of the Group to be announced or reported and any other formal announcements relating to the Group's financial performance;

- to assess the role and effectiveness of the IA function in the overall context of the Group's internal controls and risk management systems;

- to review and approve the annual audit plans of the external and internal auditors;

- to review, on an annual basis, the scope and results of the external audit and the independence and objectivity of the external auditors, and also to review on a periodic basis the nature and extent of any non-audit services provided by the external auditors to the Group;

- to review quarterly and/or annually, as applicable, with Management, the internal and external auditors the results of their review and evaluation of the relevant Group companies' key internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems and report to the Board annually the adequacy and effectiveness of such internal controls;

- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;

- to approve the appointment, resignation or dismissal of the Head of IA;

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

- to review the Company's whistle-blowing policy and arrangements put in place for raising in confidence concerns about possible improprieties in matters relating to financial reporting or other matters; and

- to provide oversight of the risk management framework designed, established and implemented by Management for the identification, assessment, management and monitoring of risks, with the objective of embedding risk management processes into existing management processes.

The AC held 5 meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings including records of key deliberations and decisions taken. The AC meets with the internal and external auditors, each separately without the presence of Management, at least once annually.

For the financial year under review, the AC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("**AC Self-Assessment Checklist**").

The AC Self-Assessment Checklist covered, *inter alia,* the responsibilities of the AC under its terms of reference, and also considered the contribution of AC members to the AC's deliberation and decision-making process.

Based on the self-assessment, the AC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

Taking cognizance that the external auditors should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of EY and gave careful consideration to the Group's relationships with them during 2014. In determining the independence of EY, the AC reviewed the Group's relationships with them and considered the nature of the provision of the non-audit services in 2014 and the corresponding fees. The AC is of the opinion that the nature and amount of such non-audit services and fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that EY is, and is perceived to be, independent for the purpose of the Group's statutory financial audit. For details of the fees paid and/or payable to EY in respect of audit and non-audit services for FY 2014, please refer to note 24 of the Notes to the Financial Statements on page 138.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2015, the AC had considered the adequacy of the resources, experience and competence of EY. Consideration was also given to the engagement partner and key team members' experience in handling the audit of multi-listed entities under different jurisdictions. The size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into account. The AC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity.

EY has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 (read with Rule 716) of the Listing Manual in relation to the appointment of the Group's auditors.

On the basis of the above, the AC has recommended to the Board the nomination of EY for re-appointment as external auditors of the Company at the 2015 AGM.

Interested Person Transactions

On 30 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control, to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). The IPT Mandate was last renewed at the AGM held on 25 April 2014. As such Interested Person Transactions may occur at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the 2015 AGM for the renewal of the IPT Mandate.

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

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

Name of Interested Person	Aggregate value of all Interested Person Transactions in FY 2014 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)	$'000	Aggregate value of all Interested Person Transactions conducted in FY 2014 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)	$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	Provision of the following services by Interested Persons to the Group :		Construction-related Transaction – Supply of raw materials by Interested Person to the Group:	104
	(i) Legal and trademark services	284		
	(ii) Corporate secretarial services	349		
	Total	633		

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

Whistle-blowing Policy
HLA has in place a whistle-blowing policy where staff of the Group or other persons can raise in confidence concerns on possible improprieties in matters relating to financial reporting or other matters. The AC has the responsibility of overseeing this policy which is administered by the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised (where appropriate) and for appropriate follow up action to be taken. A dedicated whistle-blowing email account at hla999@hla-grp.com has been set up to receive complaints and information from all employees of the Group or other persons in order to facilitate and encourage the reporting of such matters. Details on the dedicated channels of communication have also been made available on the Company's website and intranet.

PRINCIPLE 13: INTERNAL AUDIT

Reporting Line and Qualifications
The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the AC chairman with an administrative line of reporting to the CEO of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the AC. The AC also provides input on the annual performance appraisal of the Head of IA and the AC chairman is consulted on all bonus payments and salary adjustments for this position. The AC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the AC, the Board and Management as well as the Group's documents, records, and properties except for those under the Group's separately listed subsidiaries.

IA operates within the framework stated in its IA Charter which is approved by the AC. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Role and Activities of IA
The primary role of the IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group (other than the Group's separately listed subsidiaries which have their own IA functions). IA's coverage extends to the review and testing of controls in areas of key risks which include sales and channels operations, procurement, inventory management, information systems and compliance with company policies and procedures.

The AC approved the annual IA plan and received regular reports during 2014 on the progress of the audit work under the IA plan. Copies of IA reports are extended to relevant members of Management. IA reports are also provided to the external auditors. Processes are in place such that recommendations raised in IA reports are followed up to ensure that they are dealt with within a reasonable time frame, taking into account the severity and nature of the control weaknesses identified. The AC is apprised regularly on the implementation by Management of the recommendations of IA.

Adequacy of IA Function
The Company has a well-established IA function with formal procedures for the internal auditors to report their audit findings to the AC and to Management. The IA attends outside training programmes to keep abreast of developments. As the IA team members are members of the Institute of Internal Auditors of Singapore and/or chartered member of professional bodies, the team receives regular updates on the latest development of IA policies and practices, accounting pronouncements, risk-based audit information and other audit related knowledge from time to time. The AC reviews the adequacy of the IA function including its resources through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function facilitated through the use of a checklist, based on the guidance from the ACGC Guidebook. The AC is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Group and its financial performance is disclosed in an accurate and timely manner *via* SGXNET.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the Articles of Association of the Company, shareholders may appoint one or 2 proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the Company not less than 48 hours before the time set for the general meetings. As it is logistically challenging to allow corporations providing nominee or custodial services to appoint more than 2 proxies, the Company has decided not to implement the same for the time being. CPF investors of the Company's securities may nevertheless attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. The Company notifies its investors in advance of the date of release of its financial results *via* SGXNET. The Company's quarterly and full year results are announced within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released *via* SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET. Shareholders and investors can contact the Company or access information on the Company at its website at www.hlasia.com.sg which provides, *inter alia*, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, and contact details of its Investor Relations.

The Company has adopted a dividend policy, which is set out on page 4 of the AR.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The chairmen of all the Board Committees and the external auditors are present at general meetings to assist in addressing queries raised by the shareholders.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

To allow for a more efficient voting system, the Company had introduced electronic poll voting since its 2014 AGM and would continue to do so at the 2015 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the 2015 AGM will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced *via* SGXNET after the 2015 AGM. The rules including voting procedures that govern general meetings of shareholders are set out within the notice of 2015 AGM.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election or re-appointment of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the annual report. The Company also maintains minutes of AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors.

Corporate Values and Conduct of Business

The Board and key Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has in place an internal code of business and ethical conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Group's businesses in their relationships with customers, suppliers and amongst employees, including situations where there are potential conflicts of interests.

Internal Code on Dealing in Securities

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such securities, and (c) during the "closed period" which is defined as two weeks before the date of announcement of results for the first, second and third quarter of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Group are notified prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

23 March 2015

FINANCIAL CONTENTS

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), for the financial year ended 31 December 2014.

DIRECTORS

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

Kwek Leng Beng
Kwek Leng Peck
Ting Sii Tien @ Yao Sik Tien, Philip
Ernest Colin Lee
Goh Kian Hwee
Quek Shi Kui

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
The Company		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,680,000	1,680,000
Ting Sii Tien @ Yao Sik Tien, Philip	280,000	280,000
Ernest Colin Lee	50,000	40,000

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	**At end of the year**
The Company		
Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	470,000	470,000
Ting Sii Tien @ Yao Sik Tien, Philip	300,000	500,000
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. **Ordinary Shares**		
Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Subsidiary		
Tasek Corporation Berhad **Ordinary Shares of RM1 each**		
Ting Sii Tien @ Yao Sik Tien, Philip	50,000	51,200
Related Corporations		
Hong Leong Finance Limited **Ordinary Shares**		
Kwek Leng Beng	5,603,567	5,603,567
Kwek Leng Peck	517,359	517,359
Options to subscribe for ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	3,336,000	3,136,000
Hong Leong Holdings Limited **Ordinary Shares**		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Hong Realty (Private) Limited **Ordinary Shares**		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150

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

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
Related Corporations (cont'd)		
City Developments Limited		
Ordinary Shares		
Kwek Leng Beng	397,226	397,226
Kwek Leng Peck	43,758	43,758
Preference Shares		
Kwek Leng Beng	144,445	144,445
City e-Solutions Limited		
Ordinary Shares of HK$1 each		
Kwek Leng Beng	3,286,980	3,286,980
Kwek Leng Peck	2,082,200	2,082,200
Millennium & Copthorne Hotels New Zealand Limited		
Ordinary Shares		
Kwek Leng Beng	3,000,000	906,000
Redeemable non-voting Preference Shares		
Kwek Leng Beng	–	453,000
Sun Yuan Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000

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

The directors' interests in the Company as at 31 December 2014 disclosed above remained unchanged as at 21 January 2015.

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

DIRECTORS' CONTRACTUAL BENEFITS

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial and manufacturing-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase/sale of investments, property, industrial and consumer products, goods and services, including vehicles, equipment and machinery, parts and accessories and provision and receipt of after-sales services, hotel-related transactions, procurement services, information technology services, e-commerce-related transactions, management and consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations.

However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as customers, suppliers, directors and members of these corporations.

Except as disclosed above and in the financial statements, and except for remuneration and professional fees received from the related corporations, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

By the Company

(a) Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme")

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 30 December 2000 for an initial duration of 10 years (from 30 December 2000 to 29 December 2010). At the annual general meeting ("AGM") of the Company held on 29 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 30 December 2010 to 29 December 2020. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

The Share Option Scheme is administered by a committee comprising the following members:

Ernest Colin Lee – Chairman
Kwek Leng Peck
Quek Shi Kui
Goh Kian Hwee

The Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the Share Option Scheme) and/or with a discount (either up-front or on a deferred basis) to the Market Price. All options granted to date under the Share Option Scheme are at Market Price.

SHARE OPTIONS (CONT'D)

By the Company (cont'd)

(a) Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") (cont'd)

Under the Share Option Scheme, Market Price Options (as defined in the Share Option Scheme) granted to:

(i) Group Employees and Parent Group Employees (both as defined in the Share Option Scheme) may be exercised one year after the date of the grant and will have a term of ten years from the date of the grant; and

(ii) Group Non-Executive Directors, Parent Group Non-Executive Directors and Associated Company Employees (all three as defined in the Share Option Scheme) may be exercised one year after the date of the grant and will have a term of five years from the date of the grant.

The aggregate number of ordinary shares in the capital of the Company ("Shares") over which options may be granted under the Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares, if any, on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the Share Option Scheme shall not exceed 20% of the total number of Shares available under the Share Option Scheme.

(b) Options granted under the Share Option Scheme

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

Date of grant	Exercise price per Share	Number of Shares under option	Exercise period
28/1/2014	$1.31	540,000	28/1/2015 to 27/1/2024

(ii) Details of options granted to the directors of the Company who held office at the end of the financial year are as follows:

Name of director	Shares under option granted during the financial year	Aggregate Shares under option granted since commencement of the Share Option Scheme to end of financial year	Aggregate Shares under option exercised since commencement of the Share Option Scheme to end of financial year	Aggregate Shares under option outstanding as at end of financial year
Kwek Leng Beng	–	660,000	660,000	–
Kwek Leng Peck	–	2,150,000	1,680,000	470,000
Ting Sii Tien @ Yao Sik Tien, Philip	200,000	960,000	460,000	500,000
Ernest Colin Lee	–	150,000	150,000	–

There were no issuances of new Shares or transfers of existing Shares to the directors during the financial year.

SHARE OPTIONS (CONT'D)

By the Company (cont'd)

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

(iii) None of the participants were regarded by the directors as controlling shareholders of the Company.

(iv) None of the participants were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme.

(v) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 1,080,000 Shares under option were granted to Parent Group Employees since the commencement of the Share Option Scheme to the end of the financial year under review.

(vi) Except for options granted to persons in their capacity as Group Employees or Group Non-Executive Directors or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the Share Option Scheme.

(vii) All options granted under the Share Option Scheme are subject to a vesting schedule as follows:

(1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;

(2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and

(3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.

(viii) The persons to whom these options have been granted do not have the right to participate by virtue of the options in any share issue of any other company.

SHARE OPTIONS (CONT'D)

By the Company (cont'd)

(c) Unissued shares under option

There were a total of 1,470,000 unissued Shares under option granted pursuant to the Share Option Scheme at the end of the financial year. Details of the options to subscribe for Shares including those granted to the directors of the Company are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2014	Options granted	Options exercised	Options cancelled/ lapsed	Options Outstanding at 31 December 2014	Number of option holders at 31 December 2014	Exercise period
15/5/2008	$2.36	470,000*	–	–	–	470,000*	2	15/5/2009 to 14/5/2018
5/1/2011	$3.17	460,000	–	–	–	460,000	4	5/1/2012 to 4/1/2021
28/1/2014	$1.31	–	540,000	–	–	540,000	8	28/1/2015 to 27/1/2024
Total		930,000	540,000	–	–	1,470,000		

* Includes 300,000 options granted to a Group Non-Executive Director who became an Executive Director of the Company in year 2013. The said Executive Director was granted an extension of time up till 14 May 2018 to exercise his outstanding 300,000 options, which would have lapsed on 14 May 2013.

By Subsidiary

(a) China Yuchai International Limited ("CYI") Equity Incentive Plan ("CYI Equity Plan")

The CYI Equity Plan was approved by the shareholders at the Annual General Meeting of CYI held on 4 July 2014. It is administered by CYI's Compensation Committee comprising the following members:

Kwek Leng Peck – Chairman
Neo Poh Kiat
Raymond Ho Chi-Keung

The CYI Equity Plan contains the following key terms:

(i) only awards of share options, restricted stock and stock payments (the "Awards") may be granted to employees of CYI or a subsidiary of CYI ("CYI Group Employees");

(ii) the maximum aggregate number of shares that may be issued under the CYI Equity Plan shall not exceed 1,800,000 ordinary shares of US$0.10 each ("Ordinary Shares") subject to adjustment under the CYI Equity Plan;

(iii) the maximum aggregate number of Ordinary Shares with respect to one or more Awards that may be granted to any one eligible person during any calendar year is 300,000;

SHARE OPTIONS (CONT'D)

By Subsidiary (cont'd)

(a) China Yuchai International Limited ("CYI") Equity Incentive Plan ("CYI Equity Plan") (cont'd)

(iv) CYI's Compensation Committee shall administer the CYI Equity Plan and it has full power and authority to (a) select grantees from eligible individuals to receive the Awards and determine the time when Awards will be granted; (b) determine the number of Awards and the number of Ordinary Shares covered by each Award; (c) determine the terms and conditions of each Award; (d) approve the forms of agreement for use under the CYI Equity Plan; (e) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the CYI Equity Plan; and (f) take any and all other action as it deems necessary or advisable for the operation or administration of the CYI Equity Plan and the Awards;

(v) the price per Ordinary Share at which a holder may subscribe for the Ordinary Shares issuable upon the exercise of the option granted pursuant to the CYI Equity Plan shall be determined by CYI's Compensation Committee and shall not be less than:

- the Fair Market Value of the Ordinary Shares on the date the option is granted; and
- the par value of the Ordinary Shares;

(vi) Options granted under the CYI Equity Plan shall become exercisable ("vest") in the manner and subject to such conditions provided by CYI's Compensation Committee and set forth in the written Award agreement with repect to such options; and

(vii) the CYI Equity Plan shall terminate automatically ten years after its effective date unless terminated earlier. Awards outstanding at the time of the CYI Equity Plan's termination may continue to be exercised in accordance with their terms and shall continue to be governed by and interpreted consistent with the terms of the CYI Equity Plan.

(b) Options granted under the CYI Equity Plan

During the financial year under review, 570,000 options were granted to CYI Group Employees under the CYI Equity Plan to subscribe for Ordinary Shares. Details of the options are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2014	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2014	Exercise period
29/7/2014	US$21.11	–	570,000	–	–	570,000	29/7/2015 to 28/7/2024

The above options are subject to a vesting period of three years from the date of grant with one-third of the options vesting on each 12-month anniversary of the date of grant.

The persons to whom these options have been granted have not been granted any right to participate by virtue of the options, in any share issue of any other company.

SHARE OPTIONS (CONT'D)

Except as disclosed above, during the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares of the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises three members who are independent. The members of the AC at the date of this report are:

Quek Shi Kui – Chairman
Ernest Colin Lee
Goh Kian Hwee

The AC has held five meetings since the date of the last directors' report and carried out the functions of an audit committee as specified in the Companies Act. In carrying out its functions, the AC reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal controls. The AC also reviewed the consolidated financial statements and the financial statements of the Company for the year ended 31 December 2014 as well as the auditors' report thereon.

The AC has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

AUDITOR

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

On behalf of the Board of Directors

Kwek Leng Peck
Director

Ting Sii Tien @ Yao Sik Tien, Philip
Director

23 March 2015

STATEMENT BY DIRECTORS

We, Kwek Leng Peck and Ting Sii Tien @ Yao Sik Tien, Philip, being two of the directors of Hong Leong Asia Ltd., do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business and changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Kwek Leng Peck
Director

Ting Sii Tien @ Yao Sik Tien, Philip
Director

23 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

TO THE MEMBERS OF HONG LEONG ASIA LTD.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 51 to 175, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results and changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
23 March 2015

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Group 2012 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
Non-current assets						
Property, plant and equipment	3	1,276,373	1,187,179	1,131,207	260	312
Land use rights	4	146,699	140,636	120,816	–	–
Intangible assets	5	99,543	107,974	110,200	240	275
Investment in subsidiaries	7	–	–	–	204,455	204,455
Interests in associates	8	62,055	60,196	55,734	13,726	13,726
Interests in joint ventures	9	57,692	64,654	71,865	–	–
Other investments	10	1,766	1,738	716	–	–
Non-current receivables	11	7,741	9,190	11,257	–	–
Deferred tax assets	12	101,683	104,694	94,536	11	11
Long-term deposits	16	–	38,647	–	–	–
		1,753,552	1,714,908	1,596,331	218,692	218,779
Current assets						
Inventories	13	583,908	666,057	589,646	–	–
Development properties	14	7,108	8,215	10,288	–	–
Other investments	10	4,878	5,923	10,900	1	6
Trade and other receivables	15	2,115,359	2,033,017	1,702,841	290,218	285,480
Cash and short-term deposits	16	796,775	1,017,226	990,188	1,968	2,010
Derivatives		12	571	–	–	–
Assets classified as held-for-sale	17	–	–	14,657	–	–
		3,508,040	3,731,009	3,318,520	292,187	287,496
Total assets		5,261,592	5,445,917	4,914,851	510,879	506,275

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Group 2012 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
Current liabilities						
Trade and other payables	21	1,741,378	2,011,244	1,799,757	5,076	41,740
Provisions	22	80,102	79,215	69,234	–	–
Loans and borrowings	20	577,998	557,747	681,818	117,375	84,698
Current tax payable		17,599	32,612	27,250	54	374
Derivatives		1,426	962	–	–	–
		2,418,503	2,681,780	2,578,059	122,505	126,812
Net current assets		1,089,537	1,049,229	740,461	169,682	160,684
Non-current liabilities						
Loans and borrowings	20	371,709	392,161	179,985	60,000	60,000
Deferred tax liabilities	12	47,159	50,240	45,534	1,890	1,837
Deferred grants		69,675	68,371	65,891	–	–
Other non-current payables	21	28,042	24,408	32,561	–	–
Retirement benefits		283	564	200	–	–
		516,868	535,744	324,171	61,890	61,837
Total liabilities		2,935,371	3,217,524	2,902,230	184,395	188,649
Net assets		2,326,221	2,228,393	2,012,621	326,484	317,626
Equity attributable to owners of the Company						
Share capital	18	266,830	266,830	266,830	266,830	266,830
Reserves	19	600,545	575,062	507,732	59,654	50,796
		867,375	841,892	774,562	326,484	317,626
Non-controlling interests		1,458,846	1,386,501	1,238,059	–	–
Total equity		2,326,221	2,228,393	2,012,621	326,484	317,626
Total equity and liabilities		5,261,592	5,445,917	4,914,851	510,879	506,275

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)
Revenue	23	4,560,004	4,515,000
Cost of sales		(3,605,449)	(3,552,986)
Gross profit		954,555	962,014
Other item of income (net)			
Other income (net)		57,024	44,807
Other items of expense			
Selling and distribution expenses		(408,191)	(408,627)
Research and development expenses		(114,465)	(108,725)
General and administrative expenses		(194,856)	(178,297)
Finance costs	25	(58,196)	(62,569)
Share of profit/(loss) of associates and joint ventures, net of income tax		1,504	(6,633)
Profit before income tax	24	237,375	241,970
Income tax expense	27	(62,749)	(60,010)
Profit for the year		174,626	181,960
Attributable to:			
Owners of the Company		26,929	45,572
Non-controlling interests		147,697	136,388
		174,626	181,960
Earnings per share (cents per share)			
- Basic	28	7.20	12.19
- Diluted	28	7.20	12.19

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Group	
	2014	**2013**
	$'000	$'000
		(Restated)
Profit for the year	174,626	181,960
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Transfer of reserves on initial equity interest in joint ventures on acquisition	(100)	–
Realisation of translation reserves upon disposal of assets classified as held-for-sale	–	2,454
Realisation of translation reserves upon liquidation of subsidiaries	–	(45)
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	35,056	102,492
Net fair value changes of available-for-sale financial assets	54	(264)
Other comprehensive income for the year, net of income tax	35,010	104,637
Total comprehensive income for the year	209,636	286,597
Attributable to:		
Owners of the Company	34,064	78,469
Non-controlling interests	175,572	208,128
Total comprehensive income for the year	209,636	286,597

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000
Closing balance as at 31 December 2013 (as previously stated)		266,830	(1,569)	34,896	45,525
Adjustment arising from change of accounting policy		–	–	–	–
At 1 January 2014 (restated)		266,830	(1,569)	34,896	45,525
Profit for the year		–	–	–	–
Other comprehensive income					
Transfer of reserves on initial equity interest in joint ventures on acquisition		–	–	–	–
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–
Net fair value changes of available-for-sale financial assets		–	–	–	54
Other comprehensive income for the year, net of tax		–	–	–	54
Total comprehensive income for the year		–	–	–	54
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Cost of share-based payments	26	–	–	–	–
Shares issued to non-controlling interests of subsidiaries		–	–	–	–
Dividends paid to shareholders	29	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interests		–	1,862	–	–
Others					
Transfer to statutory reserve		–	–	425	–
At 31 December 2014		266,830	293	35,321	45,579

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

Equity compensation reserve $'000	Translation reserve $'000	Discount on acquisition of non-controlling interests $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2,390	(19,313)	13,173	499,347	841,279	1,384,550	2,225,829
–	317	–	296	613	1,951	2,564
2,390	(18,996)	13,173	499,643	841,892	1,386,501	2,228,393
–	–	–	26,929	26,929	147,697	174,626
–	(50)	–	–	(50)	(50)	(100)
–	7,131	–	–	7,131	27,925	35,056
–	–	–	–	54	–	54
–	7,081	–	–	7,135	27,875	35,010
–	7,081	–	26,929	34,064	175,572	209,636
482	–	–	–	482	720	1,202
–	–	–	–	–	3,469	3,469
–	–	–	(14,956)	(14,956)	–	(14,956)
–	–	–	–	–	(92,599)	(92,599)
–	–	4,031	–	5,893	(14,817)	(8,924)
–	–	–	(425)	–	–	–
2,872	(11,915)	17,204	511,191	867,375	1,458,846	2,326,221

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000
Closing balance as at 31 December 2012 (as previously stated)		266,830	(1,604)	34,217	45,789
Adjustment arising from change of accounting policy		–	–	–	–
At 1 January 2013 (restated)		266,830	(1,604)	34,217	45,789
Profit for the year		–	–	–	–
Other comprehensive income					
Realisation of translation reserves upon disposal of assets classified as held-for-sale		–	–	–	–
Realisation of translation reserves upon liquidation of subsidiaries		–	–	(45)	–
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–
Net fair value changes of available-for-sale financial assets		–	–	–	(264)
Other comprehensive income for the year, net of tax		–	–	(45)	(264)
Total comprehensive income for the year		–	–	(45)	(264)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Cost of share-based payments	26	–	–	–	–
Dividends paid to shareholders	29	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–
Reserve attributable to disposal group classified as held-for-sale	17	–	–	–	–
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interests		–	35	–	–
Others					
Transfer to statutory reserve		–	–	724	–
At 31 December 2013		266,830	(1,569)	34,896	45,525

