HONG LEONG ASIA LTD.

ANNUAL REPORT 2015

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

Achieving our vision will only be through the combined effort of each member of the Group, 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.

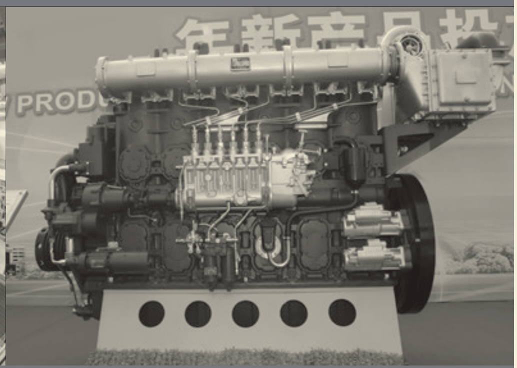
Teamwork
To support group decisions and work together cohesively to achieve agreed goals and objectives.

PROFILE OF HONG LEONG ASIA

Hong Leong Asia ("HLA") is the industrial manufacturing and distribution division of Hong Leong Group Singapore. It is one of the largest diversified industrial conglomerates in China and Southeast Asia. Listed on the Singapore Stock Exchange since 1998, HLA has five core businesses:

1. Diesel Engines Unit
2. Consumer Products Unit
3. Building Materials Unit
4. Industrial Packaging Unit
5. Air-conditioning Systems Unit

China Yuchai International Limited >



Henan Xinfei Electric Co., Ltd. >

Building Materials Unit >

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.

REVENUE DISTRIBUTION

REVENUE BY COUNTRY
(in S$ million)

TOTAL: S$4.08 billion

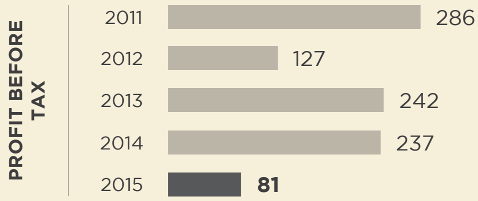
REVENUE BY BUSINESS SEGMENT
(in S$ million)

CONSUMER PRODUCTS	DIESEL ENGINES	BUILDING MATERIALS	INDUSTRIAL PACKAGING	AIR-CONDITIONING SYSTEMS	OTHER SEGMENTS
425	2,986	580	53	25	14

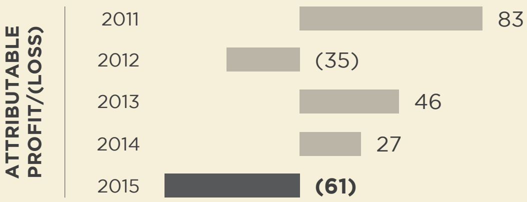
FINANCIAL HIGHLIGHTS

(in S$ million)

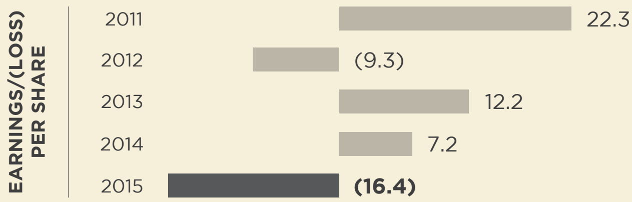
(in S$ million)



(in S$ million)



(in cents)



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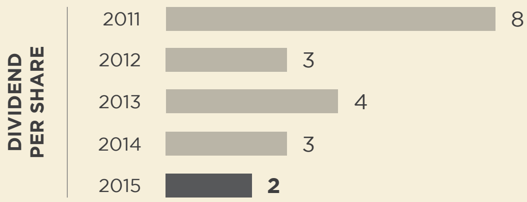


DIVIDEND POLICY

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

"The slowdown in the growth of the China economy to 6.9% in 2015 had a critical impact on our China operations, namely, the diesel engines unit and the consumer products unit."