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

Equity compensation reserve $'000	Translation reserve $'000	Discount on acquisition of non-controlling interests $'000	Reserve of disposal group classified as held-for-sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2,347	(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700
–	323	–	–	8	331	590	921
2,347	(49,389)	13,173	(2,813)	466,012	774,562	1,238,059	2,012,621
–	–	–	–	45,572	45,572	136,388	181,960
–	–	–	2,454	–	2,454	–	2,454
–	–	–	–	–	(45)	–	(45)
–	30,752	–	–	–	30,752	71,740	102,492
–	–	–	–	–	(264)	–	(264)
–	30,752	–	2,454	–	32,897	71,740	104,637
–	30,752	–	2,454	45,572	78,469	208,128	286,597
43	–	–	–	–	43	–	43
–	–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	–	(58,816)	(58,816)
–	(359)	–	359	–	–	–	–
–	–	–	–	–	35	(870)	(835)
–	–	–	–	(724)	–	–	–
2,390	(18,996)	13,173	–	499,643	841,892	1,386,501	2,228,393

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Company	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Equity compensation reserve $'000	Accumulated profits $'000	Total equity $'000
At 1 January 2014		266,830	9,199	2	2,337	39,258	317,626
Total comprehensive income for the year		–	–	(2)	–	23,756	23,754
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Cost of share-based payments		–	–	–	60	–	60
Dividends paid to shareholders	29	–	–	–	–	(14,956)	(14,956)
At 31 December 2014		266,830	9,199	–	2,397	48,058	326,484
At 1 January 2013		266,830	9,199	–	2,294	27,100	305,423
Total comprehensive income for the year		–	–	2	–	23,375	23,377
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Cost of share-based payments		–	–	–	43	–	43
Dividends paid to shareholders	29	–	–	–	–	(11,217)	(11,217)
At 31 December 2013		266,830	9,199	2	2,337	39,258	317,626

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)
Operating activities			
Profit before income tax		237,375	241,970
Adjustments for:			
Share of (profit)/loss of associates and joint ventures, net of income tax		(1,504)	6,633
Cost of share-based payments	26	482	43
Depreciation and amortisation	24	132,632	117,808
Allowance recognised/(written back) for inventories write-down	24	1,690	(1,640)
Impairment losses recognised/(written back) for trade and other receivables	24	2,769	(2,522)
Impairment losses on property, plant and equipment and intangible assets	24	20,213	7,773
Property, plant and equipment written off	24	170	185
Intangible assets written off	24	–	15
Finance costs	25	58,196	62,569
Dividend income from other investments	24	(250)	(259)
Interest income	24	(15,912)	(23,707)
(Gain)/loss on disposal of:			
- subsidiaries	24	–	74
- property, plant and equipment	24	1,205	1,675
- land use rights		(40)	(2,334)
- assets held-for-sale	24	–	253
- other investments		–	(712)
Fair value loss on investments		1,080	585
Fair value loss on derivatives		1,773	312
Waiver of trade payables	24	(7,333)	–
Gains arising from acquisition of subsidiaries	7	(19,390)	–
Provisions for warranties and other costs, net	24	97,243	91,611
Operating cash flows before changes in working capital		510,399	500,332
Changes in working capital:			
Inventories		92,199	(37,780)
Trade and other receivables		(53,817)	(237,563)
Trade and other payables		(292,250)	97,965
Provisions utilised	22	(97,559)	(85,980)
Cash flows from operations		158,972	236,974
Income taxes paid		(69,978)	(57,530)
Net cash flows from operating activities		88,994	179,444

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	2013 $'000 (Restated)
Investing activities			
Acquisition of subsidiaries, net of cash acquired	7	(3,405)	–
Acquisition of non-controlling interests in subsidiaries		(8,924)	(835)
Investment in associates		(95)	(4,024)
Dividends received from:			
- associates and joint ventures		4,236	2,785
- other investments	24	250	259
Interest received		16,866	23,833
Release/(placement) of fixed deposits		22,683	(60,307)
Release/(placement) of restricted deposits with banks		134,764	(92,276)
Purchase of:			
- property, plant and equipment (including capitalisation of borrowing costs)	3	(171,671)	(119,996)
- land use rights	4	(2,011)	(18,616)
- intangible assets	5	(5,573)	(2,723)
Proceeds from disposal of:			
- subsidiaries, net of cash disposed		–	1,940
- property, plant and equipment		4,693	8,397
- land use rights		518	4,039
- assets held-for-sale		–	16,217
- other investments		22	4,317
Net cash flows used in investing activities		(7,647)	(236,990)
Financing activities			
Dividends paid to:			
- non-controlling interests of subsidiaries		(92,599)	(58,816)
- shareholders of the Company	29	(14,956)	(11,217)
Interest paid		(58,058)	(64,487)
Proceeds from borrowings		571,457	616,276
Proceeds from issuance of bonds		–	202,821
Repayment to a related company		–	(2,942)
Capital contribution by non-controlling interests of subsidiaries		3,469	–
Grant received from government		4,183	9,371
Repayments in respect of borrowings		(599,701)	(557,927)
Repayment of obligation under finance leases		(1,194)	(1,110)
Redemption of short-term bonds		–	(204,067)
Net cash flows used in financing activities		(187,399)	(72,098)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)
Net decrease in cash and cash equivalents		(106,052)	(129,644)
Cash and cash equivalents at the beginning of the financial year	16	842,877	936,508
Effect of exchange rate changes on balances held in foreign currencies		3,717	36,013
Cash and cash equivalents at the end of the financial year	16	740,542	842,877

Note:

Cash and bank balances totalling $542,311,000 (2013: $615,249,000) are held in countries which have foreign exchange controls.

The value of assets and liabilities of subsidiaries that was disposed as at the date of disposal, and the cash flow effect of the disposal was:

	Group 2014 $'000	Group 2013 $'000
Disposal		
Net current assets	–	3,237
Loss on disposal of subsidiaries	–	(74)
Total cash consideration	–	3,163
Less: Cash and bank balance of subsidiaries disposed	–	(1,223)
Disposal of subsidiaries, net of cash disposed	–	1,940

The cash flow effect of acquisitions in 2014 is shown in Note 7.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1. CORPORATE INFORMATION

Hong Leong Asia Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on Singapore Exchange Securities Trading Limited (SGX-ST). The registered office of the Company is located at 16 Raffles Quay, #26-00 Hong Leong Building, Singapore 048581.

The principal activities of the Group and the Company have been those relating to the manufacturing and distribution of consumer products, air-conditioning systems, diesel engines and related products, industrial packaging products, building materials, and of investment holding and dealing.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in estimates, accounting policies and restatement of comparatives

Change in estimated useful life

Effective 1 January 2014, management has revised the estimated useful life of the acquired trademark in respect of the Group's air-conditioning systems operations, from 50 years to 19 years. Management believes that this change will result in more appropriate presentation and will give a systematic basis of amortisation charge, representative of the time pattern in which the economic benefits will be derived from the use of the asset. As a result, the amortisation charges of the Group will increase annually by $235,000.

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

2.2 Changes in estimates, accounting policies and restatement of comparatives (cont'd)

Change in accounting policies and restatement of comparatives

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company, except as disclosed below:

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The relevant disclosure is set out in Note 7, Note 8 and Note 9.

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

The adoption of FRS 111 has resulted in the Group having to revise its method of accounting for its joint arrangements. Investment in jointly controlled entities had been previously consolidated proportionately. Under FRS 111, these arrangements are classified as joint ventures and are to be equity accounted.

The change in accounting policy has been applied in accordance with the transitional provision in FRS 111. The initial investment was measured as the aggregate of the carrying amounts of the assets and liabilities that the Group previously proportionately consolidated.

Classification of cash and cash equivalents

The comparatives in the consolidated balance sheet and cash flow statement have been restated as bank deposits that are long term in nature were previously classified as cash and short-term deposits. Such deposits have now been reclassified as long-term deposits and do not form part of cash and cash equivalents. The restatements have no impact to the consolidated income statement and earnings per share.

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

2.2 Changes in estimates, accounting policies and restatement of comparatives (cont'd)

The effects of adoption of FRS 111 and FRS 28 and restatement of comparatives are as follows:

Impact on consolidated income statement:

2013	**Group**		
	As previously stated $'000	**Adoption of FRS 111 and FRS 28** $'000	**As restated** $'000
Revenue	4,550,381	(35,381)	4,515,000
Cost of sales	(3,581,918)	28,932	(3,552,986)
Gross profit	968,463	(6,449)	962,014
Other item of income/(expense) (net)			
Other income/(expenses)	45,128	(321)	44,807
Other items of expense			
Selling and distribution expenses	(412,109)	3,482	(408,627)
Research and development expenses	(108,725)	–	(108,725)
General and administrative expenses	(194,998)	16,701	(178,297)
Finance costs	(66,011)	3,442	(62,569)
Share of profit/(loss) of associates and joint ventures, net of income tax	8,643	(15,276)	(6,633)
Profit before income tax	240,391	1,579	241,970
Income tax expense	(60,078)	68	(60,010)
Profit for the year	180,313	1,647	181,960

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

2.2 Changes in estimates, accounting policies and restatement of comparatives (cont'd)

Impact on consolidated balance sheet:

	Group			
31 December 2013	**As previously stated** $'000	**Adoption of FRS 111 and FRS 28** $'000	**Classification of cash and cash equivalents** $'000	**As restated** $'000
Non-current assets				
Property, plant and equipment	1,275,520	(88,341)	–	1,187,179
Land use rights	147,289	(6,653)	–	140,636
Intangible assets	107,987	(13)	–	107,974
Interests in associates	61,000	(804)	–	60,196
Interests in joint ventures	–	64,654	–	64,654
Other investments	1,738	–	–	1,738
Deferred tax assets	104,694	–	–	104,694
Non-current receivables	8,723	467	–	9,190
Long-term deposits	–	–	38,647	38,647
	1,706,951	(30,690)	38,647	1,714,908
Current assets				
Other investments	5,923	–	–	5,923
Inventories	683,477	(17,420)	–	666,057
Development properties	8,215	–	–	8,215
Trade and other receivables	2,027,445	5,572	–	2,033,017
Cash and short-term deposits	1,068,246	(12,373)	(38,647)	1,017,226
Derivatives	571	–	–	571
	3,793,877	(24,221)	(38,647)	3,731,009
Total assets	5,500,828	(54,911)	–	5,445,917
Current liabilities				
Trade and other payables	2,020,809	(9,565)	–	2,011,244
Provisions	80,128	(913)	–	79,215
Loans and borrowings	571,478	(13,731)	–	557,747
Current tax payable	32,579	33	–	32,612
Derivatives	962	–	–	962
	2,705,956	(24,176)	–	2,681,780
Net current assets	1,087,921	(45)	(38,647)	1,049,229
Non-current liabilities				
Loans and borrowings	424,789	(32,628)	–	392,161
Deferred tax liabilities	50,240	–	–	50,240
Deferred grants	69,042	(671)	–	68,371
Other non-current payables	24,408	–	–	24,408
Retirement benefits	564	–	–	564
	569,043	(33,299)	–	535,744
Total liabilities	3,274,999	(57,475)	–	3,217,524
Net impact on equity	2,225,829	2,564	–	2,228,393

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

2.2 Changes in estimates, accounting policies and restatement of comparatives (cont'd)

Impact on consolidated balance sheet:

	Group		
1 January 2013	**As previously stated** $'000	**Adoption of FRS 111 and FRS 28** $'000	**As restated** $'000
Non-current assets			
Property, plant and equipment	1,233,263	(102,056)	1,131,207
Land use rights	127,195	(6,379)	120,816
Intangible assets	110,200	–	110,200
Interests in associates	56,492	(758)	55,734
Interests in joint ventures	–	71,865	71,865
Other investments	716	–	716
Deferred tax assets	94,536	–	94,536
Non-current receivables	10,423	834	11,257
	1,632,825	(36,494)	1,596,331
Current assets			
Other investments	10,900	–	10,900
Inventories	602,242	(12,596)	589,646
Development properties	10,288	–	10,288
Trade and other receivables	1,699,447	3,394	1,702,841
Cash and short-term deposits	1,000,806	(10,618)	990,188
Assets classified as held-for-sale	21,087	(6,430)	14,657
	3,344,770	(26,250)	3,318,520
Total assets	4,977,595	(62,744)	4,914,851
Current liabilities			
Trade and other payables	1,807,519	(7,762)	1,799,757
Provisions	69,297	(63)	69,234
Loans and borrowings	711,330	(29,512)	681,818
Current tax payable	26,591	659	27,250
Liabilities classified as held-for-sale	3,771	(3,771)	–
	2,618,508	(40,449)	2,578,059
Net current assets	726,262	14,199	740,461
Non-current liabilities			
Loans and borrowings	203,201	(23,216)	179,985
Deferred tax liabilities	45,534	–	45,534
Deferred grants	65,891	–	65,891
Other non-current payables	32,561	–	32,561
Retirement benefits	200	–	200
	347,387	(23,216)	324,171
Total liabilities	2,965,895	(63,665)	2,902,230
Net impact on equity	2,011,700	921	2,012,621

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

2.2 Changes in estimates, accounting policies and restatement of comparatives (cont'd)

Impact on cash flow statements:

	Group		
2013	**As previously stated** $'000	**Adoption of FRS 111 and FRS 28** $'000	**As restated** $'000
Operating	173,369	6,075	179,444
Investing	(66,406)	(170,584)	(236,990)
Financing	(68,041)	(4,057)	(72,098)
	38,922	(168,566)	(129,644)
Cash and cash equivalents at the beginning of the financial year	953,270	(16,762)	936,508
Exchange difference on translation of financial statements of foreign operations	42,133	(6,120)	36,013
Cash and cash equivalents at the end of the financial year	1,034,325	(191,448)	842,877
Cash and short-term deposits	1,068,246	(51,020)	1,017,226
Short-term investment and restricted deposits	(33,921)	(140,428)	(174,349)
Cash and cash equivalents in the cash flow statement	1,034,325	(191,448)	842,877

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19: Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 114 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

Except for FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending change in accounting policy on adoption of FRS 115 is described below.

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

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

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers is effective for financial periods beginning on or after 1 January 2017.

The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

FRS 115 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management will evaluate the impact of FRS 115 in due course.

2.4 Basis of consolidation and business combinations

(a) ***Basis of consolidation***

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2.4 Basis of consolidation and business combinations (cont'd)

(a) ***Basis of consolidation (cont'd)***

Basis of consolidation from 1 January 2010 (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

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

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

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

2.4 Basis of consolidation and business combinations (cont'd)

(b) ***Business combinations***

Business combinations from 1 January 2010

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

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.12(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.4 Basis of consolidation and business combinations (cont'd)

(b) ***Business combinations (cont'd)***

Business combinations prior to 1 January 2010

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

The Group has not entered into any joint operation arrangement.

2.8 Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

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

2.8 Associates and joint ventures (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss. The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.9 Foreign currency

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

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

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

2.9 Foreign currency (cont'd)

(b) Consolidated financial statements (cont'd)

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

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.26. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	:	Over the period of the lease ranging from 3 to a maximum of 70 years
Leasehold improvements	:	Over the period of the lease ranging from 3 to a maximum of 50 years
Plant and machinery	:	3 to 30 years
Office furniture, fittings and equipment	:	3 to 20 years
Motor and transport vehicles	:	3.5 to 15 years
Quarry site preparation costs	:	10 years

Construction-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.11 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

Deferred grants

Grants received for investment in machinery and equipment used for the development of diesel engines are recorded as deferred income and taken to income over the same period over which the machinery and equipment are being depreciated.

2.12 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.9.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

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

2.12 Intangible assets (cont'd)

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Trademarks

Trademarks acquired are assessed as either finite or indefinite. Trademark with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that trademark may be impaired. The amortisation expense is recognised in profit or loss in the expenses category consistent with the function of the trademarks.

Trademarks with indefinite useful lives are tested for impairment annually, if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

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

2.12 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(ii) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. The expenditure capitalised includes the cost of materials, direct labour and overhead cost directly attributable to prepare the assets for its intended use. Other development expenditure is recognised in profit or loss as an expense when incurred. Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the estimated useful lives or the period of expected pattern of future economic benefits embodied in the development. Amortisation is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

(iii) Club membership

Club membership was acquired separately and is amortised on a straight- line basis over its finite useful life of 10 to 25 years.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Financial assets at fair value through profit or loss (cont'd)

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments to hedge its foreign currency risks. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative.

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

2.13 Financial instruments (cont'd)

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.14 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.15 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity but exclude borrowing costs.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2.17 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the end of the reporting period, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

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

2.18 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

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

2.19 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore and Malaysia companies in the Group make contributions to the Central Provident Fund scheme in Singapore and the Employee Provident Fund in Malaysia respectively, a defined contribution pension scheme. The companies in the People's Republic of China ("PRC") participate in and make contributions to the national pension schemes at a fixed proportion of the basic salary of the employee. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

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

2.20 Employee benefits (cont'd)

(b) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Employment benefits are classified as short term or non-current based on expected timing of settlement.

(c) Share-based payments

The share option programme allows Group employees to acquire shares of the Group companies. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense with a corresponding adjustment to equity over the remaining vesting period.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(a) Claims

A provision for claims is recognised when delays arise or complaints from customers are received as the contract progresses. The provision is made based on management estimates from prior experience on similar projects with customers.

(b) Warranties

A provision for warranties is recognised when the product is sold or service provided. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Costs incurred are charged against the provision and any over or under provision is recognised in profit or loss.

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

2.21 Provisions (cont'd)

(c) Onerous contracts

A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

2.22 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and the possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(b) Rendering of services

Revenue from rendering services relates to project management contracts, hotel room and restaurant operations.

Revenue is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(c) Development properties for sale

A development property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(d) Rental income

Rental income arising from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

(e) Dividend income

Dividend income from unquoted investments is recognised when the Group's right to receive payment is established.

Dividend income from quoted investments is recognised when dividends are received.

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

2.22 Revenue recognition (cont'd)

(f) Interest income

Interest income is recognised using the effective interest method.

2.23 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 to 50 years.

2.24 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.22 (d). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.25 Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

2.26 Borrowing costs

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

2.27 Taxes

(a) Current income tax

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

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

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

2.27 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

2.27 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.28 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

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

2.31 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.32 Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is controlled or jointly controlled by a person identified in (a).

(vi) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings
	$'000	$'000
Cost		
At 1 January 2013 (restated)	59,953	465,807
Translation differences	(698)	29,503
Additions	18	984
Transfers	–	43,410
Disposals	–	(6,325)
Write-off	–	(1,399)
At 31 December 2013 and 1 January 2014 (restated)	59,273	531,980
Translation differences	(377)	9,254
Additions	–	1,887
Transfers	–	64,356
Disposals	–	(5,447)
Write-off	–	(114)
Acquisition of subsidiaries (Note 7)	2,833	29,783
At 31 December 2014	61,729	631,699

Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
5,451	772,499	47,645	44,953	216,307	1,612,615
334	56,752	2,953	1,913	11,838	102,595
343	19,297	4,693	5,623	89,038	119,996
–	96,277	3,151	214	(143,052)	–
–	(28,984)	(2,586)	(3,100)	–	(40,995)
–	(2,995)	(483)	(2)	(331)	(5,210)
6,128	912,846	55,373	49,601	173,800	1,789,001
104	14,507	3	259	1,428	25,178
1,074	12,702	7,256	2,936	145,816	171,671
–	120,525	1,424	132	(186,437)	–
(27)	(19,001)	(1,744)	(2,935)	–	(29,154)
–	(1,274)	(387)	(27)	(500)	(2,302)
–	5,448	2,627	74	–	40,765
7,279	1,045,753	64,552	50,040	134,107	1,995,159

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

Group	Freehold land	Buildings
	$'000	$'000
Accumulated depreciation and impairment losses		
At 1 January 2013 (restated)	1,576	137,504
Translation differences	(4)	7,535
Charge for the year	–	17,674
Impairment losses made/(reversed)	–	49
Disposals	–	(1,287)
Write-off	–	(1,397)
At 31 December 2013 and 1 January 2014 (restated)	1,572	160,078
Translation differences	(3)	1,142
Charge for the year	–	19,178
Impairment losses made	–	2,187
Disposals	–	(2,734)
Write-off	–	(113)
At 31 December 2014	1,569	179,738
Net book value		
At 31 December 2013 (restated)	57,701	371,902
At 31 December 2014	60,160	451,961

* An amount of $355,000 (2013: $1,069,000) was capitalised as intangible assets.

Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
683	280,342	31,224	29,135	944	481,408
22	29,736	2,529	1,773	48	41,639
226	83,575	6,567	4,566	–	112,608*
–	2,068	95	1	(98)	2,115
–	(24,931)	(2,503)	(2,202)	–	(30,923)
–	(2,820)	(476)	(1)	(331)	(5,025)
931	367,970	37,436	33,272	563	601,822
12	5,957	38	343	(8)	7,481
247	95,679	7,141	4,754	–	126,999*
–	5,685	–	–	–	7,872
(27)	(16,299)	(1,693)	(2,503)	–	(23,256)
–	(1,179)	(319)	(21)	(500)	(2,132)
1,163	457,813	42,603	35,845	55	718,786
5,197	544,876	17,937	16,329	173,237	1,187,179
6,116	587,940	21,949	14,195	134,052	1,276,373

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

Company	Leasehold improvements $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Total $'000
Cost				
At 1 January 2013	133	978	568	1,679
Additions	284	62	–	346
Disposals	–	(5)	(568)	(573)
At 31 December 2013 and 1 January 2014	417	1,035	–	1,452
Additions	41	56	–	97
Write-off	–	(32)	–	(32)
At 31 December 2014	458	1,059	–	1,517
Accumulated depreciation				
At 1 January 2013	133	887	157	1,177
Charge for the year	87	34	42	163
Disposals	–	(1)	(199)	(200)
At 31 December 2013 and 1 January 2014	220	920	–	1,140
Charge for the year	105	44	–	149
Write-off	–	(32)	–	(32)
At 31 December 2014	325	932	–	1,257
Net book value				
At 31 December 2013	197	115	–	312
At 31 December 2014	133	127	–	260

Capitalisation of borrowing costs

In 2013, the borrowing costs capitalised as cost of plant and equipment amounted to $5,590,000. No borrowing costs were capitalised in 2014 as management has assessed that the amount was immaterial. The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.56% per annum for 2013, which was the effective interest rate of general borrowing that was used for the purpose of obtaining the qualifying assets.

Assets held under finance lease

The carrying amount of plant and equipment held under finance leases at the end of the reporting period was $70,000 (2013: $11,000).

Leased assets are pledged as security for the related finance lease liabilities.

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

Assets pledged as security

The Group's assets with a carrying amount of $24,289,000 (2013: $5,801,000) are mortgaged to secure the Group's bank loans (Note 20).

4. LAND USE RIGHTS

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Cost		
At 1 January	169,719	145,989
Additions	2,011	18,616
Acquisition of subsidiaries (Note 7)	5,841	–
Disposals	(518)	(2,618)
Translation differences	2,705	7,732
At 31 December	179,758	169,719
Accumulated amortisation		
At 1 January	29,083	25,173
Amortisation for the year	3,454	3,325
Disposals	(40)	(913)
Translation differences	562	1,498
At 31 December	33,059	29,083
Net carrying amount	146,699	140,636
Amount to be amortised:		
- Not later than one year	3,753	3,432
- Later than one year but not later than five years	14,795	13,517
- Later than five years	128,151	123,687
	146,699	140,636

The Group has land use rights over 54 (2013: 53) plots of land in the People's Republic of China, Singapore and Malaysia where the Group's manufacturing and storage facilities reside. The transferable land use rights have a remaining tenure of 26 to 50 years (2013: 27 to 50 years) and the non-transferable land use rights have a remaining tenure of 9 to 17 years (2013: 10 to 18 years).

5. INTANGIBLE ASSETS

Group	Patents and development expenditure with finite useful lives	Trade-marks with indefinite useful lives	Trade-marks with finite useful lives	Club Membership	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2013	41,700	66,011	7,114	313	11,598	126,736
Additions	2,723	–	–	–	–	2,723
Write-off	(25)	–	–	–	–	(25)
Translation differences	2,088	118	425	–	(5)	2,626
At 31 December 2013 and 1 January 2014 (restated)	46,486	66,129	7,539	313	11,593	132,060
Additions	5,573	–	–	–	–	5,573
Write-off	(563)	–	–	–	–	(563)
Translation differences	663	147	123	–	(3)	930
At 31 December 2014	52,159	66,276	7,662	313	11,590	138,000
Accumulated amortisation and impairment losses						
At 1 January 2013	6,012	–	248	40	10,236	16,536
Amortisation charge for the year	1,648	–	196	31	–	1,875
Impairment losses	5,658	–	–	–	–	5,658
Write-off	(10)	–	–	–	–	(10)
Translation differences	10	–	17	–	–	27
At 31 December 2013 and 1 January 2014	13,318	–	461	71	10,236	24,086
Amortisation charge for the year	1,218	–	931	30	–	2,179
Impairment losses	12,341	–	–	–	–	12,341
Write-off	(563)	–	–	–	–	(563)
Translation differences	378	–	36	–	–	414
At 31 December 2014	26,692	–	1,428	101	10,236	38,457
Net carrying amount						
At 31 December 2013 (restated)	33,168	66,129	7,078	242	1,357	107,974
31 December 2014	25,467	66,276	6,234	212	1,354	99,543

5. INTANGIBLE ASSETS (CONT'D)

Patents and development expenditure

Patents and development expenditure relate to costs incurred for the following:
- exploration and evaluation expenditure of quarries.
- design, construction and testing of new diesel engines.

The patents and development expenditure have remaining amortisation periods ranging from 1 to 10 years (2013: 2 to 10 years). Development expenditure amounting to $23,073,000 (2013 : $30,350,000) was not amortised as the development has not been completed and is not available for use.

Trademarks

Trademarks belonging to the Group's consumer product segment are estimated to have an indefinite useful life because management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group. Trademarks acquired in respect of the Group's air-conditioning systems operations are estimated to have remaining useful of 18 years (2013 : 49 years). Please refer to Note 2.2 for the change in estimate of useful lives.

Company	**Computer software and related costs** $'000	**Club Membership** $'000	**Total** $'000
Cost			
At 1 January 2013	1,461	313	1,774
Additions	26	–	26
Write-off	(26)	–	(26)
At 31 December 2013 and 1 January 2014	1,461	313	1,774
Additions	16	–	16
At 31 December 2014	1,477	313	1,790
Accumulated amortisation and impairment losses			
At 1 January 2013	1,414	40	1,454
Amortisation charge for the year	26	31	57
Write-off	(12)	–	(12)
At 31 December 2013 and 1 January 2014	1,428	71	1,499
Amortisation charge for the year	21	30	51
At 31 December 2014	1,449	101	1,550
Net carrying amount			
At 31 December 2013	33	242	275
At 31 December 2014	28	212	240

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

Diesel engines segment

The Group has an intangible asset representing technology development costs held by Jining Yuchai Engine Company Limited ("Jining Yuchai") with carrying amount of $16,332,000 (net of impairment) as at 31 December 2014 (2013: $23,727,000). The impairment test was triggered during the year because the non-controlling interest had disposed its equity interest to an independent third party at a value below the net asset value of Jining Yuchai. In addition, modification has to be made to the existing technology that may delay the commercial deployment of this technology.

As a result, the Group recognised an impairment loss of $12,341,000 (2013: Nil) in respect of the development costs held by Jining Yuchai. The recoverable amount was determined based on their value in use using the discounted cashflow approach. Cash flows were projected based on historical growth and past experience and did not exceed the estimated long-term average growth rate of the business in the PRC market. The recoverable amount of the intangible asset was based on its value in use. The Group used a 10-year forecast, using pre-tax discount rate of 12.24% and growth rate of 0% from 2026, 5 years after the expected commercial deployment of the technology till the end of the useful life of the technology.

If the pre-tax discount rate increases by 5% from management's estimate, the Group's impairment loss on intangible asset in Jining Yuchai will increase by $2,632,000.

In addition, the Group recognised an impairment loss of $3,015,000 (2013: $1,772,000) in the income statement in respect of specific plant and equipment which are no longer in use.

Consumer products segment

The Group recognised impairment loss of $5,000,000 (2013: $ Nil) in the income statement in respect of plant and machinery which had been under-utilised.

Trademarks relate to the Group's consumer products segment which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $62,697,000 (2013: $62,697,000) as at 31 December 2014. The recoverable amount of trademarks was determined based on their value in use using the royalty relief method. No impairment was identified for both financial years.

The assumptions used in the assessment for the trademark in 2014 are:

- Royalty rate of 2% based on assessment of royalty rates of similar trademarks.
- Discount rate of 15% which reflects the current market assessment of the risks specific to the CGU.
- Revenue growth rate of 0% to 15% per annum based on historical growth and past experience and did not exceed the estimated long-term average growth rate for the business in the PRC market.

With regards to the assessment of value in use for the consumer product segment, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

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

Air-conditioning systems segment

The Group recognised impairment loss of $5,658,000 mainly in respect of the patent and developments costs and $95,000 in respect of plant and equipment in the Group's air-conditioning systems unit in 2013. Cash flows are projected based on historical growth and past experience and does not exceed the estimated long-term average growth rate for the business in the PRC market. The Group used a 5-year forecast annual revenue growth rate of 20% per annum. A discount rate of 17% was used.

Trademark relate to the Group's air-conditioning systems unit which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $6,234,000 (2013: $7,078,000) as at 31 December 2014. The recoverable amount of trademarks was determined based on their value in use using the royalty relief method. No impairment was identified for both financial years.

The assumptions used in the assessment for the trademark in 2014 are:

- Royalty rate of 2% based on assessment of royalty rates of similar trademarks.
- Discount rate of 15% which reflects the current market assessment of the risks specific to the CGU.
- Revenue growth rate of 10% from 2018 based on historical growth and past experience and did not exceed the estimated long-term average growth rate for the business in the PRC market.

With regards to the assessment of value in use for the air-conditioning systems segment, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	$'000
Shares, at cost	232,387	232,387
Impairment losses	(27,932)	(27,932)
	204,455	204,455

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group

The Group has the following significant investment in subsidiaries.

Names of significant subsidiaries	Country of incorporation	Effective equity interest	
		2014	2013
Held by the Company		%	%
Fedders Hong Kong Company Limited [1]	Hong Kong	100	100
Fedders Investment Holdings Pte. Ltd.	Singapore	100	100
Hayford Holdings Sdn. Bhd.	Malaysia	100	100
HL Building Materials Pte. Ltd.	Singapore	100	100
HL-Manufacturing Industries Sdn. Bhd.	Malaysia	100	100
Hong Leong (China) Limited	Singapore	100	100
Hong Leong Asia Investments Pte. Ltd. (formerly known as Hong Leong Climate Control Holdings Pte. Ltd.)	Singapore	100	100
Island Concrete (Private) Limited	Singapore	100	100

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2014	2013
Held by the Group		%	%
Airwell Air-conditioning (Asia) Company Limited [1]	Hong Kong	80.00	80.00
Airwell Air-conditioning (Hong Kong) Company Limited [1]	Hong Kong	53.60	53.60
Airwell Air-conditioning Technology (China) Co., Ltd.	The People's Republic of China	53.60	53.60
China Yuchai International Limited ("CYI") [2]	Bermuda	37.02	34.88
Fedders International Pte. Ltd.	Singapore	100	100
Guangxi Yuchai Machinery Company Limited [3]	The People's Republic of China	28.29	26.65
Guangxi Yuchai Machinery Monopoly Development Co., Ltd [3]	The People's Republic of China	20.32	19.14
Guangxi Yulin Hotel Company Limited [3]	The People's Republic of China	28.29	26.65
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited [3]	The People's Republic of China	27.48	25.89
Henan Xinfei Electric Co., Ltd.	The People's Republic of China	90	90
Henan Xinfei Household Appliance Co., Ltd.	The People's Republic of China	90	90
Henan Xinfei Refrigeration Appliances Co., Ltd.	The People's Republic of China	90	90
HL Cement (Malaysia) Sdn. Bhd.	Malaysia	100	100
HL Global Enterprises Limited ("HLGE") [4]	Singapore	18.11	17.04
Hong Leong Electric Pte Ltd	Singapore	100	100
HL Technology Systems Pte Ltd	Singapore	100	100
Jining Yuchai Engine Company Limited [5]	The People's Republic of China	–	18.66
Qian Hong Packaging Company Limited [1]	Hong Kong	100	100
Rex Holdings Pte Ltd	Singapore	100	100
Tasek Corporation Berhad ("Tasek") [6]	Malaysia	74.28	74.28
Xiamen Yuchai Diesel Engines Co., Ltd. [3]	The People's Republic of China	28.29	26.65

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2014	2013
		%	%
Held by the Group (cont'd)			
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. [(3)(7)]	The People's Republic of China	28.29	13.59
Augustland Hotel Sdn. Bhd.[(8)]	Malaysia	18.11	7.67
Suzhou Yuchai Machinery Monopoly Co., Ltd [(3)]	The People's Republic of China	20.32	–

Ernst & Young LLP, Singapore, is the auditor of all significant Singapore-incorporated subsidiaries while other member firms of Ernst & Young Global are auditors of significant foreign incorporated subsidiaries except for those companies marked with footnote (1).

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

(2) The directors consider CYI as a subsidiary of the Company as the Group owns 14,137,961 or 37.02% of the ordinary shares and a special share of CYI that entitles the Group to elect a majority of directors in CYI. Accordingly, the Group is exposed to, and has rights, to variable returns from its involvement with CYI, and has the ability to affect those returns though its power over CYI.

(3) These companies are subsidiaries of CYI.

(4) The Group considers HLGE a subsidiary as it has the power to exercise effective control and direct the activities of HLGE that most significantly affect its economic performance and has the exposure or rights to receive benefits from HLGE from its involvement. CYI Group has effective equity interest in HLGE of 50.2% (2013: 50.1%), net of the ordinary shares held by the Trustee under the Trust as of 31 December 2014. Please refer to Note 38(a)(iii) for details.

(5) Jining Yuchai Engine Company Limited ("Jining Yuchai") was disposed on 28 September 2014. Guangxi Yuchai Machinery Company Limited ("GYMCL") through various contractual arrangements, has the power to exercise effective control and is able to direct the activities of Jining Yuchai that most significantly affect its economic performance and has the exposure or rights to receive benefits from Jining Yuchai from its involvement. Accordingly, GYMCL considers Jining Yuchai a subsidiary and consolidates its financial results. Please refer to Note 7(d) for details.

(6) The effective equity interest was computed based on the total number of ordinary shares excluding treasury shares.

(7) Yuchai Remanufacturing Services (Suzhou) Co., Ltd. was a jointly-controlled entity of CYI in 2013. It became a subsidiary of CYI in 2014.

(8) Augustland Hotel Sdn. Bhd. was a jointly-controlled entity of HLGE in 2013. It became a wholly-owned subsidiary of HLGE in 2014.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2014:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	71.71%	157,431	1,252,352	22,534
Guangxi Yuchai Machinery Monopoly Development Co., Ltd	The People's Republic of China	79.68%	19,063	72,503	11,978
Tasek Corporation Berhad	Malaysia	25.72%	10,442	76,706	21,277
31 December 2013:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	73.35%	154,569	1,160,166	15,151
Guangxi Yuchai Machinery Monopoly Development Co., Ltd	The People's Republic of China	80.86%	17,174	86,901	46
Tasek Corporation Berhad	Malaysia	25.72%	9,871	89,425	15,062

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of $380,456,000 (2013: $590,972,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Guangxi Yuchai Machinery Company Limited		Guangxi Yuchai Machinery Monopoly Development Co., Ltd		Tasek Corporation Berhad	
	As at 31 December 2014 $'000	As at 31 December 2013 $'000	As at 31 December 2014 $'000	As at 31 December 2013 $'000	As at 31 December 2014 $'000	As at 31 December 2013 $'000
Current						
Assets	2,636,172	2,752,540	205,814	155,380	190,668	226,305
Liabilities	(1,687,651)	(1,920,918)	(147,524)	(119,388)	(39,826)	(31,415)
Net current assets	948,521	831,622	58,290	35,992	150,842	194,890
Non-current						
Assets	1,144,486	1,095,638	38,633	76,785	158,036	164,720
Liabilities	(308,172)	(302,060)	(697)	(745)	(11,790)	(13,069)
Net non-current assets	836,314	793,578	37,936	76,040	146,246	151,651
Net assets	1,784,835	1,625,200	96,226	112,032	297,088	346,541

Summarised income statement and statement of comprehensive income

	Guangxi Yuchai Machinery Company Limited		Guangxi Yuchai Machinery Monopoly Development Co., Ltd		Tasek Corporation Berhad	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	3,370,469	3,238,621	324,263	315,612	254,093	228,380
Profit before income tax	252,342	250,743	32,100	28,262	52,708	49,127
Income tax expense	(32,803)	(40,015)	(8,176)	(7,022)	(12,107)	(10,750)
Profit after tax	219,539	210,728	23,924	21,240	40,601	38,377
Other comprehensive income	36,177	93,513	2,790	5,771	(7,327)	(13,585)
Total comprehensive income	255,716	304,241	26,714	27,011	33,274	24,792

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information about subsidiaries with material NCI (cont'd)

Other summarised information

	Guangxi Yuchai Machinery Company Limited		Guangxi Yuchai Machinery Monopoly Development Co., Ltd		Tasek Corporation Berhad	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net cash flows from/(used in) operations	19,699	126,840	44,181	(2,730)	49,800	35,464
Net cash flows used in investing activities	(124,180)	(113,405)	(4,393)	(1,969)	(4,204)	(3,564)
Net cash flows used in financing activities	(99,346)	(119,126)	(30,374)	(44)	(82,945)	(56,996)
Acquisition of significant property, plant and equipment	(135,470)	(89,763)	(1,234)	(1,170)	(12,096)	(12,753)

(d) Disposal of ownership in interest in subsidiary, Jining Yuchai Engine Company Limited, without loss of control

On September 28, 2014, the Group's subsidiary company, Guangxi Yuchai Machinery Company Limited ("GYMCL") transferred its entire 70% equity interests in Jining Yuchai Engine Company Limited ("Jining Yuchai") to an independent third party (the "Purchaser") for a consideration of Rmb 1. GYMCL also entered into the following agreements with the Purchaser and Jining Yuchai, as part of the equity transfer transaction:

1. Loan Agreement

Under the terms of the loan agreement, GYMCL and its wholly-owned subsidiary, Guangxi Yulin Hotel Company Limited ("Yulin Hotel") ("Lenders") agreed to provide loans, of amounts not exceeding RMB 70 million (equivalent to $14,882,000), to Jining Yuchai, by way of entrusted loans, and such loans are solely to be utilised for Jining Yuchai's working capital purpose. As collaterals for the loans, the Purchaser has pledged its entire equity interests in Jining Yuchai to the Lenders and Jining Yuchai has pledged all of its legal properties to the Lenders. In the event of a breach of the Loan Agreement by the Purchaser or Jining Yuchai, the Lenders are accorded the right to sell the pledged property and equity interest to ensure repayment of the loans granted.

In addition, in consideration of the Lenders' financial support to Jining Yuchai, as long as the Purchaser remains a shareholder in Jining Yuchai, irrespective of whether the loans remain outstanding or not, the Purchaser is prohibited from transferring all or part of its equity interests in Jining Yuchai to another party without the prior written consent of the Lenders. The Purchaser has also granted the Lenders an irrevocable option to acquire all of its shareholding in Jining Yuchai at any time at a consideration not exceeding RMB 250,000 (equivalent to $53,150). These two provisions are also contained in a separate undertaking letter issued and signed by the Purchaser to the Lenders.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Disposal of ownership in interest in subsidiary, Jining Yuchai Engine Company Limited, without loss of control (cont'd)

The Purchaser as long as it remains a shareholder in Jining Yuchai, will consult with the Lenders prior to the exercise of any of its powers in relation to Jining Yuchai. The Lenders have the right to recommend for appointment Jining Yuchai's legal representative and executive director.

2. Management Agreement

Under the management agreement entered into between GYMCL and the Purchaser, GYMCL has been appointed by the Purchaser to manage Jining Yuchai in all matters relating to the running of its operations. The term of the agreement is for one year which may be extended upon mutual agreement and the management fee is RMB 240,000 (equivalent to $51,024) per annum.

GYMCL through the above-mentioned contractual arrangements has the power to exercise effective control and is able to direct the activities of Jining Yuchai that most significantly affect its economic performance, and has the exposure or rights to receive benefits from Jining Yuchai from its involvement. Accordingly, GYMCL continues to consolidate the financial results of Jining Yuchai.

Waiver of trade payables

As part of the disposal, a gain of $7,333,000 related to waiver of trade payables due to a subsidiary of the joint venture partner (which undertakes research and development activities for the subsidiary) was recognised in the "Other income" line item in the Group's profit or loss for the year ended 31 December 2014.

(e) Acquisition of additional equity interest in joint ventures

(i) On 8 July 2014 (the "acquisition date"), the Group's subsidiary company, HL Global Enterprises Limited ("HLGE") acquired an additional 55% equity interest in its 45% owned joint venture, Augustland Hotel Sdn Bhd ("AHSB"), which engages in hotel development and operation in Malaysia. Upon the acquisition, AHSB became a 100% owned subsidiary of the Group.

The acquisition allows the Group to expand and strengthen its existing business of hospitality operations. The control of the acquiree was obtained through the acquisition of 55% equity interest from its' joint venture partner.

(ii) On 4 September 2014 (the "acquisition date"), the Group's subsidiary company, Guangxi Yuchai Machinery Company Limited ("GYMCL") acquired an additional 49% equity interest in its 51% owned joint venture, Yuchai Remanufacturing Services (Suzhou) Co., Ltd. ("YRC"), a company that manufactures and sells automobile parts, diesel engines and components in the People's Republic of China. Upon the acquisition, YRC became a 100% owned subsidiary of the Group.

The acquisition enables the Group to have control of YRC which is expected to deliver positive synergies upon combination of operations.

Upon acquisition of the remaining equity interest in the above entities, the Group remeasured the previously held equity interests at fair value on acquisition date, with the resulting gain or loss recognised in profit or loss.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Acquisition of additional equity interest in joint ventures (cont'd)

The fair value of the identifiable assets and liabilities as at the acquisition date were:

	AHSB	YRC	Total
	$'000	$'000	$'000
Property, plant and equipment	21,793	18,972	40,765
Land use rights	–	5,841	5,841
Inventories	85	3,462	3,547
Trade and other receivables	507	2,450	2,957
Cash and short-term deposits	2,247	775	3,022
	24,632	31,500	56,132
Trade and other payables	(4,899)	(3,916)	(8,815)
Loans and borrowings	–	(10,987)	(10,987)
Deferred grant	–	(1,286)	(1,286)
Other liabilities	(8,393)	–	(8,393)
Preference shares	(1,791)	–	(1,791)
	(15,083)	(16,189)	(31,272)
Total identifiable net assets at fair value	9,549	15,311	24,860
Less: Fair value of equity interest in subsidiaries held by the Group immediately before the acquisitions	(4,317)	(7,809)	(12,126)
	5,232	7,502	12,734
Less: Consideration transferred excluding preference shares			
Cash consideration	6,427	–	6,427
Less: Preference shares	(1,791)	–	(1,791)
	4,636	–	4,636
Negative goodwill recognised in income statement	596	7,502	8,098
Effect of the acquisitions of subsidiaries on cash flows			
Consideration settled in cash	6,427	–	6,427
Less: Cash and cash equivalents of subsidiaries acquired	(2,247)	(775)	(3,022)
Net cash outflows on acquisition	4,180	(775)	3,405

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Acquisition of additional equity interest in joint ventures (cont'd)

Transaction costs

Transaction costs related to the acquisition of $96,000 have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

Gain on remeasuring previously held equity interests in subsidiaries to fair value at acquisition date

The Group recognised a gain of $9,453,000 as a result of measuring at fair value its equity interests before the business combination. The gain is included in the "Other income" line item in the Group's profit or loss for the year ended 31 December 2014.

	AHSB	**YRC**	**Total**
	$'000	$'000	$'000
Fair value of initial equity interest	4,317	7,809	12,126
Share of carrying amount	(702)	(2,071)	(2,773)
Increase in fair value	3,615	5,738	9,353
Transfer of reserves on initial equity interest in joint ventures on acquisition	100	–	100
Fair value gain on initial equity interest	3,715	5,738	9,453

Gain on deemed settlement of pre-existing contractual relationship

A gain of $1,839,000 related to deemed settlement of pre-existing contractual relationship was recognised in the "Other income" line item in the Group's profit or loss for the year ended 31 December 2014.

Trade and other receivables acquired

The gross amount and fair value of the trade and other receivables acquired are both $2,957,000. At the acquisition date, it is expected that the full contractual amount of the trade and other receivables can be collected.

Negative goodwill arising from acquisitions

The negative goodwill arising from the acquisitions is $8,098,000, which has been recognised in the "Other income" line item in the Group's profit or loss for the year ended 31 December 2014.

For AHSB, the consideration was arrived at on a willing-buyer and willing-seller basis taking into consideration the valuations commissioned by the seller and buyer, respectively. Management believes that it is part of the business rationalisation plan of the seller to reduce its involvement in Cameron Highlands, Malaysia as a new hotel is being built at Cameron Highlands.

For YRC, the consideration was arrived at on a willing-buyer willing-seller basis. Management believes that it is part of the business rationalisation plan of the seller to reduce its joint venture activities in PRC.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Acquisition of additional equity interest in joint ventures (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, the subsidiaries have contributed $6,802,000 of revenue and loss of $1,740,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been $4,569,146,000 and the Group's profit, net of tax would have been $172,189,000 (net of share of losses of joint ventures of $1,935,000 recognised prior to business combinations).

Gains arising from acquisitions are summarised as follows:

	$'000
Gain on remeasuring previously held equity interests to fair value at acquisition date	9,453
Gain on deemed settlement of pre-existing contractual relationship	1,839
Negative goodwill	8,098
	19,390

(f) Acquisition of ownership in subsidiary, without loss of control

During the year, the Group acquired additional equity interests in its subsidiary, CYI for a total cash consideration of $8,924,000. In addition, the Group elected to receive dividends from CYI in the form of CYI shares in lieu of cash. This resulted in an overall 2.14% increase in effective equity interest held in CYI by the Group. The difference of $4,031,000 between the consideration and the carrying value of the additional interest acquired has been recognised as discount on acquisition of non-controlling interests within equity.

The following summarises the effect of the change in the Group's ownership interest in subsidiary on the equity attributable to owners of the Company:

	$'000
Consideration paid	8,924
Decrease in equity attributable to non-controlling interests	(12,955)
Increase in equity attributable to owners of the Company	(4,031)

8. INTERESTS IN ASSOCIATES

The Group and Company's material investments in associates are summarised below:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (restated)	$'000	$'000
Singapore Cement Manufacturing Company (Private) Limited	19,621	19,025	13,726	13,726
Cement Industries (Sabah) Sdn. Bhd.	37,416	36,173	–	–
Other associates	5,018	4,998	–	–
	62,055	60,196	13,726	13,726

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest	
			2014	**2013**
			%	%
Held by the Company				
Singapore Cement Manufacturing Company (Private) Limited [1]	Singapore	Storage, packaging and distribution of cement	50	50
Held by the Group				
Cement Industries (Sabah) Sdn. Bhd. [2]	Malaysia	Manufacture and sale of cement	22.28	22.28

[1] Audited by Ernst & Young LLP, Singapore.
[2] Audited by member firms of Ernst & Young Global.

Aggregate information about the Group's investments in associates (not adjusted for the percentage of ownership held by the Group) that are not individually material are as follows:

	2014	**2013**
	$'000	$'000 (restated)
Profit or loss after tax	565	(200)
Other comprehensive income	(233)	(416)
Total comprehensive income	332	(616)

8. INTERESTS IN ASSOCIATES (CONT'D)

The summarised financial information in respect of Singapore Cement Manufacturing Company (Private) Limited and Cement Industries (Sabah) Sdn. Bhd., based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.	
	As at December 2014 $'000	As at December 2013 $'000	As at December 2014 $'000	As at December 2013 $'000
Current assets	33,508	39,591	80,711	65,903
Non-current assets	16,441	4,441	59,092	61,409
Total assets	49,949	44,032	139,803	127,312
Current liabilities	(10,693)	(5,967)	(5,630)	(3,624)
Non-current liabilities	(15)	(15)	(3,394)	(2,458)
Total liabilities	(10,708)	(5,982)	(9,024)	(6,082)
Net assets	39,241	38,050	130,779	121,230
Proportion of the Group's ownership	50%	50%	30%	30%
Group's share of net assets	19,621	19,025	39,234	36,369
Other adjustments	–	–	(1,818)	(196)
Carrying amount of the investment	19,621	19,025	37,416	36,173

Summarised income statement and statement of comprehensive income

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	80,209	78,706	179,053	176,061
Profit after tax	2,691	5,032	18,136	20,436
Other comprehensive income	–	–	(2,645)	(4,188)
Total comprehensive income	2,691	5,032	15,491	16,248

9. INTERESTS IN JOINT VENTURES

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Y&C Engine Co., Ltd	37,344	38,099
Copthorne Hotel Qingdao Co., Ltd	18,293	20,200
Other joint ventures	2,055	6,355
	57,692	64,654

Particulars of the joint venture entities are as follows:

Names of significant joint venture entity	Country of incorporation	Principal activities	Effective equity interest	
			2014	**2013**
			%	%
Joint venture entity of HL Global Enterprises Limited ("HLGE")				
Copthorne Hotel Qingdao Co., Ltd. [1]	The People's Republic of China	Owns and operates a hotel in Qingdao	10.86	10.23
Joint venture entity of China Yuchai International Limited ("CYI")				
Y&C Engine Co., Ltd. [2]	The People's Republic of China	Manufacture and sale of heavy duty diesel engines, spare parts and after-sales services	12.73	11.99

[1] Audited by member firms of Ernst & Young Global.
[2] Audited by An Hui Xin Zhong Tian CPAs Co., Ltd, the People's Republic of China.