KWEK LENG BENG – *Chairman*

FINANCIAL HIGHLIGHTS

On behalf of the Board of Directors, I wish to present the Annual Report for 2015. The year was challenging as global economic uncertainties resulted in tough business conditions in many sectors, which were further affected by the crashing of oil and commodity prices, devaluation of the Renminbi ("RMB"), volatility in financial markets and the rising US Dollar interest rates. In particular, with around 85% of the Group's revenue generated from China, the slowdown in the growth of the China economy to 6.9% in 2015 had a critical impact on our China operations, namely, the diesel engines unit ("Yuchai") and the consumer products unit ("Xinfei").

In the midst of such challenges, the Group only managed to achieve revenue of $4.1 billion for the financial year ended 31 December ("FY") 2015 as compared to the $4.6 billion revenue achieved in FY2014. The Group suffered a loss attributable to shareholders of $33.4 million for FY2015, arising from the higher loss incurred by Xinfei and the lower profits generated by Yuchai and the building materials unit ("BMU"). The slowdown in the Chinese economy had affected the financial performance of its consumer products segment and air-conditioning systems segment and resulted in delays in development of new engine technology in its diesel engine segment. After adjusting for impairment of property, plant and equipment, intangible assets and reversal of deferred tax assets amounting to $28.0 million, the loss attributable to the owners of the Company increased to $61.4 million in FY2015 as compared to the profit attributable to the owners of the Company of $26.9 million in FY2014.

The decline in revenue was attributable to lower sales contribution from most of the Group's business units, which recorded drop in sales of $380.7 million from Yuchai, $73.5 million from Xinfei, $19.0 million from BMU and $7.5 million from the industrial packaging unit ("Rex"). Revenue of the air-conditioning systems unit ("Airwell") however increased by $3.3 million.

Gross profit for FY2015 was $853.3 million as compared to $954.6 million in the previous year. Gross margin was maintained at 20.9% despite price pressure from competitors. The overall raw material cost as a percentage of sales for the Group decreased by 1.9% as compared to FY2014. However, it was offset by higher overheads as a percentage of sales as a result of lower sales volume.

Selling and distribution ("S&D") expenses increased by $15.0 million or 3.7% as compared to 2014, mainly due to higher selling-related expenses and advertising expenses incurred by Xinfei but partially offset by lower warranty expenses and outward freight costs incurred by Yuchai. Research and development ("R&D") expenses had increased by $8.6 million or 7.6% as compared to 2014 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 $7.1 million or 3.7% as compared to 2014. This was mainly due to higher depreciation and staff costs. Finance costs decreased by $14.8 million or 25.4% from $58.2 million in 2014 to $43.4 million in 2015, mainly due to lower interest expenses incurred on bill discounting by Xinfei and Yuchai and lower interest expenses incurred on loans.

There were no gains arising from acquisitions in 2015. In 2014, the gains arising from acquisitions were $19.4 million, contributed from Yuchai, including HL Global Enterprises Limited ("HLGE"). These were mainly due to Guangxi Yuchai Machinery Company Limited increasing its shareholding interest in Yuchai Remanufacturing Services (Suzhou) Co., Ltd from 51% to 100%, which resulted in a fair value gain and negative goodwill of $13.2 million. The balance was due to HLGE increasing its shareholding interest in a hotel property company from 45% to 100%.

At Group level, the net asset value per share for 2015 was $2.09 compared to $2.32 in 2014. Loss per share both on a weighted and on a fully diluted basis in 2015 was 16.41 cents.

CONSUMER PRODUCTS UNIT ("XINFEI")

In 2015, the Chinese economy grew at a slower rate of 6.9% as compared to 7.4% in 2014. The white goods industry operated in a challenging environment amidst intensified competition amongst competitors that slashed their selling prices. The weaker property market in China also led to lower consumer demand for Xinfei's products during the year, with Xinfei recording sales of $425.1 million in 2015, a decline of 14.7% as compared to the previous year.