The Group's share of contingent liabilities is $2,734,000 (2013: $2,682,000).

According to Qingdao Municipal Government's regulation, all hotels in Qingdao, the People's Republic of China, are imposed for tourism development levy and hotel augmentation levy which are equivalent to 1% of total revenue and 3% of room revenue respectively. According to releases made by the Qingdao Local Taxation Bureau, the tourism development levy and the hotel augmentation levy were withdrawn effective from 1 January 2009 and 1 September 2010 respectively. As of 31 December 2014, the estimated tourism development levy and hotel augmentation levy payable by the joint venture in Qingdao was $798,000 (2013: $783,000) and $1,936,000 (2013: $1,899,000) respectively. The joint venture, together with other hotel owners in Qingdao, is currently negotiating with Qingdao Municipal Government to waive such levies. Management of the joint venture is of the view that the authority is unlikely to collect such levies and accordingly, no provision has been made.

9. INTERESTS IN JOINT VENTURES (CONT'D)

Aggregate information about the Group's investments in joint ventures, including profit/(loss) incurred by YRC and AHSB prior to business combination (Note 7) (not adjusted for the percentage of ownership held by the Group) that are not individually material are as follows:

	2014	**2013**
	$'000	$'000
Loss after tax	(3,850)	(9,745)
Other comprehensive income	(130)	(231)
Total comprehensive income	(3,980)	(9,976)

Summarised financial information, in respect of Y&C Engine Co., Ltd and Copthorne Hotel Qingdao Co., Ltd, based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Y&C Engine Co., Ltd		Copthorne Hotel Qingdao Co., Ltd	
	As at December 2014 $'000	As at December 2013 $'000	As at December 2014 $'000	As at December 2013 $'000
Cash and short-term deposits	14,267	13,440	2,097	2,458
Other current assets	50,401	83,294	481	625
Total current assets	64,668	96,734	2,578	3,083
Non-current assets	132,630	128,685	61,675	72,914
Total assets	197,298	225,419	64,253	75,997
Current financial liabilities (excluding trade and other payables and provisions)	(4,252)	(14,623)	(335)	(420)
Other current liabilities	(90,624)	(97,053)	(3,577)	(3,088)
Non-current liabilities	(19,134)	(29,246)	(29,852)	(29,753)
Total liabilities	(114,010)	(140,922)	(33,764)	(33,261)
Net assets	83,288	84,497	30,489	42,736
Proportion of the Group's ownership	45%	45%	60%	60%
Group's share of net assets	37,480	38,024	18,293	25,641
Other adjustments	(136)	75	–	(5,441)
Carrying amount of the investment	37,344	38,099	18,293	20,200

9. INTERESTS IN JOINT VENTURES (CONT'D)

Summarised income statement and statement of comprehensive income

	Y&C Engine Co., Ltd		Copthorne Hotel Qingdao Co., Ltd	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Revenue	100,203	91,243	12,453	13,817
Depreciation and amortisation	(4,966)	(4,859)	(2,487)	(2,518)
Interest expense	(5,480)	(3,189)	(1,917)	(1,525)
Loss before tax	(2,617)	(7,312)	(2,699)	(1,802)
Income tax expense	–	–	–	–
Loss after tax	(2,617)	(7,312)	(2,699)	(1,802)
Other comprehensive income	1,408	3,908	409	1,015
Total comprehensive income	(1,209)	(3,404)	(2,290)	(787)

The Group recognised an impairment loss of $2,610,000 in "Share of profit/(loss) of associates and joint ventures" line item in the Group's profit or loss for the year ended 31 December 2013 for the investment in Copthorne Hotel Qingdao Co., Ltd. Cash flows were projected based on historical growth and past experience and did not exceed the estimated long-term average growth rate for the business in the PRC market. The recoverable amount of the investment was based on its value in use. The Group used an eleven-year forecast annual revenue growth of 3% per annum and a discounted rate of 10%. If the present value of estimated future cash flows decreases by 5% from management's estimate, the Group's impairment loss on the investment will increase by $1,380,000.

10. OTHER INVESTMENTS

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Non-current				
Available-for-sale financial assets				
Quoted equity securities				
- related corporations	1,766	1,738	–	–
	1,766	1,738	–	–
Current				
Held for trading				
Quoted equity securities	4,859	5,871	–	–
Available-for-sale financial assets				
Quoted equity securities				
- other companies	19	52	1	6
	4,878	5,923	1	6

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

11. NON-CURRENT RECEIVABLES

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
Amount due from joint venture partners	268	1,430
Lease receivable	2,633	2,856
Retention sums	4,840	4,904
	7,741	9,190

The amount due from joint venture partners, lease receivable and retention sums are unsecured, non-interest bearing and not expected to be repaid within the next 12 months.

12. DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	**At 1 January 2014**	**Recognised in income statement**	**Withholding taxes paid on remittance of dividends**	**Translation differences**	**At 31 December 2014**
	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities					
Property, plant and equipment	(15,709)	1,243	–	329	(14,137)
Unremitted income	(3,779)	(50)	–	(2)	(3,831)
Withholding tax on dividend income	(29,465)	(4,997)	6,412	(393)	(28,443)
Other items	(1,287)	538	–	1	(748)
Total	(50,240)	(3,266)	6,412	(65)	(47,159)
Deferred tax assets					
Property, plant and equipment	1,572	53	–	8	1,633
Inventories	6,003	190	–	111	6,304
Intangible assets	1,378	(125)	–	20	1,273
Trade and other receivables	3,327	(1)	–	58	3,384
Provisions	76,251	(7,552)	–	1,080	69,779
Deferred grants	13,803	–	–	246	14,049
Other items	2,360	2,883	–	18	5,261
Total	104,694	(4,552)	–	1,541	101,683

12. DEFERRED TAX (CONT'D)

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1 January 2013	Recognised in income statement	Translation differences	At 31 December 2013
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Property, plant and equipment	(17,096)	922	465	(15,709)
Unremitted income	(3,360)	(413)	(6)	(3,779)
Withholding tax on dividend income	(23,131)	(4,713)	(1,621)	(29,465)
Other items	(1,947)	656	4	(1,287)
Total	(45,534)	(3,548)	(1,158)	(50,240)
Deferred tax assets				
Property, plant and equipment	1,212	345	15	1,572
Inventories	6,208	(596)	391	6,003
Intangible assets	1,505	(221)	94	1,378
Trade and other receivables	3,252	(128)	203	3,327
Provisions	65,196	6,739	4,316	76,251
Tax value of loss carried forward	316	(329)	13	–
Deferred grants	14,379	(1,479)	903	13,803
Other items	2,468	(184)	76	2,360
Total	94,536	4,147	6,011	104,694

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

	Company	
	2014	2013
	$'000	$'000
Deferred tax liabilities		
Property, plant and equipment	(32)	(19)
Unremitted income	(1,858)	(1,818)
	(1,890)	(1,837)
Deferred tax assets		
Provisions	11	11

12. DEFERRED TAX (CONT'D)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Deferred tax assets	101,683	104,694	11	11
Deferred tax liabilities	(47,159)	(50,240)	(1,890)	(1,837)
	54,524	54,454	(1,879)	(1,826)

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

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Unutilised tax losses	188,661	129,166
Unutilised capital allowances and investment allowances	29,604	5,007
	218,265	134,173

Unutilised tax losses and unabsorbed capital allowances for the Group are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which the Group operates. The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

13. INVENTORIES

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
Raw materials and consumables	334,297	337,801
Manufacturing work-in-progress	20,204	19,266
Finished goods	229,407	308,990
Total inventories at the lower of cost and net realisable value	583,908	666,057
Inventories recognised as an expense in cost of sales (Note 24)	3,003,516	2,964,616
Inclusive of the following charge/(credit):		
- Inventories written down	7,088	9,027
- Reversal of inventories written down	(5,398)	(10,667)

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

14. DEVELOPMENT PROPERTIES

	Group	
	2014	**2013**
	$'000	$'000
Properties in the course of development, at cost	16,019	16,351
Completed projects	9,147	10,849
	25,166	27,200
Allowance for foreseeable losses	(18,058)	(18,985)
	7,108	8,215

The change in foreseeable losses in respect of development properties during the year is as follows:

	Group	
	2014	**2013**
	$'000	$'000
At 1 January	18,985	20,258
Allowance utilised	(54)	(563)
Translation differences	(873)	(710)
At 31 December	18,058	18,985

15. TRADE AND OTHER RECEIVABLES

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
Trade receivables	302,442	297,152
Bill receivables	1,705,596	1,603,217
Impairment losses	(7,802)	(6,284)
Net trade receivables	2,000,236	1,894,085
Amounts receivable from:		
- immediate holding company (non-trade)	11	30
- associates and joint ventures (trade)	28,793	24,266
- associates and joint ventures (non-trade)	216	7,328
- other related corporations (trade)	936	703
- other related corporations (non-trade)	586	785
Advances paid to suppliers	19,905	26,557
Prepaid expenses	4,657	9,067
Refundable deposits	1,725	3,819
Tax recoverable	22,711	36,584
Lease receivables	1,369	1,102
Other receivables	35,813	30,012
Impairment losses - other receivables	(1,599)	(1,321)
	115,123	138,932
Total trade and other receivables	2,115,359	2,033,017

	Company	
	2014	**2013**
	$'000	$'000
Trade receivables	16	118
Amounts receivable from:		
- immediate holding company (non-trade)	22	21
- subsidiaries (non-trade)	284,895	284,966
- associates (non-trade)	1	–
Prepaid expenses	29	26
Refundable deposits	59	59
Dividend receivables	5,000	–
Other receivables	196	290
	290,202	285,362
Total trade and other receivables	290,218	285,480

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Group

The non-trade balances due from immediate holding company, associates, joint ventures and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

Company

The non-trade balances due from subsidiaries include loans and advances of $178,655,000 (2013: $178,936,000) which bear interest at rates ranging from 0.66% to 4.41% (2013: 0.69% to 4.38%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 1.20% (2013: 1.78%) per annum. Interest rates will be repriced within 12 months. These balances are repayable on demand and are to be settled in cash.

The remaining non-trade balances are unsecured, interest-free, repayable on demand and are to be settled in cash.

The maximum exposure to credit risk for trade and other receivables (excluding advances paid to suppliers, prepaid expenses, refundable deposits and tax recoverable), non-current receivables (Note 11) and amounts due from subsidiaries at the reporting date (by business activities) is as follows:

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Diesel engines	1,767,725	1,598,846
Consumer products	160,137	224,043
Building materials	126,442	111,342
Industrial packaging	11,864	13,315
Air-conditioning systems	7,930	18,520
Others	4	114
	2,074,102	1,966,180

	Company	
	2014	**2013**
	$'000	$'000
Diesel engines	4	–
Consumer products	7,448	7,932
Building materials	–	92
Air-conditioning systems	53,673	35,512
Others	229,005	241,859
	290,130	285,395

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

The ageing of trade and other receivables (excluding advances paid to suppliers, prepaid expenses, refundable deposits and tax recoverable), non-current receivables and amounts due from subsidiaries at reporting date is as follows:

	2014 Gross $'000	2013 Gross $'000 (restated)
Group		
Not past due	1,942,502	1,805,311
Past due 0 to 30 days	58,863	77,603
Past due 31 to 120 days	45,492	46,845
Past due 121 days to one year	13,836	17,821
More than one year	22,810	26,205
	2,083,503	1,973,785

	Impairment losses $'000	Impairment losses $'000 (restated)
Past due 0 to 30 days	(420)	(203)
Past due 31 to 120 days	(20)	(44)
Past due 121 days to one year	(2,426)	(1,100)
More than one year	(6,535)	(6,258)
	(9,401)	(7,605)

Company		
Not past due	1,107	2,505
Past due 0 to 30 days	2,503	346
Past due 31 to 120 days	25,527	1,424
Past due 121 days to one year	20,240	42,763
More than one year	235,753	238,357
	285,130	285,395

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

15. TRADE AND OTHER RECEIVABLES (CONT'D)

The Group's movement in allowances for trade and other receivables and non-current receivables at the end of the reporting period is as follows:

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
At 1 January	7,605	10,453
Impairment losses made/(written back)	2,769	(2,522)
Impairment losses utilised	(1,204)	(852)
Translation differences	231	526
At 31 December	9,401	7,605

The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond the amount provided for collection losses are inherent in the Group's trade and other receivables.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. These receivables are mainly from customers that have a good record with the Group.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the reporting date, financial guarantees received by the Group up to a limit of $26,831,000 (2013: $23,665,000) from certain trade receivables. These guarantees included cash collateral held from certain customers of $4,680,000 (2013: $906,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

As at 31 December 2013, trade and bills receivables amounting to $167,120,000 had been pledged as collaterals for a loan by a subsidiary in the PRC. Receivables were not pledged as at 31 December 2014.

As at 31 December 2014, outstanding bills receivables endorsed to suppliers with recourse obligation were $280,382,000 (2013: $318,190,000).

As at 31 December 2014, outstanding bills receivables discounted with banks for which the Group retained a recourse obligation amounted to $169,461,000 (2013: $289,597,000).

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables subject to offsetting arrangements

The Group and Company had certain counterparties with receivables and payables that are off-set as follows:

Group	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
	$'000	$'000	$'000
2013			
Current			
Trade receivables	3	(3)	–
Trade payables	(1,568)	3	(1,565)
Company			
2014			
Current			
Amounts due from subsidiaries	1,376	(1,334)	42
Amounts due to subsidiaries	(1,479)	1,334	(145)
2013			
Current			
Amounts due from subsidiaries	1,106	(1,106)	–
Amounts due to subsidiaries	(1,116)	1,106	(10)

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables subject to an enforceable master netting arrangement that are not otherwise set-off

The Group had certain counterparties with receivables and payables subject to an enforceable master netting arrangement that are not otherwise set-off as follows:

Group	Gross carrying amounts	Related amounts not set off in the balance sheet	Net amounts
	$'000	$'000	$'000
2014			
Trade and other receivables	30,334	(4,876)	25,458
Trade and other payables	(5,107)	4,876	(231)
2013			
Trade and other receivables	26,366	(10,023)	16,343
Trade and other payables	(11,657)	10,023	(1,634)

16. CASH, SHORT-TERM DEPOSITS AND LONG-TERM DEPOSITS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000 (restated)	$'000	$'000
Short-term fixed deposits	329,086	410,012	1,060	79
Cash at banks and in hand	467,689	607,214	908	1,931
	796,775	1,017,226	1,968	2,010
Long-term fixed deposits	–	38,647	–	–
	796,775	1,055,873	1,968	2,010
Long-term fixed deposits	–	(38,647)		
Short-term investment and restricted deposits	(56,233)	(174,349)		
Cash and cash equivalents in the cash flow statement	740,542	842,877		

16. CASH, SHORT-TERM DEPOSITS AND LONG-TERM DEPOSITS (CONT'D)

Restricted deposits represent bank balances of certain subsidiaries pledged as security to obtain credit facilities and loans. Long-term deposits are placed with banks with tenure above 12 months and earn interest at the respective long-term deposit rates.

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	%	% (restated)	%	%
Fixed deposits	2.75	3.09	0.45	1.16

Interest rates will be repriced within 12 months.

17. ASSETS CLASSIFIED AS HELD-FOR-SALE

An associate and a joint venture entity in a subsidiary company were part of the disposal groups classified as held-for-sale as at 31 December 2012. The investments were subsequently disposed of in 2013.

18. SHARE CAPITAL

	Group and Company			
	2014		**2013**	
	No. of shares	**Amount**	**No. of shares**	**Amount**
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	373,908	266,830	373,908	266,830

During the year, there was no option exercised under its Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") (Note 30).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

19. RESERVES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (restated)	$'000	$'000
Capital reserve	293	(1,569)	9,199	9,199
Statutory reserve	35,321	34,896	–	–
Translation reserve	(11,915)	(18,996)	–	–
Fair value reserve	45,579	45,525	–	2
Equity compensation reserve	2,872	2,390	2,397	2,337
Accumulated profits	511,191	499,643	48,058	39,258
Discount on acquisition of non-controlling interests	17,204	13,173	–	–
	600,545	575,062	59,654	50,796

(a) Capital reserve comprises:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Merger reserve	392	392	–	–
Business participation fee and realised capital gain on disposal of investments	3,046	3,046	9,199	9,199
Adjustment relating to shares of the Company issued to an associate for assets transferred to the Company	(11,380)	(11,380)	–	–
Others	8,235	6,373	–	–
	293	(1,569)	9,199	9,199

The merger reserve relates to reserve arising from certain acquisitions accounted for under the pooling of interests method.

(b) Statutory reserve comprises the Group's share of general reserves of its subsidiaries in the PRC which are not available for dividends or other payments. The transfers are required to be made at the rate of 10% to 15% (2013: 10% to 15%) of profit after tax of subsidiaries arrived at under generally accepted accounting principles applicable in the PRC. The transfer to the statutory reserve is mandatory until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to the approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The statutory reserve is not available for dividend distribution to shareholders.

(c) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

19. RESERVES (CONT'D)

(d) The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised and the Group's share of the post-acquisition fair value adjustments arising from the allocation of purchases price to the identifiable net assets and contingent liabilities of subsidiaries.

(e) The equity compensation reserve comprises the cumulative value of employee services received for the issue of share options. The amount in the reserve is retained when the option is exercised or expired.

20. LOANS AND BORROWINGS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (restated)	$'000	$'000
Current liabilities				
Unsecured bank loans	563,279	403,716	117,375	84,698
Secured bank loans	13,330	152,926	–	–
Obligations under finance leases (Note 31)	1,389	1,105	–	–
	577,998	557,747	117,375	84,698
Non-current liabilities				
Unsecured bank loans	67,000	60,000	60,000	60,000
Secured bank loans	90,045	121,514	–	–
Obligations under finance leases (Note 31)	2,660	2,865	–	–
Medium-term bonds	212,004	207,782	–	–
	371,709	392,161	60,000	60,000
Total loans and borrowings	949,707	949,908	177,375	144,698

The obligations under finance leases are secured by a charge over the leased assets (Note 3). The average discount rate implicit in the leases is 1.38% (2013: 1.41%) per annum.

20. LOANS AND BORROWINGS (CONT'D)

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

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Property, plant and equipment	24,289	5,801
Land use rights	12,344	17,991
Investment in subsidiaries	68,721	179,993
Fixed deposits	–	33,921
Trade receivables	–	167,120
Inventories	5,671	8,711

These loans and borrowings have externally imposed capital requirements on certain subsidiaries of the Group which have been complied with or waiver of compliance obtained by the respective subsidiaries before reporting dates for the financial years ended 31 December 2014 and 2013.

20. LOANS AND BORROWINGS (CONT'D)

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

		2014	
	Weighted average interest rate	Year of maturity	Carrying amount
Group	%		$'000
Secured bank loans:			
- RMB floating rate loans	8.3	2015	3,190
- RMB floating rate loans	8.3	2016	3,986
- MYR floating rate loans	6.4	2015	1,390
- MYR floating rate loans	5.3	2017	79,821
- MYR floating rate loans	6.4	2020	6,238
- EURO floating rate loans	1.0	2015	8,750
			103,375
Unsecured bank loans:			
- RMB floating rate loans	5.9	2015	278,913
- USD floating rate loans	0.9	2015	40,475
- HKD floating rate loans	1.7	2015	255
- MYR floating rate loans	5.7	2015	1,813
- SGD floating rate loans	1.1	2015	109,040
- SGD floating rate loans	1.9	2016	60,000
- SGD floating rate loans	1.3	2017	7,000
- RMB fixed rate loans	6.5	2015	82,914
- SGD fixed rate loans	4.7	2015	49,869
			630,279
Obligations under finance leases:			
- MYR fixed rate loans	2.7	2015	17
- MYR fixed rate loans	2.7	2016	6
- MYR fixed rate loans	2.6	2018	16
- SGD fixed rate loans	1.4	2015	1,372
- SGD fixed rate loans	1.4	2017	1,759
- SGD fixed rate loans	1.3	2019	879
			4,049
Medium-term bonds:			
- RMB fixed rate medium-term bonds	4.9	2016	212,004
			949,707
Company			
Unsecured bank loans:			
- USD floating rate loans	0.9	2015	40,475
- SGD floating rate loans	1.0	2015	76,900
- SGD floating rate loans	1.9	2016	60,000
			177,375

20. LOANS AND BORROWINGS (CONT'D)

		2013 (restated)	
	Weighted average interest rate	Year of maturity	Carrying amount
Group	%		$'000
Secured bank loans:			
- RMB floating rate loans	8.3	2014	3,133
- RMB floating rate loans	8.3	2016	7,050
- MYR floating rate loans	9.6	2015	114,464
- EURO floating rate loans	2.3	2014	4,697
- USD floating rate loans	2.2	2014	5,377
- CAD floating rate loans	5.3	2014	33,342
- RMB fixed rate loans	6.0	2014	104,450
- MYR fixed rate loans	4.4	2014	1,927
			274,440
Unsecured bank loans:			
- RMB floating rate loans	5.4	2014	136,832
- USD floating rate loans	0.7	2014	29,786
- HKD floating rate loans	1.7	2014	242
- SGD floating rate loans	1.0	2014	94,092
- SGD floating rate loans	1.4	2016	60,000
- RMB fixed rate loans	6.7	2014	91,248
- MYR fixed rate loans	5.0	2014	1,542
- SGD fixed rate loans	4.9	2014	49,974
			463,716
Obligations under finance leases:			
- SGD fixed rate loans	1.4	2014	1,105
- SGD fixed rate loans	1.4	2017	2,865
			3,970
Medium-term bonds:			
- RMB fixed rate medium-term bonds	4.9	2016	207,782
			949,908
Company			
Unsecured bank loans:			
- USD floating rate loans	0.7	2014	29,785
- SGD floating rate loans	0.8	2014	54,913
- SGD floating rate loans	1.4	2016	60,000
			144,698

20. LOANS AND BORROWINGS (CONT'D)

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

		Cash flows			
	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Group	$'000	$'000	$'000	$'000	$'000
2014					
Floating interest rate loans	600,871	632,017	463,143	162,241	6,633
Fixed interest rate loans	136,832	144,864	142,024	2,840	–
Medium-term bonds	212,004	232,962	10,479	222,483	–
Trade and other payables*	1,682,941	1,682,941	1,682,941	–	–
Non-current payables	28,042	28,042	–	28,042	–
	2,660,690	2,720,826	2,298,587	415,606	6,633
2013 (restated)					
Floating interest rate loans	489,015	502,355	316,531	185,824	–
Fixed interest rate loans	253,111	265,454	262,385	3,069	–
Medium-term bonds	207,782	238,592	–	238,592	–
Trade and other payables*	1,955,225	1,955,225	1,955,225	–	–
Non-current payables	24,408	24,408	–	24,408	–
	2,929,541	2,986,034	2,534,141	451,893	–

* Excludes advances from customers.

		Cash flows			
	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
Company	$'000	$'000	$'000	$'000	$'000
2014					
Floating interest rate loans	177,375	180,797	119,653	61,144	–
Trade and other payables	5,076	5,076	5,076	–	–
	182,451	185,873	124,729	61,144	–
2013					
Floating interest rate loans	144,698	147,815	86,181	61,634	–
Trade and other payables	41,740	41,740	41,740	–	–
	186,438	189,555	127,921	61,634	–

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (restated)	$'000	$'000
Trade payables	1,082,084	1,265,542	–	–
Accrued expenses	464,230	499,846	1,930	1,902
Other payables	54,893	90,687	4	4
Deferred grants	5,990	7,418	–	–
Deferred income[(i)]	36,142	27,157	–	–
Advances from customers	58,437	56,019	–	–
Trust receipts	4,112	2,322	–	–
Amounts due to:				
- immediate holding company (non-trade)	100	100	13	45
- subsidiaries (trade)	–	–	739	739
- subsidiaries (non-trade)	–	–	2,389	39,050
- associates and joint ventures (trade)	11,808	11,054	–	–
- associates and joint ventures (non-trade)	220	174	–	–
- other related corporations (trade)	22,291	44,863	–	–
- other related corporations (non-trade)	1,071	6,062	1	–
Total trade and other payables (current)	1,741,378	2,011,244	5,076	41,740

(i) Related to a subsidiary's transfer of technology know-how to a joint venture of which revenue has not been recognised.