Xinfei completed 26 new refrigerator and freezer models in 2015. In order to increase Xinfei's brand awareness and to promote the new products to its customers, Xinfei appointed a brand ambassador for television advertising from October 2014 to March 2015. Xinfei participated in the preliminary round of the "Voice of China" in 5 cities, and also promoted the brand through online marketing and other media in 2015.

Gross profit margin decreased by 2.6% as compared to 2014. It was mainly due to the lowering of selling prices for selected models to match competitor selling prices. Despite the lower selling price and the increased promotion activities, the unit sales volume did not pick up. This resulted in Xinfei suffering a much higher operating loss for 2015 as compared to 2014. There was a one-off write down in the deferred tax assets by Xinfei of $17.7 million.

DIESEL ENGINES UNIT ("YUCHAI")

Yuchai sold 364,567 engines in 2015, a 24.6% decline from the 483,825 units sold in 2014. The decrease was attributable to the general slowdown in China's economy resulting in a weaker commercial vehicles market in China. As reported by the China Association of Automobile Manufacturer ("CAAM"), unit sales for commercial vehicles (excluding gasoline-powered and electric-powered vehicles) declined by 14.4% in 2015.

Yuchai continue to maintain its strong position as the leading diesel engine supplier in China, with sales of $3.0 billion, 11.3% lower than the previous year.

The R&D center in Nanning which was completed in 2014 will continue to 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.

BUILDING MATERIALS UNIT ("BMU")

In Singapore, the construction industry expanded by 1.1% in 2015 against 3.0% in 2014. The demand for building materials has weakened considerably due to reduced level in private sector construction activities. The revenue of BMU in Singapore decreased by $19.0 million as compared to 2014 due mainly to lower revenue from Ready Mixed Concrete sales but partially offset by higher Precast sales.

In Malaysia, Tasek Corporation Berhad ("Tasek") achieved higher revenue in Ringgit ("RM") terms due to the higher volume of cement and concrete sales as compared to the previous year. Tasek recorded lower profit after tax as compared to 2014 mainly due to higher price rebate and distribution expenses.

BMU's total revenue was $580.4 million in 2015, compared to the revenue of $599.4 million in 2014.

INDUSTRIAL PACKAGING UNIT ("REX")

The performance of Rex remained weak as it was continuously affected by lower sales volume. Rex registered revenue of $52.6 million for 2015, a decline of $7.5 million from $60.1 million in 2014.

CHAIRMAN'S MESSAGE

The decline was mainly due to keen competition and weak demand from existing customers. Rex had gone through a restructuring exercise which entailed the swapping of its shares of Shanghai Rex Packaging Co., Ltd ("Shanghai Rex") for shares in Tianjin Rex Packaging Co., Ltd ("Tianjin Rex") in 2015. Following the completion of the restructuring exercise, Tianjin Rex has become a wholly-owned subsidiary of the Group whilst Shanghai Rex has ceased to be a subsidiary of the Group.

AIR-CONDITIONING SYSTEMS UNIT ("AIRWELL")

Airwell sold 31,957 units of air-conditioner in 2015 against 37,696 units of air-conditioner in 2014. However, revenue increased from $21.5 million in 2014 to $24.8 million in 2015 due to sales mix with higher selling price. The products were sold to customers in Europe and China.

CASH FLOW AND LIQUIDITY

The Group had cash and short-term deposits of $1.013 billion as at 31 December 2015 compared with $796.8 million as at 31 December 2014.

During the year under review, the Group generated cash from operating activities of $397.1 million. This was mainly due to lower trade and bills receivables and inventories holding, which was offset by lower trade and other payables.

The cash outflow from investing activities was related mainly to the purchase of property, plant and equipment amounting to $131.7 million, which was partially offset by proceeds from disposal of property, plant and equipment and investments.

The Group had net cash outflow from financing activities of $79.2 million for FY2015 which was mainly due to net repayment of borrowings of $50.3 million, dividend payment of $86.0 million and interest payment of $43.2 million, offset by proceeds from issuance of bonds of $87.1 million and government grant of $10.9 million.

OUTLOOK

With the increasingly bearish sentiment engulfing world markets, global stocks saw trillions of loss in value in the beginning months of 2016, which will have an unfavorable impact on the world economy. China achieved GDP growth of 6.9% in 2015 as compared to 7.4% in 2014. China is working to transition from its traditional industrial and manufacturing growth drivers towards an increased growth in services and consumption, but it will take time to achieve the rebalancing of its economic activities.

China is encountering overcapacity and debt problems, left over by double-digit growth of the past decades. A faster than expected slowdown in January 2016 imports and exports reflects weaker investment and manufacturing activities in China, and these developments have increased the level of economic uncertainty. The International Monetary Fund has projected China GDP growth to reduce to 6.3% in 2016. The effects of rebalancing of economic activities in China continue to influence the global outlook, commodity prices and volatility in financial markets.

"The white goods industry in China relating to consumer appliances remains challenging amidst issues on overcapacity, intensified competition and lower consumer demand. These challenges will continue to impact Xinfei's performance. The Group is continuing its strategic review of Xinfei's business."

According to CAAM, the commercial vehicle market (excluding gasoline-powered vehicles and electric-powered vehicles) in China continued to decline by 14.4% for 2015. The overall commercial vehicle market and Yuchai will continue to be affected by the economic slowdown in China.

The white goods industry in China relating to consumer appliances remains challenging amidst issues on overcapacity, intensified competition and lower consumer demand. These challenges will continue to impact Xinfei's performance. The Group is continuing its strategic review of Xinfei's business.

In Singapore, the Ministry of Trade and Industry announced that the economy grew by 2.0% in 2015, slower than the GDP growth of 2.9% achieved in 2014. The Singapore economy is forecasted to grow from 1.0% to 3.0% for 2016. The construction industry expanded by only 1.1% in 2015 against 3.0% in 2014 despite growth in the fourth quarter of 2015 as a result of a pick-up in public sector construction activities. However, the construction industry in

Singapore is expected to further drop in volume, and is likely to be affected by lower selling prices as a result of intense competition.

The outlook for the construction sector in Malaysia is expected to remain positive. The ongoing government MRT projects and LRT line extensions are expected to continue to drive the demand for cement and ready-mixed concrete in 2016. This will benefit the construction sector within which the Group's subsidiary, Tasek Corporation Berhad, operates.

In view of the challenging business environment and uncertain global economy, the Group expects that the performance of its business units based in China will continue to be weak in the first quarter of 2016. The Group will continue to monitor market conditions closely to mitigate adverse effects, and will continue to exercise cost discipline, including organisational restructuring involving such retrenchment exercise as may be appropriate.

DIVIDENDS

In view of the uncertain business environment and the Group's loss attributable to shareholders of the Company for FY2015, the Board is recommending a final dividend of 1 cent per ordinary share in respect of FY 2015. If approved by 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 in September 2015, to 2 cents per share for the full year. Total dividend paid was 3 cents per share for FY2014.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, customers, business associates for their continuing support. Mr. Quek Shi Kui will be retiring from the Board at the coming Annual General Meeting. I would like to thank him for his contributions to the Board in the past years. I would also like to thank my other fellow Directors, management and all employees of the Group for their dedication and commitment during the financial year.