	Group	
	2014	**2013**
	$'000	$'000
Amount due to joint ventures	2,405	2,141
Provision for bonus	25,637	22,267
Other payables (non-current)	28,042	24,408

Trade payables / other payables

Current trade and other payables are normally settled on agreed credit terms ranging from 7-day to 90-day terms and are non-interest bearing. Loan due to a related corporation is unsecured and bear interest at 5.6% per annum. The amount due to joint venture partner is interest-free.

21. TRADE AND OTHER PAYABLES (CONT'D)

Amounts due to related corporations

The balances with the immediate holding company, subsidiaries, associates and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

Purchases from related corporations are made at terms equivalent to those prevailing in arm's length transactions with third parties.

The weighted average effective annual interest rates at the balance sheet date in respect of interest-bearing balances are as follows:

	Group	
	2014	**2013**
	%	%
Trust receipts	3.65	3.35

Interest rates will be repriced within 12 months.

22. PROVISIONS

Group	**Onerous contracts**	**Claims**	**Warranties**	**Total**
	$'000	$'000	$'000	$'000
At 1 January 2013 (restated)	1,781	2,495	64,958	69,234
Provision made	–	2,903	91,442	94,345
Provision utilised	–	(32)	(85,948)	(85,980)
Provision reversed	(1,781)	(953)	–	(2,734)
Translation differences	–	(19)	4,369	4,350
At 31 December 2013 and 1 January 2014 (restated)	–	4,394	74,821	79,215
Provision made	–	5,766	91,999	97,765
Provision utilised	–	(2,270)	(95,289)	(97,559)
Provision reversed	–	(522)	–	(522)
Translation differences	–	(12)	1,215	1,203
At 31 December 2014	–	7,356	72,746	80,102

Onerous contracts

The provision for onerous contracts relates to the expected losses arising from existing customers' contracts, whereby the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received.

22. PROVISIONS (CONT'D)

Claims

The provision for claims consists:

(a) Costs arising from delays in the completion of contracts or complaints from customers. The provision is made based on estimates from prior experience on similar projects with customers.

(b) Provision for steel price fluctuation based on the supply and delivery contracts signed between a subsidiary and its customers. A provision is recognised when there is a decline in steel price indices. The provision is deducted against revenue.

Warranties

The provision for warranties relates to products sold during the year. The provision is made based on estimates from historical warranty data.

23. REVENUE

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
Sale of goods	4,543,491	4,496,155
Services rendered	16,210	17,356
Sale of development properties	180	1,379
Rental income	123	110
	4,560,004	4,515,000

24. PROFIT BEFORE INCOME TAX

Profit before income tax includes the following:

	Note	Group 2014 $'000	Group 2013 $'000 (restated)
Impairment losses recognised/(written back) for trade and other receivables	15	2,769	(2,522)
Inventories recognised as an expense in cost of sales	13	3,003,516	2,964,616
Amortisation of intangible assets	5	2,179	1,875
Depreciation of property, plant and equipment	3	126,999	112,608
Amortisation of land use rights	4	3,454	3,325
Property, plant and equipment written off	3	170	185
Intangible assets written off	5	–	15
Audit fees paid/payable:			
- auditors of the Company		1,225	1,367
- other auditors		1,591	1,283
Non-audit fees paid/payable to:			
- auditors of the Company		170	137
- other auditors		586	429
Exchange loss, net		1,358	614
Fair value loss on investments		1,080	585
Fair value loss on derivatives		1,773	312
Operating lease expense		16,385	16,241
Loss on disposal of property, plant and equipment		1,205	1,675
Loss on disposal of subsidiaries		–	74
Loss on disposal of assets classified as held-for-sale		–	253
Provisions made, net	22	97,243	91,611
Allowance made/(written back) for inventories written down	13	1,690	(1,640)
Impairment losses on property, plant and equipment	3	7,872	2,115
Impairment losses on intangible assets	5	12,341	5,658
Waiver of trade payables	7	(7,333)	–
Gains arising from acquisition	7	(19,390)	–
Dividend income from other investments		(250)	(259)
Interest income:			
- cash and short-term deposits		(15,700)	(23,555)
- other related corporations		(212)	(152)
Sale of scrap		(3,146)	(2,055)
Government grant		(5,675)	(12,831)

25. FINANCE COSTS

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
Bank term loans	32,525	37,058
Bank overdrafts	10	11
Finance lease	2	–
Fixed interest rate bonds	10,230	12,273
Trust receipts	196	131
Bills discounting	13,108	16,676
Bank charges	1,961	1,903
Facilities fees	164	107
Less:		
Borrowing costs capitalised (Note 3)	–	(5,590)
	58,196	62,569

26. EMPLOYEE BENEFITS

	Group	
	2014	**2013**
	$'000	$'000
		(restated)
Wages and salaries	308,876	327,641
Cost of share-based payments	482	43
Contributions to defined contribution plans	70,727	63,582
	380,085	391,266

27. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Consolidated income statement:		
Current tax charge		
- Current year	53,140	60,612
- Under/(over) provision in respect of prior years	1,791	(3)
	54,931	60,609
Deferred tax expense/(credit)		
- Movements in temporary differences	3,259	(5,255)
- Overprovision in respect of prior years	(438)	(57)
	2,821	(5,312)
Withholding tax expense	4,997	4,713
Income tax expense recognised in profit or loss	62,749	60,010

27. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Profit before income tax	237,375	241,970
Income tax using the PRC tax rate of 25% (2013: 25%)	59,344	60,492
Adjustments:		
Effect of different tax rates in other countries	(2,035)	(6,945)
Effect of tax concessions	(21,242)	(18,051)
Non-deductible expenses	5,756	16,033
Tax-exempt income	(1,181)	(11,299)
Utilisation of deferred tax benefits previously not recognised	(2,552)	–
Deferred tax benefits not recognised	24,879	19,667
Tax credits for research and development expense	(7,039)	(4,616)
Under/(over) provision in respect of prior years:		
- current	1,791	(3)
- deferred	(438)	(57)
Withholding tax expenses	4,997	4,713
Others	469	76
	62,749	60,010

Certain of the Group's subsidiaries in the PRC have been granted concessionary tax rate under the Corporate Income Tax Law of the PRC. Income from these entities is subject to tax at the concessionary rate of 15% instead of the national standard income tax rate of 25% (2013: 25%). This concession is available subject to certain conditions including these entities remain engaged in advanced and new technology.

27. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit (cont'd)

The Group has been granted tax credits in relation to approved research and development costs. According to relevant laws and regulations in the PRC prior to the new corporate income tax law ("CIT law"), the amount of credits relating to the purchase of certain domestic equipment entitled for deduction each year is limited to the incremental current income tax expense of the subsidiary for the year compared to the income tax expense of the subsidiary in the year immediately prior to the year the credit was approved.

The CIT law also provides for a tax up to 15% to be withheld from dividends paid to the foreign investors of PRC enterprises. This withholding tax provision does not apply to the dividends paid out of profits earned prior to 1 January 2008. Beginning on 1 January 2008, a 5% to 10% withholding tax is imposed on dividends paid to the Group, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Group will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Group does not plan to indefinitely reinvest in the PRC enterprises. As of 31 December 2014, the amount of deferred tax liability in respect of withholding tax payable was $28,443,000 (2013 : $29,465,000)

28. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on:

		Group	
		2014	**2013**
		$'000	$'000 (restated)
(i)	Net profit attributable to owners of the Company	26,929	45,572
		2014 No. of shares	**2013 No. of shares**
(ii)	Number of issued ordinary shares at beginning and end of the year	373,908,559	373,908,559

28. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share

The weighted average number of ordinary shares adjusted for the effect of unissued ordinary shares under the Share Option Scheme is determined as follows:

	Group	
	2014	**2013**
	No. of shares	No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	373,908,559	373,908,559
Dilutive effect of share options	–	–
Weighted average number of ordinary shares (diluted)	373,908,559	373,908,559

1,470,000 (2013: 930,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

29. DIVIDENDS

	Group	
	2014	**2013**
	$'000	$'000
Interim tax exempt dividend paid of 1 cent per share in respect of year 2014 (2013: 1 cent per share in respect of year 2013)	3,739	3,739
Final tax exempt dividend paid of 3 cents per share in respect of year 2013 (2013: 2 cents per share in respect of year 2012)	11,217	7,478
	14,956	11,217

After the balance sheet date, the directors proposed a final tax exempt dividend of 2 cents (2013: 3 cents) per ordinary share in respect of year 2014 amounting to approximately $7,478,000 (2013: $11,217,000) on the basis that the number of shares (373,908,559 shares) in issue at the time of payment remains the same as at 27 February 2015. The dividends have not been provided for.

30. SHARE OPTIONS

By the Company

Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme")

The Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 30 December 2000 for an initial duration of 10 years (from 30 December 2000 to 29 December 2010). At the annual general meeting ("AGM") of the Company held on 29 April 2010, the shareholders approved the extension of the duration of the Share Option Scheme for a further period of 10 years from 30 December 2010 to 29 December 2020. Other than the extension of the duration of the Share Option Scheme, all other rules of the Share Option Scheme remain unchanged.

The Share Option Scheme is administered by a committee comprising the following members:

Ernest Colin Lee – Chairman
Kwek Leng Peck
Quek Shi Kui
Goh Kian Hwee

All options granted under the Share Option Scheme are subject to a vesting schedule as follows:

(1) one year after the date of grant for up to 33% of the Shares over which the options are exercisable;

(2) two years after the date of grant for up to 66% (including (1) above) of the Shares over which the options are exercisable; and

(3) three years after the date of grant for up to 100% (including (1) and (2) above) of the Shares over which the options are exercisable.

30. SHARE OPTIONS (CONT'D)

By the Company (cont'd)

Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") (cont'd)

Details of the options granted under the Share Option Scheme to subscribe for ordinary shares of the Company as at the end of the financial year are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2014	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year
15/5/2008	$2.36	470,000*	–	–	–
5/1/2011	$3.17	460,000	–	–	–
28/1/2014	$1.31	–	540,000	–	–
Total		930,000	540,000	–	–

* Includes 300,000 options granted to a Group Non-Executive Director who became an Executive Director of the Company in year 2013. The said Executive Director was granted an extension of time up till 14 May 2018 to exercise his outstanding 300,000 options, which would have lapsed on 14 May 2013. The financial impact of extending the exercisable period is not material.

Number of options outstanding at 31 December 2014	Number of options exercisable at 1 January 2014	Number of options exercisable at 31 December 2014	Proceeds on options exercised during the year credited to share capital	Market price of Shares at exercise date of option	Exercise period
470,000*	470,000*	470,000*	–	–	15/5/2009 to 14/5/2018
460,000	303,600	460,000	–	–	5/1/2012 to 4/1/2021
540,000	–	–	–	–	28/1/2015 to 27/1/2024
1,470,000	773,600	930,000	–		

30. SHARE OPTIONS (CONT'D)

By the Company (cont'd)

Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") (cont'd)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions:

Date of grant of options	On 15 May 2008	On 5 January 2011	On 28 January 2014
Fair value at measurement date ($)	0.53 – 0.66	1.18 – 1.44	0.13 – 0.25
Share price ($)	2.36	3.17	1.31
Exercise price ($)	2.36	3.17	1.31
Expected volatility (%)	43.9 – 45.2	72.0 – 79.0	21.1 – 34.0
Expected option life (years)	2 – 4	2 – 4	2 – 4
Expected dividends (%)	2.5	3.0	3.1
Risk-free interest rate (%)	1.1 – 1.4	0.9 – 1.4	0.6 – 0.8

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

The range of exercise prices for options outstanding at the end of the year was $1.31 to $3.17 (2013: $2.36 to $3.17). The weighted average remaining contractual life for these options is 6.29 years (2013: 5.68 years).

30. SHARE OPTIONS (CONT'D)

By Subsidiary

China Yuchai International Limited ("CYI") Equity Incentive Plan ("CYI Equity Plan")

The CYI Equity Plan was approved by the shareholders at the Annual General Meeting of CYI held on 4 July 2014. It is administered by CYI's Compensation Committee comprising the following members:

Kwek Leng Peck – Chairman
Neo Poh Kiat
Raymond Ho Chi-Keung

The CYI Equity Plan contains the following key terms:

(i) only shares options, restricted stock and stock payments (the "Award") may be granted to employees of CYI or a subsidiary of CYI ("CYI Group Employees");

(ii) the maximum aggregate number of shares that may be issued under the CYI Equity Plan shall not exceed 1,800,000 ordinary shares of US$0.10 each ("Ordinary Shares") subject to adjustment under the CYI Equity Plan;

(iii) the maximum aggregate number of Ordinary Shares with respect to one or more Awards that may be granted to any one eligible person during any calendar year is 300,000;

(iv) CYI's Compensation Committee shall administer the CYI Equity Plan and it has full power and authority to (a) select grantees from eligible individuals to receive the Awards and determine the time when Awards will be granted; (b) determine the number of Awards and the number of Ordinary Shares covered by each Award; (c) determine the terms and conditions of each Award; (d) approve the forms of agreement for use under the CYI Equity Plan; (e) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the CYI Equity Plan, and (f) take any and all other action as it deems necessary or advisable for the operation or administration of the CYI Equity Plan and the Awards;

(v) the price per Ordinary Share at which a holder may subscribe for the Ordinary Shares issuable upon the exercise of the option granted pursuant to the CYI Equity Plan shall be determined by CYI's Compensation Committee and shall not be less than:

- the Fair Market Value of the Ordinary Shares on the date the option is granted; and
- the par value of the Ordinary Shares;

(vi) Options granted under the CYI Equity Plan shall become exercisable ("vest") in the manner and subject to such conditions provided by CYI's Compensation Committee and set forth in the written Award agreement with respect to such options; and

(vii) the CYI Equity Plan shall terminate automatically ten years after its effective date unless earlier terminated. Awards outstanding at the time of the CYI Equity Plan's termination may continue to be exercised in accordance with their terms and shall continue to be governed by and interpreted consistent with the terms of the CYI Equity Plan.

30. SHARE OPTIONS (CONT'D)

By Subsidiary (cont'd)

China Yuchai International Limited ("CYI") Equity Incentive Plan ("CYI Equity Plan") (cont'd)

During the financial year under review, 570,000 options were granted to CYI Group Employees under the CYI Equity Plan to subscribe for Ordinary Shares. Details of the options are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2014	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2014	Exercise period
29/7/2014	US$21.11	–	570,000	–	–	570,000	29/7/2015 to 28/7/2024

The above options are subject to a vesting period of three years from the date of grant with one-third of the options vesting on each 12-month anniversary of the date of grant.

The persons to whom these options have been granted have not been granted any right to participate by virtue of the options, in any share issue of any other company.

31. COMMITMENTS

Capital commitments

Capital expenditure contracted for as at the end of the year but not recognised in the financial statements is as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (restated)	$'000	$'000
Capital commitments in respect of property, plant and equipment	217,710	191,572	–	–

31. COMMITMENTS (CONT'D)

Operating lease commitments as lessee

At 31 December, commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (restated)	$'000	$'000
Within 1 year	9,809	8,968	377	515
After 1 year but within 5 years	11,725	12,064	19	395
After 5 years	2,619	5,354	–	–
	24,153	26,386	396	910

Annual rentals payable for the leases of land by the Group under non-cancellable operating leases are subjected to revision at fixed intervals ranging from one to five years. Any increase will not exceed 5.5% to 9.0% (2013: 5.5% to 7.6%) on an annualised basis, provided that any rent after such increase shall not exceed the prevailing market rent. The leases expire between 2015 and 2025.

Operating lease commitments as lessor

The Group has entered into commercial property leases on its surplus office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Within 1 year	665	797
After 1 year but within 5 years	1,457	1,817
After 5 years	3,722	4,980
	5,844	7,594

31. COMMITMENTS (CONT'D)

Finance lease commitments

The Group has finance leases for various plant and machinery. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	$'000	$'000	$'000 (restated)	$'000 (restated)
Within 1 year	1,491	1,389	1,182	1,105
After 1 year but within 5 years	2,841	2,660	3,069	2,865
Total minimum lease payments	4,332	4,049	4,251	3,970
Less: Amounts representing finance charges	(283)	–	(281)	–
Present value of minimum lease payments	4,049	4,049	3,970	3,970

32. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Group	
	2014	2013
	$'000	$'000
Short-term employee benefits	11,632	11,622
Defined contribution plans	130	146
Equity compensation benefits	28	17
	11,790	11,785

Directors' remuneration included in key management personnel compensation amounted to $2,795,000 (2013: $2,818,000).

Key management personnel of the Group participate in the Hong Leong Asia Share Option Scheme 2000 (the "Share Option Scheme") as described in Note 30. During the year, 350,000 (2013: Nil) shares under option were granted to key management personnel pursuant to the Share Option Scheme (the "Options"). All Options are subject to a vesting schedule.

As at the end of the year, 1,120,000 (2013: 770,000) Options granted to key management personnel were outstanding, of which 970,000 (2013: 770,000) were Options granted to the Executive Directors of the Company.

32. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Sale and purchase of goods and services

During the year, the Group made payments to a firm, in which a director has an interest, in respect of professional services rendered. This amounted to $127,000 (2013: $46,000). $43,000 was outstanding at the balance sheet date (2013: $Nil).

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

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Sales of diesel engines and raw materials		
- associates and joint ventures	43,516	56,922
- related corporations	82,300	198,479
Purchase of raw materials		
- associates and joint ventures	60,922	45,993
- related corporations	300,482	355,844
Management services paid and payable		
- related corporations	987	689
Rental paid and payable		
- immediate holding company	585	451
- related corporations	4	85
Interest expenses		
- related corporations	78	171
General and administrative expenses		
- related corporations	7,294	7,421
Delivery, storage and distribution expenses		
- related corporations	50,571	54,005

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is integral to the whole business of the Group and the Company. The management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. The Group's and the Company's policies and financial authority limits are documented and reviewed periodically. The financial authority limits seek to limit and mitigate operational risk by setting threshold of approvals required for the entry into contractual obligations and investments.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including quoted securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group and the Company require collateral in respect of financial assets in certain circumstances.

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and short-term deposits are placed with banks and financial institutions which are regulated.

At the balance sheet date, a subsidiary of the Group has trade receivables due from a major Chinese customer, amounting to $38 million (2013: $59 million), representing 2% (2013 (restated): 3%) of total gross trade and bill receivables of the Group as at 31 December 2014. Except for this, there is no significant concentration of credit risk.

<u>Financial assets that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and short-term deposits. Refer to Note 34 (d).

The Group's and the Company's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts. The Group's and the Company's debt obligations are mainly denominated in Singapore Dollar, United States Dollar, Chinese Renminbi, Ringgit Malaysia and Canadian Dollar, and at fixed and floating rates of interest. For variable rate financial instruments, a change of 100 bp in interest rate at the reporting date would increase/(decrease) profit before income tax by the amounts shown below.

	Profit before income tax	
	100 bp Increase	**100 bp Decrease**
	$'000	$'000
Group		
31 December 2014		
Floating rate instruments	(2,718)	2,718
31 December 2013 (restated)		
Floating rate instruments	(790)	790

	Profit before income tax	
	100 bp Increase	**100 bp Decrease**
	$'000	$'000
Company		
31 December 2014		
Floating rate instruments	(1,763)	1,763
31 December 2013		
Floating rate instruments	(1,446)	1,446

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

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows, and having adequate amounts of committed credit facilities.

The Group assesses the concentration of risk with respect to refinancing its debt and concluded it to be low. Access of sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash outflows are disclosed in Note 20.

(d) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily the Singapore Dollar, Chinese Renminbi, United States Dollar, Ringgit Malaysia, Canadian Dollar, Euro and Hong Kong Dollar.

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

The Group does not apply hedge accounting for such foreign currency denominated sales, purchases and borrowings.

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

(d) Foreign currency risk (cont'd)

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

	2014					
Group	**Singapore Dollar** $'000	**Chinese Renminbi** $'000	**United States Dollar** $'000	**Ringgit Malaysia** $'000	**Euro** $'000	**Hong Kong Dollar** $'000
Other investments	4,859	–	–	–	–	–
Trade and other receivables	1,273	28,292	70,854	313	7,772	1,766
Cash and cash equivalents	29,902	149	2,140	76	257	–
Loans and borrowings	(7,008)	–	(40,475)	–	(8,751)	–
Trade and other payables	(48,441)	(1,212)	(32,974)	(625)	177	(1,003)
	(19,415)	27,229	(455)	(236)	(545)	763

	2014	
Company	**Chinese Renminbi** $'000	**United States Dollar** $'000
Trade and other receivables	–	66,434
Cash and cash equivalents	64	5
Loans and borrowings	–	(40,475)
	64	25,964

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

(d) Foreign currency risk (cont'd)

	2013 (restated)						
Group	**Singapore Dollar** $'000	**Chinese Renminbi** $'000	**United States Dollar** $'000	**Ringgit Malaysia** $'000	**Canadian Dollar** $'000	**Euro** $'000	**Hong Kong Dollar** $'000
Other investments	5,871	–	571	–	–	–	–
Trade and other receivables	41,576	7,520	58,902	1	–	7,532	2,604
Cash and cash equivalents	35,970	244	35,709	81	–	345	–
Loans and borrowings	(10,000)	–	(35,162)	–	(33,342)	(4,697)	–
Trade and other payables	(73,129)	(714)	(30,979)	(442)	–	(6)	(1,075)
	288	7,050	29,041	(360)	(33,342)	3,174	1,529

	2013	
Company	**Chinese Renminbi** $'000	**United States Dollar** $'000
Trade and other receivables	–	54,588
Cash and cash equivalents	100	145
Loans and borrowings	–	(29,785)
	100	24,948

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

(d) Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would increase/(decrease) profit before income tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before income tax	
	Group	**Company**
2014	$'000	$'000
Singapore Dollar	(1,942)	–
Chinese Renminbi	2,723	6
United States Dollar	(46)	2,597
Ringgit Malaysia	(24)	–
Euro	(55)	–
Hong Kong Dollar	76	–
2013 (restated)		
Singapore Dollar	29	–
Chinese Renminbi	705	10
United States Dollar	2,904	2,495
Ringgit Malaysia	(36)	–
Canadian Dollar	(3,334)	–
Euro	317	–
Hong Kong Dollar	153	–

A 10% weakening of the above would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the assets or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class and liabilities measured at fair value at the end of the reporting period:

	Group $'000			
2014	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets				
Other investments	6,644	–	–	6,644
Derivatives	–	12	–	12
At 31 December 2014	6,644	12	–	6,656
Financial liabilities				
Derivatives	–	(1,426)	–	(1,426)
At 31 December 2014	–	(1,426)	–	(1,426)
2013				
Financial assets				
Other investments	7,661	–	–	7,661
Derivatives	–	571	–	571
At 31 December 2013	7,661	571	–	8,232
Financial liabilities				
Derivatives	–	(962)	–	(962)
At 31 December 2013	–	(962)	–	(962)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 2 fair value measurements

The Group's derivatives consist of the following:

i. The Group entered into a coupon swap with range forward with a bank to hedge against foreign currency risk on the borrowings of SGD50 million.

ii. The Group entered into a non-deliverable range swap with a bank to hedge against foreign currency risk on the borrowings of SGD20.5 million.

iii. The Group entered into non-deliverable forward ("NDF") foreign exchange contract with a bank to purchase CAD27.9 million at the forward exchange rate (CAD/USD) of 1.082 on 7 June 2014. The contract has been fully settled in 2014.

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

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

The carrying amounts of current trade and other receivables (Note 15), cash and short-term deposits (Note 16), trade and other payables (Note 21), and current loans and borrowings (Note 20) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of non-current receivables (Note 11), and other non-current payables (Note 21) are reasonable approximation of fair values as the consideration of time value of money is not material.