KWEK LENG BENG
Chairman
21 March 2016

主席报告书

“新飞于2015年推出了26款新冰箱和冷柜。为了提高新飞的品牌意识和促销新产品，新飞委任了品牌大使，从2014年10月至2015年3月上电视打广告。2015年，新飞也参与了“中国好声音”在五个城市的初赛，并透过在线促销和其他媒介的推广来提高品牌知名度。”

郭令明 – 董事主席

财务摘要

我谨代表董事会发表2015年常年报告。2015财政年由于全球经济前景不明朗，又逢油价和商品价格暴跌、人民币贬值、金融市场大幅波动以及美元利率持续上升，令各产业的营商环境荆棘满布，是极其艰辛的年度。由于本集团的收益，大约85%来自中国，因此中国经济在2015年放缓，增长率只取得6.9%，正面冲击我们的中国业务，即柴油引擎单位（“玉柴”）及家电产品单位（“新飞”）。

在截至2015年12月31日的财政年，本集团在如此艰难的环境下，总收入为41亿新元，不及2014财政年之创收46亿新元。在2015财政年，集团因为新飞亏损增加而玉柴以及建材单位（“BMU”）的盈利双双回落，股东应占亏损达3340万新元。中国经济增长放缓，给集团的白色家电和空调单位的财务表现，以及新柴油发动机对新产品研发的延误都带来了负面影响。经物业、厂房和器材减值调整后，无形资产和递延税务资产冲回共计2800万新元，在2015财政年，归属于母公司所有者应占亏损增至6140万新元，与之相比，2014财政年则有2690万新元的盈利归本公司拥有人。

收益下滑主要是因为集团大部分业务的销售额都不理想，玉柴的销售额下跌了3亿8070万新元，新飞则下降了7350万新元，BMU的降幅为1900万新元，而工业包装单位（“利士”）下降了750万新元。唯有空调系统单位（“欧威尔”）的销售额上升了330万新元。

2015财政年的毛利润为8亿5330万新元，与之相比，2014年的则为9亿5460万新元。然而，尽管竞争业者给予颇大的售价威胁，毛利率依然维持在20.9%。与2014年相比，销售额中原材料成本所占的比例下降了1.9%，只是这个优势却被抵消了，因为销售总额的低落，造成生产成本比例反而提高了。

销售与分销（“S&D”）费用增加了1500万新元，与2014年同比上升了3.7%，主因是新飞的销售相关费用和广告费提高了，所幸玉柴的三包费用和外运运费降低了，抵消部分新飞的开支涨幅。研发（“R&D”）费用亦提高了860万新元，与2014年同比扬升7.6%，主要是玉柴一直不断的在研发新引擎产品和改进现有产品并奋力提高引擎质量。管理（“G&A”）费用与2014年相比，则提高了710万新元或3.7%，主要是因为折旧费用和员工成本提高了。融资成本则从2014年的5820万新元下降25.4%

至2015年的4340万新元，节省了1480万新元，主要是新飞和玉柴的票据贴现利息开支以及贷款的利息都减少了。

2015年并没有并购收益。在2014年，并购收益达1940万新元，主要来自玉柴（包括HL Global Enterprises Limited “HLGE”）。其时，广西玉柴机器有限公司增持其玉柴再制造工业（苏州）有限公司之股份，由51%提高到100%，其结果为获得公允价值盈利和负商誉1320万新元。并购收益之余额来自HLGE增持一家酒店的股权，由45%提高到100%。

就集团整体而言，2015年的每股淨资产值为2.09新元，2014年则为2.32新元。在2015年，每股在加权和完全稀释后的亏损为16.41分。

家电产品单位（“新飞”）

2015年的中国经济增长放缓，增长率只有6.9%，不如2014年的7.4%。家电产业的营商环境非常困难，雪上加霜的是竞争业者的价格战也更为激烈。而中国房地产业界的趋软也影响了消费者对新飞产品的消费需求，新飞在2015年的销售额为4亿2510万新元，与前一年同比下降14.7%。

新飞于2015年推出了26款新冰箱和冷柜。为了提高新飞的品牌意识和促销新产品，新飞委任了品牌大使，从2014年10月至2015年3月上电视打广告。2015年，新飞也参与了“中国好声音”在五个城市的初赛，并透过网上促销和其他媒介的推广来提高品牌知名度。

毛利润率与2014年同比，下降了2.6%，主要是因为有些产品款式在竞价销售战中必须削价出售以保持竞争力。尽管售价较低，促销活动频增，销售量并没有因此而提高，最终令新飞在2015年蒙受比2014年更大的营业亏损。新飞因而为一笔为数1770万新元的递延税务资产作一次性冲回。

柴油引擎单位（“玉柴”）

玉柴在2015年出售了364,567台发动机，与2014年的483,825台相比，下跌幅度达24.6%。业绩不理想主要是中国经济普遍低迷，商用汽车市场跟着不景气。根据中国汽车工业协会（“CAAM”）的报告，2015年中国商用汽车（不包括汽油车和电动车）的单位销售量滑落了14.4%。

然而，玉柴作为中国柴油发动机的领军供应商的地位，依然坚如磐石，总销售额为30亿新元，比之前一年少了11.3%。

2014年落成的南宁研发中心将继续专注于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，并努力不懈，继续提高产品质量。

建筑材料单位（“BMU”）

新加坡的建筑业在2015年增长了1.1%，明显少于2014年的3.0%。由于私宅建筑活动缩减，建材需求显著下跌。BMU在新加坡的收益跟2014年相比，少了1900万新元，主要是预拌混凝土的销售额减少了，但是，预制件的销售成绩较好，挽回部分劣势。

马来西亚子公司Tasek Corporation Berhad（“Tasek”）的水泥和混凝土销售业绩比前一年理想，以马币（“RM”）计算的收益有所提高。不过，跟2014年相比，Tasek的税后盈利比较低则是因为价格折扣和销售费用提高了。

BMU在2015年的总收入为5亿8040万新元，2014年则为5亿9940万新元。

工业包装单位（“利士”）

利士的业绩继续受到低销售额的影响。其在2015年的收入为5260万新元，跟2014年的6010万新元相比，少了750万新元。业绩不理想的主因为竞争激烈，现有客户的需求疲弱。利士在2015年实现了重组，以上海利士包装有限公司（“上海利士”）的股权换取天津利士工业包装有限公司（“天津利士”）的股权。重组结束后，天津利士称为本集团的全资子公司，而上海利士不再是本集团的子公司。

空调系统单位（“欧威尔”）

欧威尔在2015年出售了31,957 台空调机，2014年则为 37,696台。由于销售业绩和售价都比较理想，收益反而增加了，从2014年的2150万新元增至2480万新元。产品客源主要来自欧洲和中国。

现金流和流动性

截至2015年12月31日，集团的现金和短期存款为10亿1300万新元，同比2014年12月31日则为7亿9680万新元。

在2015财政年，集团通过经营活动获得3亿971万新元，主要来自较低的应收贸易和票据款项，和较低的库存量，有关现金也用于支付贸易和其他应付款。

因投资活动而外流的现金主要用于购买房产、厂房及器材设备，总值1亿3170万新元。而房产、厂房和器材设备的脱售所得以及投资收益则部分抵消了有关开支。

主席报告书

集团在2015财政年因融资而出现的现金淨流出为7920万新元，主要是偿还债务5030万新元、支付红利8600万新元和支付利息4320万新元，并由债券发行所得8710万新元和政府补助金1090万新元部分抵消。

展望

进入2016年以来，熊市心态席卷全球市场，全球股市在首几个月就蒸发了数万亿元，对环球经济十分不利。中国的国内生产总值增长率在2015年只有6.9%，较2014年的7.4%要低。中国正在经济转型阶段，要从传统的工业和制造业驱动增长的经济体转为以服务和商品消费为驱动的经济体，需要一段时间来重新平衡其经济活动。