The carrying amounts of long-term deposits (Note 16) and non-current loans and borrowings (Note 20) are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting period or their interest rates approximate the market lending rate.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

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

Classification of financial instruments

Group 2014	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Assets					
Other investments	–	4,859	1,785	–	6,644
Non-current receivables	7,741	–	–	–	7,741
Trade receivables	2,000,236	–	–	–	2,000,236
Due from related corporations	30,542	–	–	–	30,542
Deposits	1,725	–	–	–	1,725
Tax recoverable	22,711	–	–	–	22,711
Lease receivables	1,369	–	–	–	1,369
Other receivables	34,214	–	–	–	34,214
Derivatives	–	12	–	–	12
Cash and short-term deposits	796,775	–	–	–	796,775
	2,895,313	4,871	1,785	–	2,901,969
Liabilities					
Trade payables	–	–	–	1,082,084	1,082,084
Accrued expenses	–	–	–	464,230	464,230
Other payables	–	–	–	54,893	54,893
Trust receipts	–	–	–	4,112	4,112
Due to related corporations	–	–	–	35,490	35,490
Loans and borrowings	–	–	–	949,707	949,707
Other non-current payables	–	–	–	28,042	28,042
Derivatives	–	1,426	–	–	1,426
	–	1,426	–	2,618,558	2,619,984

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

Classification of financial instruments (cont'd)

Group 2013 (restated)	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Assets					
Other investments	–	5,871	1,790	–	7,661
Non-current receivables	9,190	–	–	–	9,190
Long term deposits	38,647	–	–	–	38,647
Trade receivables	1,894,085	–	–	–	1,894,085
Due from related corporations	33,112	–	–	–	33,112
Deposits	3,819	–	–	–	3,819
Tax recoverable	36,584	–	–	–	36,584
Lease receivables	1,102	–	–	–	1,102
Other receivables	28,691	–	–	–	28,691
Derivatives	–	571	–	–	571
Cash and short-term deposits	1,017,226	–	–	–	1,017,226
	3,062,456	6,442	1,790	–	3,070,688
Liabilities					
Trade payables	–	–	–	1,265,542	1,265,542
Accrued expenses	–	–	–	499,846	499,846
Other payables	–	–	–	90,687	90,687
Trust receipts	–	–	–	2,322	2,322
Due to related corporations	–	–	–	62,253	62,253
Loans and borrowings	–	–	–	949,908	949,908
Other non-current payables	–	–	–	24,408	24,408
Derivatives	–	962	–	–	962
	–	962	–	2,894,966	2,895,928

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

Classification of financial instruments (cont'd)

Company 2014	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Assets					
Other investments	–	–	1	–	1
Trade receivables	16	–	–	–	16
Due from related corporations	284,918	–	–	–	284,918
Deposits	59	–	–	–	59
Dividend receivables	5,000	–	–	–	5,000
Other receivables	196	–	–	–	196
Cash and short-term deposits	1,968	–	–	–	1,968
	292,157	–	1	–	292,158
Liabilities					
Accrued expenses	–	–	–	1,930	1,930
Other payables	–	–	–	4	4
Due to related corporations	–	–	–	3,142	3,142
Loans and borrowings	–	–	–	177,375	177,375
	–	–	–	182,451	182,451

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

Classification of financial instruments (cont'd)

Company 2013	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Assets					
Other investments	–	–	6	–	6
Trade receivables	118	–	–	–	118
Due from related corporations	284,987	–	–	–	284,987
Deposits	59	–	–	–	59
Other receivables	290	–	–	–	290
Cash and short-term deposits	2,010	–	–	–	2,010
	287,464	–	6	–	287,470
Liabilities					
Accrued expenses	–	–	–	1,902	1,902
Other payables	–	–	–	4	4
Due to related corporations	–	–	–	39,834	39,834
Loans and borrowings	–	–	–	144,698	144,698
	–	–	–	186,438	186,438

35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

35. CAPITAL MANAGEMENT (CONT'D)

As disclosed in Note 19(b), the Group's subsidiaries in the PRC is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial years ended 31 December 2014 and 2013.

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

	Group	
	2014	**2013**
	$'000	$'000 (restated)
Loans and borrowings (current and non-current)	949,707	949,908
Trade and other payables (current and non-current)	1,769,420	2,035,652
Less: Cash and deposits	(796,775)	(1,055,873)
Net debt	1,922,352	1,929,687
Equity attributable to the owners of the Company	867,375	841,892
Less: Fair value reserve	(45,579)	(45,525)
Statutory reserve	(35,321)	(34,896)
Total capital	786,475	761,471
Capital and net debt	2,708,827	2,691,158

36. CONTINGENT LIABILITIES

A claim has been filed against a subsidiary of the Group in the PRC arising from a dispute with a third party contractor/supplier in relation to claims, presented by the contractor/supplier, for additional construction costs allegedly incurred on instructions from the subsidiary. The case will be heard by the Suzhou Intermediate People's Court in the PRC, sometime later in 2015. Management, after considering the merits of the case, the evidence that the subsidiary will adduce, in support of its defence, as well as the advice obtained from the legal advisers to the subsidiary, intends to contest these claims vigorously. it is not expected that this claim will have a material impact on the financial statements of the Group. No provision for the settlement of the claim had been recognised as at 31 December 2014.

37. SEGMENT INFORMATION

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

Reportable segments

(i) Diesel engines: diesel engines and automobile spare parts.

(ii) Consumer products: refrigerators, freezers and washing machines.

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

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

(v) Air-conditioning systems: commercial and residential air-conditioning products.

Other operations include hospitality and property development. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2014 or 2013.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment report is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2014	**Diesel engines** $'000	**Consumer products** $'000
Total external revenue	3,370,469	498,640
Interest income	9,126	722
Interest expense	(30,632)	(10,932)
Depreciation and amortisation	(91,364)	(10,500)
Reportable segment profit/(loss) before income tax	238,262	(60,643)
Share of (loss)/profit of associates and joint ventures, net of income tax	(4,301)	–
Reportable segment profit/(loss) after income tax	201,187	(64,373)
Other material non-cash items:		
- Impairment losses recognised/(written back) on property, plant and equipment and intangible assets	15,357	5,114
- Claims	–	–
- Warranties	81,229	10,770
Assets and liabilities		
Reportable segment assets	3,860,829	517,693
Investment in associates and joint ventures	54,106	–
Capital expenditure ^	144,999	5,710
Reportable segment liabilities	1,965,839	545,842

Building materials $'000	Industrial packaging $'000	Air-conditioning systems $'000	Corporate and Others* $'000	Adjustments $'000	Consolidated total $'000
599,400	60,136	21,492	10,034	(167)	4,560,004
5,245	237	628	4,536	(4,582)	15,912
(349)	(703)	(3,621)	(16,541)	4,582	(58,196)
(23,278)	(2,948)	(2,723)	(1,819)	–	(132,632)
92,166	(9,423)	(14,520)	(8,467)	–	237,375
6,679	–	–	(874)	–	1,504
73,042	(8,907)	(14,505)	(11,818)	–	174,626
–	(196)	(62)	–	–	20,213
5,587	(343)	–	–	–	5,244
–	–	–	–	–	91,999
482,679	27,309	88,076	1,038,545	(873,286)	5,141,845
41,759	–	–	23,882	–	119,747
22,472	2,586	914	563	–	177,244
128,046	47,755	124,251	585,303	(461,665)	2,935,371

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2013 (restated)	**Diesel engines** $'000	**Consumer products** $'000
Total external revenue	3,238,621	619,895
Interest income	15,907	633
Interest expense	(31,398)	(10,625)
Depreciation and amortisation	(79,497)	(9,112)
Reportable segment profit/(loss) before income tax	245,484	(37,630)
Share of (loss)/profit of associates and joint ventures, net of income tax	(10,715)	–
Reportable segment profit/(loss) after income tax	200,242	(40,066)
Other material non-cash items:		
- Impairment losses on property, plant and equipment and intangible assets	1,772	–
- Claims	–	–
- Onerous contracts	–	–
- Warranties	78,746	11,948
Assets and liabilities		
Reportable segment assets	3,911,295	608,681
Investment in associates and joint ventures	44,310	–
Capital expenditure ^	91,600	2,923
Reportable segment liabilities	2,197,302	573,147

* Others relate to hospitality and property development.

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

Building materials $'000	Industrial packaging $'000	Air-conditioning systems $'000	Corporate and Others* $'000	Adjustments $'000	Consolidated total $'000
531,539	82,142	36,401	6,502	(100)	4,515,000
5,758	523	38	8,487	(7,639)	23,707
(544)	(732)	(2,849)	(24,060)	7,639	(62,569)
(22,501)	(3,388)	(2,146)	(1,164)	–	(117,808)
82,251	(1,242)	(22,778)	(24,115)	–	241,970
8,615	–	–	(4,533)	–	(6,633)
66,754	(1,617)	(22,270)	(21,083)	–	181,960
–	248	5,753	–	–	7,773
1,950	–	–	–	–	1,950
(1,781)	–	–	–	–	(1,781)
–	–	748	–	–	91,442
514,214	32,850	94,149	1,095,078	(935,200)	5,321,067
40,705	–	–	39,835	–	124,850
22,349	1,666	3,689	492	–	122,719
113,390	44,873	115,047	719,986	(546,221)	3,217,524

37. SEGMENT INFORMATION (CONT'D)

Geographical segments

The Group operations are primarily in the PRC, Singapore and Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	PRC	Singapore	Malaysia	Others	Consolidated total
	$'000	$'000	$'000	$'000	$'000
2014					
Total revenue from external customers	3,914,413	350,521	266,858	28,212	4,560,004
Non-current assets #	1,286,743	34,040	201,832	–	1,522,615
2013 (restated)					
Total revenue from external customers	3,927,725	314,185	231,586	41,504	4,515,000
Non-current assets #	1,214,557	32,332	188,900	–	1,435,789

Exclude interests in associates and joint ventures, other investments, deferred tax assets, long-term deposits and non-current receivables.

Major customer

Revenue from one customer of the Group's diesel engines segment in the PRC represents approximately $758,520,000 (2013: $673,095,000) of the Group's total revenue.

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(ii) Consolidation of entities in which the Group holds less than 50%

Management considers that the Group has control over certain investees whereby the Group holds less than 50% ownership interest. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Information is included in Note 7.

(iii) Consolidation of a special purpose entity

HLGE established the Trust with the Trustee pursuant to the Trust Deed to facilitate the implementation of the HLGE 2006 Scheme.

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

HLGE will be entitled, from time to time, during the period commencing from the date of the Trust Deed and ending upon the termination of the Trust, to appoint a new trustee in substitution of the existing Trustee. HLGE is entitled to the benefit of any remaining funds, investments or assets which are placed under the control of the Trustee upon termination of the Trust. Based on the foregoing provisions, HLGE therefore consolidates the Trust as part of HLGE in its separate and consolidated financial statements. The Trust Shares are not regarded as treasury shares pursuant to the Singapore Companies Act, Chapter 50 and the Trustee has the power, inter alia, to vote or abstain from voting in respect of the Trust Shares at any general meeting of HLGE in its absolute discretion and to waive its right to receive dividends in respect of the Trust Shares as it deems fit. However, the Trust Shares are accounted for as treasury shares by HLGE as they are issued by HLGE and held by the Trust, which is considered as part of HLGE in accordance with the relevant FRS.

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

(a) Judgments made in applying accounting policies (cont'd)

(iii) Consolidation of a special purpose entity (cont'd)

During the year ended 31 December 2014, CYI Group purchased in the open market an aggregate of 465,000 ordinary shares in the capital of HLGE. As a result, CYI Group's interest in HLGE increased to 50.2%, based on the total outstanding ordinary shares of HLGE, net of the ordinary shares held by the Trustee under the Trust.

(iv) De-recognition of bills receivable

The Group sells bills receivable to banks on an ongoing basis. The buyer is responsible for servicing the receivables upon maturity of the bills receivable. This involves management assumptions relating to the transfer of risks and rewards of the bills receivable when discounted. At the time of sale of the bills receivable to the banks, the risks and rewards relating to the bills receivable are substantially transferred to the banks. Accordingly, bills receivable are derecognised, and a discount equal to the difference between the carrying value of the bills receivable and cash received is recorded. Please refer to Note 15 to the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of intangible assets are disclosed in Note 6 to the financial statements.

(ii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 34 to the financial statements.

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

(b) Key sources of estimation uncertainty (cont'd)

(iii) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 30 to the financial statements.

(iv) Allowance for inventories written down

Where necessary, allowance for inventories written down would be set up for estimated losses which may result from obsolete inventories held. The Group estimates the level of allowance based on the prevailing market conditions and historical provisioning experience. The required level of allowance could change significantly as a result of changes in market conditions. The amounts of allowance recognised are disclosed in Note 13 to the financial statements.

(v) Estimation of fair values in business acquisitions

The fair value of assets and liabilities identified during acquisition is based on mangement's assessment of fair values. No contingent liability or material intangible asset were identified and recognised. Fair value is the estimated amount for which these assets and liabilities could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The process of estimating fair value involve significant judgment and estimation. The fair values of the acquired identifiable assets and liabilities are disclosed in Note 7 to the financial statements.

(vi) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimated the useful lives of these property, plant and equipment to be within 3 to 70 years. The carrying amount of the Group's property, plant and equipment are set out in Note 3. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the estimated useful lives of property, plant and equipment were reduced by 5%, the Group's depreciation charge would be increased by $6,350,000 (2013: $5,630,000).

(vii) Amortisation of intangible assets

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Management estimated the useful lives of these intangible assets to be within 10 to 20 years. The carrying amount of the Group's intangible assets are set out in Note 5. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. If the estimated useful lives of intangible assets were reduced by 5%, the Group's amortisation charge would be increased by $109,000 (2013: $94,000).

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

(b) Key sources of estimation uncertainty (cont'd)

(viii) Provisions

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Where settlement of the obligations are expected to be more than 12 months, the financial effect of discounting the obligations are not expected to be material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are only disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. The amounts of provision made as of 31 December are disclosed in Note 22 to the financial statements. Contingent liability is disclosed in Note 36 to the financial statements.

(ix) Withholding tax provision

The PRC's Unified Enterprise Income Tax Law ("CIT law") also provides for a tax up to 15% to be withheld from dividends paid to foreign investors of PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to 1 January 2008. Beginning on 1 January 2008, a 5% to 10% withholding tax is imposed on dividends paid to the Group, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Group will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Group does not plan to indefinitely reinvest in the PRC enterprises. The amounts of deferred tax liability as at 31 December are disclosed in Note 12 to the financial statements.

(x) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amounts of deferred tax position as at 31 December are disclosed in Note 12 to the financial statements.

(xi) Development expenditure

Research and development costs are capitalised in accordance with the accounting policy in Note 2.12 (b)(ii). Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. The carrying amounts are disclosed in Note 5 to the financial statements.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors passed on 23 March 2015.

财务报表

资产负债表
2014年12月31日

	附注	合并 2014 $'000	合并 2013 $'000 (重列)	合并 2012 $'000 (重列)	母公司 2014 $'000	母公司 2013 $'000
非流动资产						
固定资产	3	1,276,373	1,187,179	1,131,207	260	312
土地使用权	4	146,699	140,636	120,816	–	–
无形资产	5	99,543	107,974	110,200	240	275
子公司股权投资	7	–	–	–	204,455	204,455
联营公司权益	8	62,055	60,196	55,734	13,726	13,726
合资公司权益	9	57,692	64,654	71,865	–	–
其它金融资产	10	1,766	1,738	716	–	–
长期应收款	11	7,741	9,190	11,257	–	–
递延所得税资产	12	101,683	104,694	94,536	11	11
长期存款	16	–	38,647	–	–	–
		1,753,552	1,714,908	1,596,331	218,692	218,779
流动资产						
存货	13	583,908	666,057	589,646	–	–
开发性房地产	14	7,108	8,215	10,288	–	–
其它金融资产	10	4,878	5,923	10,900	1	6
应收账款及其他应收款	15	2,115,359	2,033,017	1,702,841	290,218	285,480
货币资金	16	796,775	1,017,226	990,188	1,968	2,010
金融性衍生品资产		12	571	–	–	–
持有以备出售资产	17	–	–	14,657	–	–
		3,508,040	3,731,009	3,318,520	292,187	287,496
总资产合计		5,261,592	5,445,917	4,914,851	510,879	506,275

此报告中的附注是组成这些财务报表不可或缺的内容

资产负债表
2014年12月31日

	附注	合并 2014 $'000	合并 2013 $'000 (重列)	合并 2012 $'000 (重列)	母公司 2014 $'000	母公司 2013 $'000
流动负债						
应付账款及其他应付款	21	1,741,378	2,011,244	1,799,757	5,076	41,740
计提准备	22	80,102	79,215	69,234	–	–
短期借款	20	577,998	557,747	681,818	117,375	84,698
应付所得税		17,599	32,612	27,250	54	374
金融性衍生品负债		1,426	962	–	–	–
		2,418,503	2,681,780	2,578,059	122,505	126,812
净流动资产		1,089,537	1,049,229	740,461	169,682	160,684
非流动负债						
长期借款	20	371,709	392,161	179,985	60,000	60,000
递延所得税负债	12	47,159	50,240	45,534	1,890	1,837
递延补贴		69,675	68,371	65,891	–	–
其他非流动资产	21	28,042	24,408	32,561	–	–
应付退休金		283	564	200	–	–
		516,868	535,744	324,171	61,890	61,837
总负债合计		2,935,371	3,217,524	2,902,230	184,395	188,649
净资产		2,326,221	2,228,393	2,012,621	326,484	317,626
股本与公积						
发行股本	18	266,830	266,830	266,830	266,830	266,830
各项储备	19	600,545	575,062	507,732	59,654	50,796
		867,375	841,892	774,562	326,484	317,626
少数股东权益		1,458,846	1,386,501	1,238,059	–	–
所有者权益合计		2,326,221	2,228,393	2,012,621	326,484	317,626
负债及所有者权益总计		5,261,592	5,445,917	4,914,851	510,879	506,275

此报告中的附注是组成这些财务报表不可或缺的内容

合并利润表
截至2014年12月31日

	附注	合并 2014 $'000	合并 2013 $'000 (重列)
营业收入	23	4,560,004	4,515,000
营业成本		(3,605,449)	(3,552,986)
毛利润		954,555	962,014
其他收入项目净值			
其他收入		57,024	44,807
其他费用项目			
销售费用		(408,191)	(408,627)
研发费用		(114,465)	(108,725)
管理费用		(194,856)	(178,297)
财务费用	25	(58,196)	(62,569)
应占联营及合营公司净利润/（亏损）		1,504	(6,633)
税前利润	24	237,375	241,970
所得税费用	27	(62,749)	(60,010)
本年利润		174,626	181,960
归属于:			
母公司所有者		26,929	45,572
少数股东权益		147,697	136,388
		174,626	181,960
每股收益（分）			
- 基本	28	7.20	12.19
- 稀释	28	7.20	12.19

此报告中的附注是组成这些财务报表不可或缺的内容

合并综合收益表
截至2014年12月31日

	合并	
	2014 **$'000**	**2013** **$'000** (重列)
本年利润	174,626	181,960
其他综合收益		
利润表项目后续可能重新进行分类		
实现收购合资公司的初始股权的外币会计报表折算差额	(100)	–
实现处置时划分为持有待售资产的外币会计报表折算差额	–	2,454
实现附属公司清算的外币会计报表折算差额	–	(45)
国外子公司和联营公司的外币报表折算差额	35,056	102,492
公允价值变动净值	54	(264)
本年其他综合收益（税后净值）	35,010	104,637
本年综合收益总额	209,636	286,597
归属于:		
母公司所有者	34,064	78,469
少数股东权益	175,572	208,128
本年综合收益总额	209,636	286,597

此报告中的附注是组成这些财务报表不可或缺的内容

所有者权益变动表
截至2014年12月31日

	附注	发行股本 $'000	资本公积 $'000	法定公积 $'000	公允价值公积 $'000	权益报酬公积 $'000
合并						
2013年12月31日余额 (如前所述)		266,830	(1,569)	34,896	45,525	2,390
会计政策变更所产生的调整		–	–	–	–	–
2014年1月1日余额(重列)		266,830	(1,569)	34,896	45,525	2,390
本年利润		–	–	–	–	–
其他综合收益						
实现收购合资公司的初始股权的外币会计报表折算差额		–	–	–	–	–
国外子公司和联营公司的外币报表折算差额		–	–	–	–	–
公允价值变动净值		–	–	–	54	–
本年其他综合收益（税后净值）		–	–	–	54	–
本年综合收益总额		–	–	–	54	–
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用	26	–	–	–	–	482
发放给子公司的非控制性权益的股份		–	–	–	–	–
支付公司股东股利	29	–	–	–	–	–
支付子公司少数股东股利		–	–	–	–	–
对子公司控股权的变动						
收购少数股东股权		–	1,862	–	–	–
其他						
转入法定公积		–	–	425	–	–
2014年12月31日余额		266,830	293	35,321	45,579	2,872

此报告中的附注是组成这些财务报表不可或缺的内容

外币报表折算差额 $'000	收购少数股东股权的折让/(额外支付) $'000	未分配利润 $'000	归属于母公司所有者权益合计 $'000	少数股东权益 $'000	所有者权益合计 $'000
(19,313)	13,173	499,347	841,279	1,384,550	2,225,829
317	–	296	613	1,951	2,564
(18,996)	13,173	499,643	841,892	1,386,501	2,228,393
–	–	26,929	26,929	147,697	174,626
(50)	–	–	(50)	(50)	(100)
7,131	–	–	7,131	27,925	35,056
–	–	–	54	–	54
7,081	–	–	7,135	27,875	35,010
7,081	–	26,929	34,064	175,572	209,636
–	–	–	482	720	1,202
–	–	–	–	3,469	3,469
–	–	(14,956)	(14,956)	–	(14,956)
–	–	–	–	(92,599)	(92,599)
–	4,031	–	5,893	(14,817)	(8,924)
–	–	(425)	–	–	–
(11,915)	17,204	511,191	867,375	1,458,846	2,326,221

所有者权益变动表
截至2014年12月31日

	附注	发行股本 $'000	资本公积 $'000	法定公积 $'000	公允价值公积 $'000	权益报酬公积 $'000
合并						
2012年12月31日余额 (如前所述)		266,830	(1,604)	34,217	45,789	2,347
会计政策变更所产生的调整		–	–	–	–	–
2013年1月1日余额		266,830	(1,604)	34,217	45,789	2,347
本年利润		–	–	–	–	–
其他综合收益						
实现处置时划分为持有待售资产的外币会计报表折算差额		–	–	–	–	–
实现附属公司清算的外币会计报表折算差额		–	–	(45)	–	–
国外子公司和联营公司的外币报表折算差额		–	–	–	–	–
公允价值变动净值		–	–	–	(264)	–
本年其他综合收益（税后净值）		–	–	(45)	(264)	–
– 本年综合收益总额		–	–	(45)	(264)	–
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用	26	–	–	–	–	43
支付公司股东股利	29	–	–	–	–	–
支付子公司少数股东股利		–	–	–	–	–
以备出售子公司处置调整	17	–	–	–	–	–
对子公司控股权的变动						
收购少数股东股权		–	35	–	–	–
其他						
转入法定公积		–	–	724	–	–
2013年12月31日余额		266,830	(1,569)	34,896	45,525	2,390

此报告中的附注是组成这些财务报表不可或缺的内容

外币报表折算差额 $'000	收购少数股东股权的折让/(额外支付) $'000	持有以备出售资产的公积 $'000	未分配利润 $'000	归属于母公司所有者权益合计 $'000	少数股东权益 $'000	所有者权益合计 $'000
(49,712)	13,173	(2,813)	466,004	774,231	1,237,469	2,011,700
323	–	–	8	331	590	921
(49,389)	13,173	(2,813)	466,012	774,562	1,238,059	2,012,621
–	–	–	45,572	45,572	136,388	181,960
–	–	2,454	–	2,454	–	2,454
–	–	–	–	(45)	–	(45)
30,752	–	–	–	30,752	71,740	102,492
–	–	–	–	(264)	–	(264)
30,752	–	2,454	–	32,897	71,740	104,637
30,752	–	2,454	45,572	78,469	208,128	286,597
–	–	–	–	43	–	43
–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	(58,816)	(58,816)
(359)	–	359	–	–	–	–
–	–	–	–	35	(870)	(835)
–	–	–	(724)	–	–	–
(18,996)	13,173	–	499,643	841,892	1,386,501	2,228,393

母公司所有者权益变动表

截至2014年12月31日

	附注	发行股本 $'000	资本公积 $'000	公允价值公积 $'000	权益报酬公积 $'000	未分配利润 $'000	合计 $'000
母公司							
2014年1月1日余额		266,830	9,199	2	2,337	39,258	317,626
本年综合收益总额		–	–	(2)	–	23,756	23,754
与所有者的交易直接在权益确认							
所有者投入和减少资本							
支付股份费用		–	–	–	60	–	60
支付公司股东股利	29	–	–	–	–	(14,956)	(14,956)
2014年12月31日余额		266,830	9,199	–	2,397	48,058	326,484
2013年1月1日余额		266,830	9,199	–	2,294	27,100	305,423
本年综合收益总额		–	–	2	–	23,375	23,377
与所有者的交易直接在权益确认							
所有者投入和减少资本							
支付股份费用		–	–	–	43	–	43
支付公司股东股利	29	–	–	–	–	(11,217)	(11,217)
2013年12月31日余额		266,830	9,199	2	2,337	39,258	317,626

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表
截至2014年12月31日

	附注	合并 2014 $'000	2013 $'000 (重列)
经营活动产生的现金流量			
税前利润		237,375	241,970
调整项目:			
应占联营及合营公司（利润）/亏损		(1,504)	6,633
股份支付费用	26	482	43
折旧与摊销费用	24	132,632	117,808
存货跌价准备确认/（冲回）	24	1,690	(1,640)
应收账款及其他应收款坏账准备确认/（冲回）	24	2,769	(2,522)
固定资产及无形资产减值准备	24	20,213	7,773
固定资产注销	24	170	185
无形资产注销	24	–	15
财务费用	25	58,196	62,569
其他投资股利收入	24	(250)	(259)
利息收入	24	(15,912)	(23,707)
处置以下资产的（收益）/损失:			
- 子公司	24	–	74
- 固定资产	24	1,205	1,675
- 土地使用权		(40)	(2,334)
- 持有以备出售资产	24	–	253
- 其他投资		–	(712)
其他投资公允价值变动损失		1,080	585
衍生性金融产品公允价值变动损失		1,773	312
应付账款豁免	24	(7,333)	–
收购子公司所产生的收益	7	(19,390)	–
三包费及其他准备计提净额	24	97,243	91,611
流动资金变动前经营活动产生的现金流量		510,399	500,332
流动资金的变动:			
存货的减少/(增加)		92,199	(37,780)
应收账款及其他应收款的增加		(53,817)	(237,563)
应付账款及其他应付款的（减少）/增加		(292,250)	97,965
已计提准备的使用	22	(97,559)	(85,980)
经营活动产生的现金流量		158,972	236,974
支付所得税		(69,978)	(57,530)
经营活动产生的现金流量净额		88,994	179,444

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表
截至2014年12月31日

	附注	合并 2014 $'000	2013 $'000 (重列)
投资活动产生的现金流量			
收购子公司股权支付的现金净额	7	(3,405)	–
收购子公司的非控制性权益		(8,924)	(835)
联营公司权益		(95)	(4,024)
取得股利分配收到的现金:			
- 联营公司与合资公司		4,236	2,785
- 其他投资	24	250	259
取得利息收入收到的现金		16,866	23,833
定期存款减少/（增加）		22,683	(60,307)
银行限制性存款净减少/（增加）额		134,764	(92,276)
购置资产支付的现金:			
- 固定资产（包括资本化利息费用）	3	(171,671)	(119,996)
- 土地使用权	4	(2,011)	(18,616)
- 无形资产	5	(5,573)	(2,723)
处置资产收回的现金净额:			
- 子公司		–	1,940
- 固定资产		4,693	8,397
- 土地使用权		518	4,039
- 持有以备出售资产		–	16,217
- 其他投资		22	4,317
投资活动占用的现金流量净额		(7,647)	(236,990)

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表
截至2014年12月31日

	附注	合并 2014 $'000	合并 2013 $'000 (重列)
筹资活动产生的现金流量			
分配股利支付的现金:			
- 少数股东		(92,599)	(58,816)
- 本公司股东	29	(14,956)	(11,217)
偿付利息支付的现金		(58,058)	(64,487)
向银行借款收到的现金		571,457	616,276
发行债券收到的现金		–	202,821
向关联公司支付的现金		–	(2,942)
子公司吸收少数股东投资收到的现金		3,469	–
政府补贴收入收到的现金		4,183	9,371
偿还银行贷款支付的现金		(599,701)	(557,927)
偿还租赁融资支付的现金		(1,194)	(1,110)
偿还短期债券支付的现金		–	(204,067)
筹资活动占用的现金流量净额		(187,399)	(72,098)
现金及现金等价物净减少额		(106,052)	(129,644)
年初现金及现金等价物余额	16	842,877	936,508
汇率变动对现金及现金等价物的影响		3,717	36,013
年末现金及现金等价物余额	16	740,542	842,877

附注:

存放于实行外汇管制国家的现金及银行存款共计$542,311,000 (2013: $615,249,000)。

此报告中的附注是组成这些财务报表不可或缺的内容

ANALYSIS OF SHAREHOLDINGS

AS AT 11 MARCH 2015

Class of Shares	: Ordinary shares
Number of Ordinary Shares in issue	: 373,908,559
Number of Ordinary Shareholders	: 6,144
Voting Rights	: 1 vote for 1 share

As at 11 March 2015, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	13	0.21	144	0.00
100 - 1,000	843	13.72	839,267	0.22
1,001 - 10,000	3,920	63.80	19,967,419	5.34
10,001 - 1,000,000	1,350	21.97	53,447,729	14.29
1,000,001 and above	18	0.29	299,654,000	80.14
	6,144	100.00	373,908,559	100.00

Based on information available to the Company as at 11 March 2015, approximately 35.05% of the total number of issued shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Major Shareholders List - Top 20 as at 11 March 2015

No.	Name of Shareholder	No. of Shares Held	%*
1	Hong Leong Corporation Holdings Pte Ltd	233,000,000	62.31
2	Citibank Nominees Singapore Pte Ltd	15,713,654	4.20
3	DBS Nominees Pte Ltd	13,371,513	3.58
4	Taiheiyo Singapore Pte Ltd	9,079,659	2.43
5	Starich Investments Pte Ltd	6,664,000	1.78
6	DBSN Services Pte Ltd	3,542,781	0.95
7	HSBC (Singapore) Nominees Pte Ltd	2,435,043	0.65
8	Raffles Nominees (Pte) Ltd	1,825,580	0.49
9	United Overseas Bank Nominees Pte Ltd	1,788,090	0.48
10	ABN Amro Nominees Singapore Pte Ltd	1,705,000	0.46
11	Bank of Singapore Nominees Pte Ltd	1,646,000	0.44
12	Maybank Kim Eng Securities Pte Ltd	1,511,300	0.40
13	Phillip Securities Pte Ltd	1,317,000	0.35
14	DBS Vickers Securities (S) Pte Ltd	1,263,000	0.34
15	Soon Lee Heng Trading & Transportation Pte Ltd	1,248,000	0.33
16	UOB Kay Hian Pte Ltd	1,187,380	0.32
17	Ling Kung Eng	1,183,000	0.32
18	CIMB Securities (S) Pte Ltd	1,173,000	0.31
19	OCBC Nominees Singapore Pte Ltd	842,800	0.23
20	Ang Jwee Herng	770,000	0.21
		301,266,800	80.58

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 11 March 2015.

Substantial Shareholders as at 11 March 2015

Name of Substantial Shareholder	No. of Shares Direct Interest	Deemed Interest	Total Interest	%*
Hong Leong Corporation Holdings Pte Ltd	233,000,000	6,664,000 (1)	239,664,000	64.10
Hong Leong Enterprises Pte. Ltd.	-	239,664,000 (2)	239,664,000	64.10
Hong Leong Investment Holdings Pte. Ltd.	-	239,932,000 (3)	239,932,000	64.17
Davos Investment Holdings Private Limited	-	239,932,000 (4)	239,932,000	64.17
Kwek Holdings Pte Ltd	-	239,932,000 (4)	239,932,000	64.17

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 11 March 2015.

Notes:

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Fourth Annual General Meeting (the "Meeting") of HONG LEONG ASIA LTD. (the "Company") will be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Thursday, 30 April 2015 at 3.00 p.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December ("FY") 2014 and the Auditors' Report thereon.

2. To declare a final one-tier tax exempt dividend of 2 cents per ordinary share for FY 2014 ("Final Dividend").

3. To approve Directors' fees of $414,789 for FY 2014 (FY 2013: $272,466) and Audit Committee fees of $31,250 per quarter for the period commencing from 1 July 2015 to 30 June 2016 (period from 1 July 2014 to 30 June 2015: $28,750 per quarter), with payment of the Audit Committee fees to be made in arrears at the end of each calendar quarter.

4. To re-elect Mr Kwek Leng Peck as a Director of the Company who would be retiring by rotation in accordance with the Articles of Association of the Company and who, being eligible, offers himself for re-election.

5. To re-appoint the following Directors pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of the Meeting until the next Annual General Meeting ("AGM"):

   (a) Mr Kwek Leng Beng
   (b) Mr Ernest Colin Lee
   (c) Mr Quek Shi Kui

6. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

B. SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

7. That authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force;

provided that:

(1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument), does not exceed 50% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares, excluding treasury shares shall be based on the total number of issued shares, excluding treasury shares, if any, in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

8. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Hong Leong Asia Share Option Scheme 2000 (the "SOS") to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the SOS, provided that:

(a) the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares excluding treasury shares, if any, in the capital of the Company from time to time; and

(b) the aggregate number of shares to be issued during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case maybe) sub-limits as may be prescribed in the SOS.

9. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may, in their absolute discretion, deem fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked in general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"Average Closing Price" means the average of the closing market prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution; and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

10. That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or its interested person(s), have control, or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix to this Notice of AGM (the "Appendix") with any party who is of the class of Interested Persons described in the Appendix; provided that such transactions are entered in accordance with the review procedures set out in the Appendix, and that such approval (the "IPT Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company, and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

C. TO TRANSACT ANY OTHER ORDINARY BUSINESS

BY ORDER OF THE BOARD

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

Singapore, 7 April 2015

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the shareholders at the Meeting for the payment of the Final Dividend, the Share Transfer Books and Register of Members of the Company will be closed on 18 May 2015. Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 15 May 2015 will be registered to determine shareholders' entitlement to the Final Dividend.

The Final Dividend, if approved by the shareholders at the Meeting, will be paid on 26 May 2015.

Notes to Resolutions:

1. With reference to item 3 above (under the heading "Ordinary Business"), the Directors' Fees of $414,789 for FY 2014 excludes the quarterly fees of $28,750 commencing from 1 January 2014 to 31 December 2014 paid to the Audit Committee ("AC") for FY 2014, which had been approved by shareholders at the 2013 and 2014 AGMs of the Company.

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

   Key information on Mr Kwek Leng Peck is found on page 15 of the Annual Report. Mr Kwek Leng Peck is a cousin of Mr Kwek Leng Beng. Details of Mr Kwek Leng Peck's share interest in the Company and its related corporations can be found on pages 39 to 41 of the Annual Report. Mr Kwek Leng Peck is also a director of Hong Leong Corporation Holdings Pte Ltd ("HLCH") and Hong Leong Enterprises Pte. Ltd. ("HLE"), and a director and shareholder of Hong Leong Investment Holdings Pte. Ltd. ("HLIH"), each of which hold more than 10% direct and/or deemed interest in the Company.

3. With reference to item 5(a) above (under the heading "Ordinary Business"), Mr Kwek Leng Beng will, upon re-appointment as a Director of the Company, remain as Chairman of the Board and as a member of the Nominating Committee ("NC"). Mr Kwek Leng Beng is considered a non-executive non-independent Director.

   Key information on Mr Kwek Leng Beng is found on page 15 of the Annual Report. Mr Kwek Leng Beng is a cousin of Mr Kwek Leng Peck. Details of Mr Kwek Leng Beng's share interest in the Company and its related corporations can be found on pages 39 to 41 of the Annual Report. Mr Kwek Leng Beng is also a director of HLCH and HLE, and a director and shareholder of HLIH and Kwek Holdings Pte Ltd, each of which hold more than 10% direct and/or deemed interest in the Company.

4. With reference to item 5(b) above (under the heading "Ordinary Business"), Mr Ernest Colin Lee will, upon re-appointment as a Director of the Company, remain as Lead Independent Director, chairman of the NC, Remuneration Committee ("RC") and SOSC, and as a member of the AC.

   Key information on Mr Lee is found on page 16 of the Annual Report. Details of Mr Lee's share interest in the Company can be found on page 39 of the Annual Report. Mr Lee has no shareholdings in any of the Company's related corporations, and has no relationships with the Company's 10% shareholders or Directors.

5. With reference to item 5(c) above (under the heading "Ordinary Business"), Mr Quek Shi Kui will, upon re-appointment as a Director of the Company, remain as chairman of the AC and as a member of the NC, RC and SOSC. Mr Quek is considered an independent Director.

   Key information on Mr Quek is found on page 16 of the Annual Report. Mr Quek has no shareholdings in the Company or any of its related corporations, and has no relationships with the Company, its 10% shareholders or its Directors.

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

7. The Ordinary Resolution proposed in item 8 above (under the heading "Special Business"), if passed, will empower the Directors to offer and grant options in accordance with the SOS to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors and to issue from time to time such number of shares in the capital of the Company pursuant to the exercise of such options under the SOS subject to such limits or sub-limits as prescribed in the SOS (*see note below on voting restrictions*).

8. The Ordinary Resolution proposed in item 9 above (under the heading "Special Business"), if passed, will empower the Directors to make purchases or otherwise acquire issued shares in the capital of the Company from time to time subject to and in accordance with the guidelines set out in Annexure I of the Appendix to this Notice of Meeting. This authority will continue in force until the next AGM of the Company, unless previously revoked or varied at a general meeting or when such purchases or acquisitions are carried out to the full extent mandated.

9. The Ordinary Resolution proposed in item 10 above (under the heading "Special Business"), if passed, will renew the IPT Mandate first approved by shareholders on 30 May 2003 to facilitate the Company, its subsidiaries and its associated companies, to enter into Interested Person Transactions, the details of which are set out in Annexures II and III of the Appendix to this Notice of Meeting. The IPT Mandate will continue in force until the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting (*see note below on voting restrictions*).

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

Rule 859

Please note that if a shareholder is eligible to participate in the SOS (other than as a director and/or employee of HLIH (the "Parent Company") and its subsidiaries (but not including the Company and its subsidiaries)), he should abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 8 in relation to the SOS, and should not accept nominations as proxies or otherwise for voting at the Meeting, in respect of the aforesaid Ordinary Resolution, unless specific instructions have been given in the proxy form on how the vote is to be cast for the aforesaid resolution.

Rule 921(7)

The Parent Company, the Directors of the Company and their associates, who are also shareholders of the Company and being Interested Persons under the IPT Mandate, are required to abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 10 in relation to the proposed renewal of the IPT Mandate.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote in his stead.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy must be deposited at the Company Secretary's office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time appointed for holding the Meeting.

4. The Chairman of the Meeting will be exercising his rights under article 61 of the Company's articles of association ("Article 61") to call for all resolutions at the Meeting and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Meeting will be voted on by way of a poll.

   Article 61 provides that a poll may be demanded by:

   (a) the chairman of the meeting; or
   (b) not less than two members present in person or by proxy and entitled to vote at the meeting; or
   (c) a member present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
   (d) a member present in person or by proxy and holding not less than ten per cent of the total number of paid-up shares of the Company (excluding treasury shares).

5. Polling will be done by way of an electronic poll voting system and shareholders present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Meeting.

Personal data privacy:

By submitting an instrument appointing proxy(ies) or representative to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies or representative appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(b) warrants that where the member discloses the personal data of the member's proxy(ies) or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) or representative(s) for the Purposes; and

(c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

PROXY FORM

For Annual General Meeting

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the 54th Annual General Meeting as OBSERVERS must submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Hong Leong Asia Ltd. (Agent Banks: Please see note 8 on required format.)

Personal Data Privacy

By submitting an instrument appointing proxy(ies) or representative, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2015.

*I/We, _____ with NRIC/Passport No. _____

of _____

being *a member/members of HONG LEONG ASIA LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Fifty-Fourth Annual General Meeting of the Company (the "AGM") to be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Thursday, 30 April 2015 at 3.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM.

No.	Resolutions		For	Against
A.	**ORDINARY BUSINESS:**			
1.	Adoption of Reports and Financial Statements			
2.	Declaration of Final Dividend			
3.	Approval of Directors' Fees and Audit Committee Fees			
4.	Re-election of Mr Kwek Leng Peck as Director under the Articles of Association			
5.	Re-appointment of Directors under Section 153(6) of the Companies Act, Chapter 50:	(a) Mr Kwek Leng Beng		
		(b) Mr Ernest Colin Lee		
		(c) Mr Quek Shi Kui		
6.	Re-appointment of Ernst & Young LLP as Auditors			
B.	**SPECIAL BUSINESS:**			
7.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of Singapore Exchange Securities Trading Limited			
8.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Asia Share Option Scheme 2000 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS			
9.	Renewal of Share Purchase Mandate			
10.	Renewal of IPT Mandate for Interested Person Transactions			

Dated this _____day of_____ 2015

Total No. of Shares Held

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

* Delete accordingly
Notes: See overleaf

NOTES:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.

4. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.

6. This instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the Company Secretary's office at 36 Robinson Road, #03-01 City House, Singapore 068877 not less than 48 hours before the time fixed for holding the AGM.

7. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

8. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary's office at 36 Robinson Road, #03-01 City House, Singapore 068877, not less than 48 hours before the time fixed for holding the AGM.

Fold Here

PROXY FORM

Affix
Stamp
Here

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

Fold Here

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

DATED 7 APRIL 2015

IN RELATION TO THE PROPOSED

(1) RENEWAL OF THE SHARE PURCHASE MANDATE; AND

(2) RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

CONTENTS

LETTER TO SHAREHOLDERS

HONG LEONG ASIA LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 196300306G)

Directors:

Kwek Leng Beng
Kwek Leng Peck
Philip Ting Sii Tien @ Yao Sik Tien
Ernest Colin Lee
Goh Kian Hwee
Quek Shi Kui

Registered Office:

16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581

7 April 2015

To: The Shareholders of Hong Leong Asia Ltd.

Dear Sir/Madam

(1) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

(2) PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

We refer to the Notice of the Fifty-Fourth Annual General Meeting of Hong Leong Asia Ltd. ("**HLA**" or the "**Company**") ("**54th AGM**") issued by the Company on 7 April 2015.

Item 9 of the Notice of the 54th AGM is an ordinary resolution ("**Resolution 9**") to be proposed at the 54th AGM for the renewal of the Company's Share Purchase Mandate which will empower the Directors to make purchases or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") from time to time subject to certain restrictions set out in the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Information relating to Resolution 9 is set out in **Annexure I** of this Appendix.

Item 10 of the Notice of the 54th AGM is an ordinary resolution ("**Resolution 10**") to be proposed at the 54th AGM for the renewal of the Company's mandate for interested person transactions which will facilitate the Company, its subsidiaries and its associated companies, to enter into transactions with its interested persons ("**IPT Mandate**"), the details of which are set out in **Annexures II** and **III** of this Appendix. There is no change to the IPT Mandate and the review procedures for interested person transactions ("**IPTs**") except for some minor editorial amendments proposed in paragraph 6.1.2 on page 22 of the Annexure III. This is to provide better clarity that the construction-related transactions envisioned under the IPT Mandate apply to the supply and distribution of or purchase of building materials and construction products to or from the Interested Persons as defined in the IPT Mandate. The amendments, which are underlined for your easy reference, do not change the scope and the review procedures for IPTs.

The purpose of this Appendix is to provide Shareholders with the reasons for, and information relating to Resolutions 9 and 10.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial shareholders of the Company in the issued Shares and options granted under the Hong Leong Asia Share Option Scheme 2000 (the "**Share Options**") as at 27 March 2015 (the "**Latest Practicable Date**"), were as follows:

	← Direct Interest →		← Deemed Interest →		
Directors	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Share Options**
Kwek Leng Beng	660,000	0.18	–	–	–
Kwek Leng Peck	1,680,000	0.45	–	–	470,000
Philip Ting Sii Tien @ Yao Sik Tien	280,000	0.07	–	–	500,000
Ernest Colin Lee	40,000	0.01	–	–	–
Goh Kian Hwee	–	–	–	–	–
Quek Shi Kui	–	–	–	–	–

	← Direct Interest →		← Deemed Interest →	
Substantial Shareholders	**Number of Shares**	**%**	**Number of Shares**	**%**
Hong Leong Corporation Holdings Pte Ltd	233,000,000	62.32	6,664,000(1)	1.78
Hong Leong Enterprises Pte. Ltd.	–	–	239,664,000(2)	64.10
Hong Leong Investment Holdings Pte. Ltd.	–	–	239,932,000(3)	64.17
Davos Investment Holdings Private Limited	–	–	239,932,000(4)	64.17
Kwek Holdings Pte Ltd	–	–	239,932,000(4)	64.17

Notes:

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

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

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

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

Directors of the Company will abstain from voting their shareholdings in the Company, if any, on Resolutions 10 at the 54th AGM. They have also undertaken to ensure that their associates will abstain from voting their respective shareholdings in the Company, if any, on Resolution 10 relating to the proposed renewal of the IPT Mandate at the said AGM.

The relevant companies within the Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**") group (which includes HLIH, the holding company of the Company and their associates), and being Interested Persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on Resolution 10 at the 54th AGM.

3. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Company's Share Purchase Mandate and IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Appendix.

Shareholders who are in any doubt as to the action they should take, should consult their stockbrokers or other professional advisers immediately.

Yours faithfully
For and on behalf of
The Board of Directors of
HONG LEONG ASIA LTD.

KWEK LENG BENG
Chairman

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

At the Fifty-Third Annual General Meeting of the Company held on 25 April 2014 ("**53rd AGM**"), Shareholders had approved, *inter alia*, the renewal of the Share Purchase Mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares. The rationale for, authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the Company's letter to Shareholders dated 2 April 2014 and Ordinary Resolution 9 set out in the Notice of the 53rd AGM.

The Share Purchase Mandate was expressed to take effect from the passing of the Ordinary Resolution 9 at the 53rd AGM and will expire on the date of the forthcoming Fifty-Fourth Annual General Meeting to be held on 30 April 2015 ("**54th AGM**") or until it is varied or revoked by the Company in general meeting. Accordingly, Shareholders' approval will be sought at the 54th AGM of the Company for the renewal of the Share Purchase Mandate.

Since the renewal of the Share Purchase Mandate at the 53rd AGM, the Company has not purchased or acquired any of its shares under the Share Purchase Mandate.

2. DEFINITIONS

In this **Annexure I**, the following definitions shall apply throughout unless otherwise stated:

"**Board**"	:	The Board of Directors of the Company for the time being
"**Company**"	:	Hong Leong Asia Ltd.
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"**CDP**"	:	The Central Depository (Pte) Limited
"**Directors**"	:	The Directors of the Company for the time being
"**EPS**"	:	Earnings per Share
"**Group**"	:	The Company and its subsidiaries
"**Latest Practicable Date**"	:	27 March 2015, being the latest practicable date prior to the printing of this Appendix
"**Listing Manual**"	:	The Listing Manual of the SGX-ST, as amended or modified from time to time
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities

"**Market Purchase**"	:	An on-market purchase of Shares by the Company effected on the SGX-ST, or on any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose
"**Maximum Price**"	:	The maximum price to be paid for the Shares as determined by the Directors under paragraph 3.2.4 of this **Annexure I**
"**NAV**"	:	Net asset value
"**Off-Market Purchase**"	:	An off-market purchase of Shares by the Company effected otherwise than on a stock exchange, in accordance with an equal access scheme
"**Share Options**"	:	Option to subscribe for new Shares granted pursuant to the Hong Leong Asia Share Option Scheme 2000
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Purchase Mandate**"	:	The mandate to enable the Company to purchase or otherwise acquire its issued Shares
"**Shares**"	:	Ordinary shares in the capital of the Company
"**Shareholders**"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Shares
"**Substantial Shareholder**"	:	In relation to the Company, a person who has an interest in not less than 5% of the issued voting shares of the Company
"**Take-over Code**"	:	The Singapore Code on Take-overs and Mergers
"**$**"	:	Singapore dollars
"**%**"	:	Percentage or per centum

The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this **Annexure I** to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this **Annexure I** shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be. Any reference to a time of day in this **Annexure I** is made by reference to Singapore time unless otherwise stated.

3. RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for the Share Purchase Mandate

The Share Purchase Mandate will give the Company the flexibility to undertake share purchases or acquisitions at any time, subject to market conditions, during the period that the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share purchases will also allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NAV per Share.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.2.1 below, it should be noted that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised, and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company and the Group, or affect the listing status of the Company on the SGX-ST.

3.2 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate are summarised below:

3.2.1 *Maximum Number of Shares*

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares (excluding any Shares which are held as treasury shares) as at the date of the 54th AGM. As at the Latest Practicable Date, no Shares were held as treasury shares.