中国也面对产能过剩和债务问题，这是过去数十年的双位数增长率遗留的难题。2016年1月的出入口数据的软落比预期来得早，显示中国的投资和制造活动的疲弱，经济变得更为不明朗。国际货币基金会估计中国2016年的增长率会进一步滑至6.3%。中国如何重新平衡其内部经济活动将继续影响全球经济展望、商品价格以及金融市场的波动。

根据中国汽车工业协会的报告，2015年中国商用汽车市场（不包括汽油车和电动车）持续滑落了14.4%。中国经济放缓将继续影响中国的商用汽车市场，意味着玉柴的业务也受波及。

中国的家电商品业方面因为产能过剩、竞争激烈和需求疲弱而困难重重，对于新飞的业绩表现十分关键。集团正在为新飞的业务进行策略性检讨。

新加坡贸易与工业部公布2015年的经济增长率为2.0%，比2014年的2.9%稍低。2016年的增长率预计介于1% – 3%之间。尽管2015年第四季建筑业增长因为公共住宅项目增加而有所提高，建筑业在2015年的全年增长只有1.1%，2014年则有3%。未来，新加坡的建筑业将面对低迷情况，并且必须面对销售价格因竞争激烈而下滑的影响。

马来西亚的建筑业展望则持续展示积极的态势。马政府正在进行的MRT项目和LRT线路延伸项目继续推动2016年水泥和预拌混凝土的需求，对我集团建筑业子公司 Tasek的业绩甚为有利。

由于营商环境艰难，全球经济走势不明朗，集团相信其中国业务在2016年首季的表现会比较不理想。集团将密切关注市场走势，减少不利因素，并继续全面执行成本控制，必要时，将不排除进行涉及裁员的结构重组。

红利

有鉴于2015财政年的业务环境不稳定以及集团股东应占亏损，董事会建议2015财政年普通股每股派息1分。如果获得来临的股东大会通过，则全年每股派息为2分（包括2015年9月中期派息1分）。2014年全年每股红利为3分。

鸣谢

我谨代表董事会感谢所有股东、客户、业务伙伴一直以来的支持。在来临的股东大会上，Quek Shi Kui 董事将退休，我感谢郭先生过去对董事会的贡献。我也要感谢所有其他董事、管理层和集团所有员工在过去这个财政年的努力和付出。

郭令明
董事主席
2016年3月21日

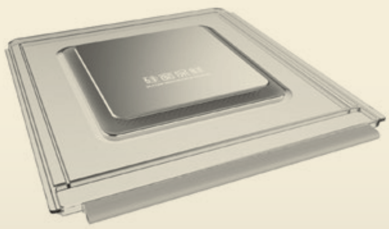
CORPORATE STRUCTURE

HONG LEONG ASIA

- **CONSUMER PRODUCTS**
  - China
    - Henan Xinfei Electric Co., Ltd.
    - Henan Xinfei Household Appliance Co., Ltd.
    - Henan Xinfei Refrigeration Appliances Co., Ltd.
- **DIESEL ENGINES**
  - Bermuda
    - China Yuchai International Limited
  - China
    - Guangxi Yuchai Machinery Company Limited
- **BUILDING MATERIALS**
  - Ready-Mix Concrete Division
    - Singapore
      - Island Concrete (Private) Limited
  - Pre-Cast Concrete Division
    - Singapore
      - HL Building Materials Pte. Ltd.
    - Malaysia
      - HL-Manufacturing Industries Sdn. Bhd.
  - Cement Division
    - Singapore
      - Singapore Cement Manufacturing Company (Private) Limited
    - Malaysia
      - Tasek Corporation Berhad
  - Trading & Granite Division
    - Singapore
      - HL Building Materials Pte. Ltd.
    - Malaysia
      - Hayford Holdings Sdn. Bhd.
- **INDUSTRIAL PACKAGING**
  - Singapore
    - Hong Leong (China) Limited
  - China
    - Tianjin Rex Packaging Co., Ltd.
    - Dongguan Rex Packaging Co. Ltd.
  - Malaysia
    - Rex Plastics (Malaysia) Sdn. Bhd.
    - Rex Pak. Sdn. Bhd.
- **AIR-CONDITIONING SYSTEMS AND DISTRIBUTION OF LIFESTYLE CONSUMER APPLIANCES**
  - China
    - Airwell Air-conditioning Technology (China) Co., Ltd.
  - S.E.A
    - Fedders International Pte. Ltd.
- **OTHERS**
  - Hospitality & Property Development
    - HL Global Enterprises Limited