Purely for illustrative purposes, on the basis of 373,908,559 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued pursuant to the exercise of exercisable Share Options and no Shares are held by the Company as treasury shares on or prior to the 54th AGM, not more than 37,390,855 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate.

3.2.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 54th AGM, at which the Share Purchase Mandate is approved, up to:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked; or

(c) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier.

3.2.3 ***Manner of Purchases or Acquisitions of Shares***

Purchases or acquisitions of Shares may be made by way of:

(a) Market Purchases; and/or

(b) Off-Market Purchases.

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST or, as the case may be, other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme or schemes for the purchase or acquisition of Shares. The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) (if applicable) differences in consideration attributable to the fact that offers may relate to Shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(1) terms and conditions of the offer;

(2) period and procedures for acceptances; and

(3) information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.2.4 ***Maximum Purchase Price***

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The Maximum Price to be paid for the Shares as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such stock exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3 Source of Funds

Under the Companies Act, the Company may pursuant to the proposed Share Purchase Mandate, purchase or acquire its own Shares out of its capital, as well as from its profits.

The Company intends to use internal and/or external sources of funds to finance its purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the Group's working capital requirements, current dividend policy and ability to service its debts would be adversely affected.

3.4 Status of Purchased or Acquired Shares

Shares which are purchased or acquired by the Company and which are not held as treasury shares will be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.5.1 *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a sub-division or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the sub-division or consolidation is the same as before.

3.5.3 ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares of the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage; and the value of the treasury shares of the usage.

3.6 **Financial Effects**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital or profits of the Company, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group based on the audited financial accounts of the Group for the financial year ended 31 December 2014 are based on the assumptions set out below:

3.6.1 ***Purchase or Acquisition out of Capital or Profits***

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

3.6.2 ***Maximum Price Paid for Shares Acquired or Purchased***

As at the Latest Practicable Date, the issued capital of the Company comprised 373,908,559 Shares. In addition, as at the Latest Practicable Date, there were outstanding and remaining unexercised Share Options to subscribe for up to an aggregate of 1,470,000 Shares. Except in respect of Shares which are issuable on exercise of the outstanding Share Options, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Based on the total number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3.2.1 above, the purchase by the Company of 10% of the total number of issued Shares will result in the purchase or acquisition of 37,390,855 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 37,390,855 Shares at the Maximum Price of $1.383 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 37,390,855 Shares is $51,711,552. In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 37,390,855 Shares at the Maximum Price of $1.449 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 37,390,855 Shares is $54,179,349.

3.6.3 ***Whether the Underlying Shares are cancelled or held in treasury***

The financial effects on the Group arising from purchases or acquisitions of Shares will also depend on whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only, on the basis of the assumptions set out above as well as the following:

(i) the Share Purchase Mandate had been effective on 1 January 2014; and

(ii) no issuance of Shares from the exercise of Share Options after the Latest Practicable Date,

the financial effects on the audited financial accounts of the Company and the Group arising from purchases or acquisitions of Shares for the financial year ended 31 December 2014 would have been as follows:

Assuming Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
As at 31 December 2014	**Before purchase of Shares $'000**	**After purchase of Shares $'000**	**Before purchase of Shares $'000**	**After purchase of Shares $'000**
NAV	867,375	815,663	326,484	274,772
Current Assets	3,508,040	3,508,040	292,187	292,187
Current Liabilities	2,418,503	2,470,215	122,505	174,217
Shareholders' Fund	867,375	815,663	326,484	274,772
Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
Weighted Average Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
Financial Ratios				
Profit after Tax and Minority Interests	26,929	26,929	N.A.	N.A.
NAV per Share (cents)	231.98	242.38	87.32	81.65
Basic EPS (cents)	7.20	8.00	N.A.	N.A.
Current Ratio (times)	1.45	1.42	2.39	1.68

Assuming Off-Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
As at 31 December 2014	**Before purchase of Shares $'000**	**After purchase of Shares $'000**	**Before purchase of Shares $'000**	**After purchase of Shares $'000**
NAV	867,375	813,196	326,484	272,305
Current Assets	3,508,040	3,508,040	292,187	292,187
Current Liabilities	2,418,503	2,472,682	122,505	176,684
Shareholders' Fund	867,375	813,196	326,484	272,305
Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
Weighted Average Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
Financial Ratios				
Profit after Tax and Minority Interests	26,929	26,929	N.A.	N.A.
NAV per Share (cents)	231.98	241.65	87.32	80.92
Basic EPS (cents)	7.20	8.00	N.A.	N.A.
Current Ratio (times)	1.45	1.42	2.39	1.65

N.A. – Not applicable

The financial effects set out above, based on the respective aforementioned assumptions and scenarios, are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Group for the financial year 2014, and is not necessarily representative of future financial performance of the Group or the Company.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares. In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired.

The Company will take into account both financial and non-financial factors (for example, share market conditions and performance of the Shares) in assessing the relative impact of a share purchase before execution.

3.7 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

3.8 Listing Status of the Shares

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Under the Listing Manual, "**public**" is defined as persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the company or its subsidiaries, as well as the associates of such persons.

Based on information available to the Company as at the Latest Practicable Date, approximately 35.05% of the total number of issued Shares were held by public Shareholders. Assuming the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the proposed Share Purchase Mandate on the Latest Practicable Date and none of these Shares had been held as treasury shares, approximately 27.83% of the issued Shares would have been held by public Shareholders as at that date.

The Company will ensure that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

3.9 **Take-over Implications**

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.9.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting Shares of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv); and

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and

(c) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the shareholdings of the Directors and Substantial Shareholders, which can be found in the Letter to Shareholders on page 3 of this Appendix, the Directors and Substantial Shareholders would not incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase of Shares by the Company pursuant to the proposed Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.10 **Reporting Requirements**

Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include details of the date of the purchase, the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares.

3.11 **No Purchases During Price Sensitive Developments**

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will, in accordance with Rule 1207(19) of

the Listing Manual, not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of two weeks immediately preceding the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's financial statements for the full financial year (as the case may be).

4. RECOMMENDATION

The Directors are of the view that the proposed Share Purchase Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 9 for the renewal of the Share Purchase Mandate at the forthcoming 54th AGM.

PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. BACKGROUND

On 30 May 2003, the Company obtained Shareholders' approval at an Extraordinary General Meeting of the Company (the "**2003 EGM**") for the Company, its subsidiaries and its associated companies not listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or an approved exchange, over which the Company and its subsidiaries (collectively, the "**Group**") or the Group and its interested persons have control (collectively, "**HLA EAR Group**"), to enter into transactions falling within the categories of Interested Person Transactions as defined and set out in the Company's circular to Shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). Given that such Interested Person Transactions may occur at any time, and to allow the HLA EAR Group to undertake such transactions in an expeditious manner, Shareholders' approval will be sought at the coming Fifty-Fourth Annual General Meeting ("**54th AGM**") for the renewal of the IPT Mandate.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual of the SGX-ST, is set out in **Annexure III** of this Appendix.

2. RENEWAL OF THE GENERAL MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate approved at the 2003 EGM was expressed, unless revoked or varied by the Company in general meeting, to continue to be in force until the next annual general meeting of the Company. The IPT Mandate which was renewed at the last Annual General Meeting of the Company held on 25 April 2014, is currently in force until the next annual general meeting of the Company, being the 54th AGM, which is to be held on 30 April 2015. Accordingly, it is proposed that the IPT Mandate be renewed at the 54th AGM, to take effect until the next annual general meeting of the Company to be held in year 2016.

The nature of the Interested Person Transactions and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged since the renewal of the same at the last annual general meeting of the Company held on 25 April 2014. Particulars of the IPT Mandate, including the rationale for, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of Interested Persons, are set out in **Annexure III** of this Appendix.

3. INTERESTED PERSON TRANSACTIONS

Particulars of Interested Person Transactions conducted under the IPT Mandate in 2014 are as follows:

Name of Interested Person	**Aggregate value of all interested person transactions conducted in financial year 2014 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)** **$'000**
Hong Leong Investment Holdings Pte. Ltd. group of companies • Construction-related Transaction – Supply of raw materials by Interested Person to the Group	104

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company confirms that:

(a) the methods and review procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the 2003 EGM; and

(b) the methods and review procedures referred to in (a) above continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5. RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Messrs Ernest Colin Lee, Goh Kian Hwee and Quek Shi Kui.

They are of the opinion that the entry into of the Interested Person Transactions (as described in Section 6 of **Annexure III**) between the HLA EAR Group (as described in Section 2.3 of **Annexure III**) and the Interested Persons (as described in Section 5 of **Annexure III**) in the ordinary course of business is to enhance the efficiency of the HLA EAR Group and is in the best interests of the Company. For the reasons set out in Sections 2 and 4 of **Annexure III**, they recommend that Shareholders vote in favour of Resolution 10 at the forthcoming 54th AGM.

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS (the "IPT Mandate")

1. GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual ("**Chapter 9**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") applies to transactions between a party that is an entity at risk and a counter party that is an interested person. The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders. The aforementioned terms "entity at risk", "interested person" and "associated companies" are defined below.

1.2 **Main terms used in Chapter 9**

(a) An "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has or have control over the associated company.

(b) An "**associated company**" of a listed company means a company in which at least 20 per cent. but not more than 50 per cent. of its shares are held by the listed company or the listed group.

(c) An "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.

(d) An "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

(e) An "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder of the listed company (being an individual) means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder; the trustees of any trust of which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent. or more; and, where a controlling shareholder of the listed

company is a corporation, its "associate" means its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other companies taken together have (directly or indirectly) an interest of 30 per cent. or more.

(f) A "**chief executive officer**" of a listed company means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.

(g) A "**controlling shareholder**" of a listed company means a person who holds directly or indirectly 15 per cent. or more of the nominal amount of all voting shares in the listed company; or a person who in fact exercises control over the listed company.

(h) An "**interested person transaction**" means a transaction between an entity at risk and an interested person.

1.3 Materiality thresholds, announcement requirements and shareholders' approval

When Chapter 9 applies to a transaction with an interested person (except for any transaction which is below $100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from certain requirements of Chapter 9) and the value of the transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated net tangible asset[1] ("**NTA**"), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for the transaction.

In particular, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding:

(a) 5 per cent. of the listed company's latest audited consolidated NTA[2]; or

(b) 5 per cent. of the listed company's latest audited consolidated NTA, when aggregated with the values of other transactions entered into with the same interested person (such term as construed under Chapter 9) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

1.4 Shareholders' general mandate

Chapter 9 allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company's interested persons.

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[1] Based on the latest audited consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2014, the audited consolidated NTA of the Group was $767,832,000.

[2] In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time that the audited consolidated accounts of the Company and its subsidiaries for the year ending 31 December 2015 are published by the Company, 5 per cent. of the latest audited consolidated NTA of the Group would be $38,391,600.

2. INTRODUCTION AND RATIONALE FOR THE IPT MANDATE

2.1 The Hong Leong Asia Ltd. ("**HLA**") group (the "**Group**") is principally engaged in the manufacture of industrial and consumer products ranging from diesel engines, refrigerators, freezers to air-conditioning systems; the manufacture and marketing of plastic packaging related products; the trading and distribution of a variety of construction raw materials such as cement; and the manufacture, trading and distribution of pre-cast concrete elements, ready-mix concrete and quarry products.

2.2 Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**"), a controlling shareholder of the Company, and its associates (the "**HLIH Group**") are interested persons of the Company.

2.3 Due to the size of the HLIH Group and the diversity of the Group's activities, it is anticipated that:

(a) HLA;

(b) subsidiaries of HLA that are not listed on the SGX-ST or an approved exchange; and

(c) associated companies of HLA that are not listed on the SGX-ST or an approved exchange, provided that the Group or the Group and its interested person(s), has or have control over the associated companies,

(together, the "**HLA EAR Group**"), or any of them, would, in the ordinary course of its businesses, enter into certain transactions with its interested persons. It is likely that such transactions will occur with some degree of frequency and may arise at any time. Thus, the IPT Mandate is intended to facilitate transactions in the normal course of business of the HLA EAR Group falling within the categories of interested person transactions as set out in Section 6 below (the "**Interested Person Transactions**") that are transacted from time to time with its interested persons as specifically described in Section 5 below (the "**Interested Persons**") provided that they are carried out at arm's length and on the Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3. SCOPE OF THE IPT MANDATE

3.1 The IPT Mandate will not cover any Interested Person Transaction which has a value below $100,000 as the threshold and aggregation requirements of Chapter 9 do not apply to such transactions.

3.2 Transactions with interested persons which do not fall within the ambit of the IPT Mandate (including any renewal thereof), will be subject to applicable provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual.

4. BENEFITS OF THE IPT MANDATE

The IPT Mandate which was adopted at the Extraordinary General Meeting of the Company held on 30 May 2003 (the "**2003 EGM**") and subject to renewal on an annual basis would eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when such Interested Person Transactions with the Interested Persons arise, thereby reducing substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group. This would also enable the Group to maximise its business

opportunities especially in commercial transactions that are time-sensitive in nature. At the same time, the Group would be able to channel the significant amount of administrative resources, including time and expenses, saved towards its other corporate objectives.

5. CLASSES OF INTERESTED PERSONS

The IPT Mandate will apply to transactions with the following classes of Interested Persons:

(a) the HLIH Group; and

(b) Directors, chief executive officer and controlling shareholders of the Company (other than entities who fall under the HLIH Group described under sub-paragraph (a) above) and their respective associates.

6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

6.1 The Interested Person Transactions between the HLA EAR Group and Interested Persons which will be covered by the IPT Mandate relate to recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations, and are set out as follows:

6.1.1 Industrial- and Consumer-related Transactions

This category comprises the following types of transactions:

(a) sale of diesel engines for light-duty, medium-duty and heavy-duty trucks that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;

(b) sale of air-conditioners, refrigerators, freezers and other home appliances that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;

(c) sale of heating, ventilation, and air-conditioning systems for use in residential, commercial and industrial applications that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;

(d) sale of industrial products that are manufactured by the HLA EAR Group, which include without limitation, steel drums and pails, plastic bottles, plastic pails, jerry cans, thermo-formed containers, steel and plastic closures, and other plastic packaging materials or products; and

(e) purchase or supply by Interested Persons of any material or component, whether raw or processed, plant equipment and accessories and/or services which are incidental to or in connection with the manufacture and/or assembly of any of the products described in sub-paragraphs (a) to (d) above.

6.1.2 Construction-related Transactions

This category comprises transactions in relation to the supply and distribution to Interested Persons or the purchase from Interested Persons of building materials and construction products ranging from raw materials such as cement, ready-mix concrete, quarry products, and construction materials to pre-cast concrete elements for installation in buildings.

6.1.3 **Financial and Treasury Transactions**

This category comprises transactions in relation to the placement of funds with Interested Persons, the borrowing of funds from Interested Persons, and the entry into foreign exchange, swap and option transactions with Interested Persons, that do not fall under the exceptions to interested person transactions pursuant to Rule 915(6) and Rule 915(7) of Chapter 9[3]; and the subscription by the HLA EAR Group of debt securities issued by any Interested Person and the issue of debt securities by the HLA EAR Group to any Interested Person.

Pursuant to Rule 916(3) of Chapter 9, the provision of a loan by the HLA EAR Group to a joint venture with an Interested Person does not require the seeking of Shareholders' approval provided that such loan is extended by all joint venture partners on the same terms and in proportion to their equity interest in the joint venture; the Interested Person does not have an existing equity interest in the joint venture prior to the participation of the HLA EAR Group in the joint venture; and the Company has announced that its audit committee (the "**Audit Committee**") is of the view that: (i) the provision of the loan is not prejudicial to the interests of the Company and its minority Shareholders; (ii) the risks and rewards of the joint venture are in proportion to the equity of each of the joint venture partners; and (iii) the terms of the joint venture are not prejudicial to the interests of the Company and its minority Shareholders.

6.1.4 **General Transactions**

This category comprises the following types of transactions:

(a) purchase of goods and services including vehicles, parts and accessories and after-sales services; and

(b) leasing or rental of properties to or from Interested Persons.

7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

7.1 In general, there are procedures established by the Group to ensure that Interested Person Transactions, which are reviewed and approved by the management, are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, are not prejudicial to the interests of the Company and its minority Shareholders and on terms which are generally no more favourable to the Interested Persons than those extended to or received from unrelated third parties.

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[3] Pursuant to Rule 915(6) and Rule 915(7) of Chapter 9, the provision or receipt of financial assistance or services by or from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business does not constitute an interested person transaction which would require compliance with Rules 905, 906 and 907 of Chapter 9. Rule 905 relates to the requirements for immediate announcement of interested person transactions, Rule 906 relates to the requirements for seeking shareholders' approval for interested person transactions, and Rule 907 relates to the requirements for disclosure of the aggregate value of interested person transactions in the listed company's annual report.

7.1.1 **Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions**

All Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) are to be carried out at the published or prevailing rates/prices of the service or product providers (including, where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases where the giving of such preferential rates/prices/discounts are commonly practised within the applicable industry and may be similarly extended to unrelated third parties), on the service or product provider's usual commercial terms which may also be similarly extended to unrelated third parties, or otherwise in accordance with other applicable industry norms.

In addition, the HLA EAR Group will monitor the Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) as follows:

(a) Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions (other than the Interested Person Transactions covered under sub-paragraph (b) herein)

Interested Person Transactions under this sub-paragraph (a) shall be entered into, where applicable, (i) in the case of the provision of services or products by an Interested Person, based on tenders (with at least two bids from unrelated third parties to be obtained for comparison purposes) or comparison of rates and terms offered by or generally quoted by at least two unrelated third parties, who are engaged in providing similar services or products; and (ii) in the case of the provision of services or products to an Interested Person, based on comparison of rates and terms offered to at least two unrelated third parties, for transactions of a similar nature, size or complexity and after taking into account the availability of resources, expertise or manpower for the performance of such services or provision of such goods and the existence of any cost and/or time saving factors.

(b) General Transactions comprising the leasing or rental of properties

Interested Person Transactions under this sub-paragraph (b) shall be entered into after comparison of rates quoted to at least two unrelated third parties (in the case of leases granted to Interested Persons) or comparison of rates quoted by or obtained from at least two unrelated third parties (in the case of leases granted by Interested Persons) and after taking into account the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

(c) In the event that such comparison quotations cannot be obtained in respect of the Interested Person Transactions covered under sub-paragraphs (a) and (b) above (for example, where there are no unrelated third party providers or users of such services or products, or where the service or product is a proprietary item or due to the nature, speciality or confidentiality of the service or product to be supplied), such Interested Person Transactions shall be entered into only after the senior management staff of the relevant company in the HLA EAR Group (having no interest, direct or indirect, in the Interested Person Transaction and having the authority in such company to approve the entering into of transactions of such nature and value), has evaluated and weighed the benefits of, and rationale for, transacting with the Interested Person and in their report submitted to the Audit

Committee, confirmed that the price and terms offered to or by the Interested Person are fair and reasonable. In such evaluation and confirmation, the factors which may be taken into account include, but shall not be limited, to the following:

(i) in relation to the sale of goods or services to the Interested Person, the terms of supply should be in accordance with the HLA EAR Group's usual business practice and consistent with the margins obtained by the HLA EAR Group in its business operations or the margins obtained for the same or substantially the same type of transactions;

(ii) in relation to the purchase of goods or services from the Interested Person, the terms of supply will be compared to those for the same or substantially the same type of transactions entered into between the Interested Person and unrelated third parties. The review procedures in such cases may include where applicable, reviewing the standard price lists provided by the Interested Person to its customers for such products or services;

(iii) the efficiencies and flexibilities derived by the HLA EAR Group in transacting with the Interested Person as compared with transacting with unrelated third parties; and

(iv) prevailing industry norms.

7.1.2 **Financial and Treasury Transactions**

(a) Placement of Funds

In relation to the placement with any Interested Person by the HLA EAR Group of its funds, the Company will require that quotations be obtained from such Interested Person and at least two principal bankers or financial institutions of the Group ("**Principal Bankers**") for rates offered by such Principal Bankers for deposits of an amount and currency and for a period equivalent to that of the funds to be placed by the HLA EAR Group. The HLA EAR Group will only place its funds with such Interested Person provided that the interest rate quoted is not less than the highest of the rates quoted by such Principal Bankers.

(b) Borrowing of Funds

In relation to the borrowing of funds from any Interested Person by a company within the HLA EAR Group, the Company will require that quotations be obtained from such Interested Person and at least two bankers of the borrowing company within the HLA EAR Group for rates offered by such bankers for loans of an amount and currency and for a period equivalent to that of the funds to be borrowed by such borrowing company within the HLA EAR Group. The HLA EAR Group will only borrow funds from such Interested Person provided that the interest rate quoted is not more than the lowest of the rates quoted by such bankers.

(c) Foreign Exchange, Swaps and Options

In relation to the foreign exchange, swap and option transactions with any Interested Person by the HLA EAR Group, the Company will require that rate quotations be obtained from such Interested Person and at least two Principal Bankers of the Group. The HLA EAR Group will only enter into such foreign

exchange, swap and option transactions with such Interested Person provided that such rates quoted are no less favourable than the rates quoted by such Principal Bankers.

(d) Subscription of Debt Securities

In relation to the subscription by the HLA EAR Group of debt securities issued by Interested Persons, the HLA EAR Group will only enter into the subscription of such debt securities provided that the price(s) at which the HLA EAR Group subscribes for such debt securities will not be higher than the price(s) at which such debt securities are subscribed for by unrelated third parties.

In relation to the issue of debt securities by the HLA EAR Group to Interested Persons, the HLA EAR Group will only issue such debt securities to Interested Persons provided that the price(s) at which the HLA EAR Group issues such debt securities will not be lower than the price(s) at which such debt securities are issued to unrelated third parties.

In addition to the foregoing, the following threshold limits will be applied to ensure further monitoring by the Group of the Financial and Treasury Transactions entered into by the HLA EAR Group:

Placement of Funds and Subscription of Debt Securities

Where the aggregate of the outstanding principal amount of the funds placed with, and debt securities subscribed from, the same Interested Person (as such term is construed under Chapter 9) shall at any time exceed the equivalent of 10 per cent. of the consolidated shareholders' funds of the Group (based on its latest audited accounts), each subsequent placement of funds with, or subscription of debt securities from, the same Interested Person shall require the prior approval of the Audit Committee.

Where the aggregate of the outstanding principal amount of funds placed with, and debt securities subscribed from, the same Interested Person does not at any time exceed the limit set out above, the placement of funds with, and subscription of debt securities from, that Interested Person will not require the prior approval of the Audit Committee but shall be reviewed by the Audit Committee at its quarterly meetings.

7.2 A register is maintained by the Group to record all Interested Person Transactions (and the basis including the quotations, if any and where relevant, obtained to support such basis on which they are entered into) which are entered into pursuant to the IPT Mandate.

7.3 As part of the internal audit plan, the internal auditors of HLA, report, on a quarterly basis, to the Audit Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee reviews such Interested Person Transactions at its quarterly meetings except where such Interested Person Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

7.4 The annual internal audit plan incorporates a review of the established review procedures for the monitoring of Interested Person Transactions entered into pursuant to the IPT Mandate.

7.5 The Audit Committee reviews the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. If during a review by the Audit Committee, the Audit Committee is of the view that the established review procedures are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the HLA EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to Shareholders for a fresh mandate based on new review procedures for transactions with Interested Persons.

7.6 For the purpose of the review process, if a member of the Audit Committee has an interest in the transaction to be reviewed by the Audit Committee, he will abstain from any decision making by the Audit Committee in respect of that transaction. Accordingly, where two members of the Audit Committee have an interest each in the transaction to be reviewed by the Audit Committee, the review of that transaction will be undertaken by the remaining member(s) of the Audit Committee.

8. EXPIRY AND RENEWAL OF THE IPT MANDATE

8.1 The IPT Mandate which was adopted at the 2003 EGM is subject to renewal on an annual basis at the annual general meeting of the Company (unless revoked or varied by the Company in general meeting). The IPT Mandate that was renewed at the last Annual General Meeting of the Company held on 25 April 2014, is currently in force until the next annual general meeting of the Company, being the 54th Annual General Meeting ("**54th AGM**"), which is to be held on 30 April 2015, and if renewed at the 54th AGM, will take effect until the next annual general meeting of the Company to be held in year 2016. Approval from Shareholders will be sought for the annual renewal of the IPT Mandate subject to review by the Audit Committee of its continued application to the Interested Person Transactions.

8.2 If the Audit Committee is of the view that the review procedures under the IPT Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures for Interested Person Transactions.

9. DISCLOSURE

In accordance with Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the financial year (as well as in the Company's annual reports for subsequent financial years that the IPT Mandate continues to be in force). In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

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