OPERATIONS HIGHLIGHTS

1



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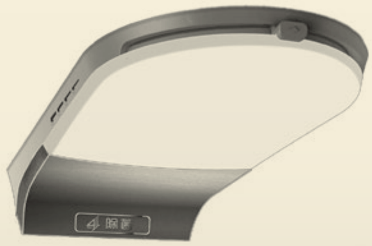

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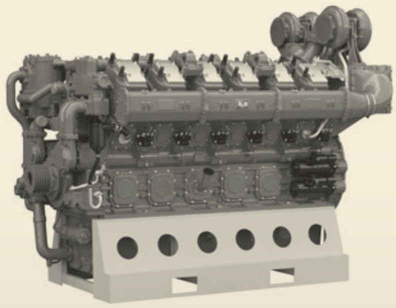

4

1. **Henan Xinfei:** The Silicon Window Freshness device enables Frestec's fridges to automatically regulate humidity levels within the fridges' vacuum compartments.
2. **Henan Xinfei:** The Sterilization Device in Frestec's fridges uses the SUP-AES Anti-Bacterial System to eliminate 99.2 % of bacteria. It emits UV rays, Ozone, Ions and Photo-catalyst to prolong the freshness of fruits and vegetables.
3. **China Yuchai:** GYMCL had launched the 12VC engine for power generation application last year, it is capable of producing a maximum output of 1680kW.
4. **Fedders:** Fedders MQHD H2 Residential two-in-one system and YVDR H3 Residential three-in-one system.

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 locally, Frestec offers a variety of major consumer appliances which include refrigerators, freezers, wine chillers, air conditioners and washing machines for residential customers in China. Frestec is known for its high quality products that are innovative and energy saving, with reliable after sales services. It also exports its products to various overseas markets.

DIESEL ENGINES

China Yuchai International (“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 Manufactures 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 remanufactured 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 the construction industry of Singapore. BMU sells all grades of ready mixed concrete out of nine separate locations in Singapore. It is also the largest producer of precast concrete elements for public housing construction, all of which are fabricated in its factories in Singapore and Senai, Malaysia. BMU imports and distributes cement in Singapore and also operates a granite quarry in Johor, Malaysia. BMU 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, which 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 packaging covers key 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. Range of products include the 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. In addition to the lifestyle appliance arm of Hong Leong Asia, the group has Fedders, an American brand which was established since 1896. Fedders will continue to build its footprints in China and South East Asia regions. It will position itself as a total solution-based company offering a comprehensive range of Air-conditioning and consumer lifestyle appliances for both business and end users.

OTHERS

Hong Leong Global Enterprises Limited (“HLGE”) deals with the group’s indirect investment. It is primarily engaged in investment holding, hospitality and property development businesses.

BOARD OF DIRECTORS

Kwek Leng Beng

Kwek Leng Peck

Philip Ting Sii Tien @ Yao Sik Tien

Ernest Colin Lee

Goh Kian Hwee

Quek Shi Kui

Tan Huay Lim

Kwong Ka Lo @ Caroline Kwong

KWEK LENG BENG, 75

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 30 April 2015 to hold office until the 2016 Annual General Meeting ("2016 AGM") pursuant to Section 153(6) of the Companies Act ("Section 153(6)"), which provision has since been repealed, and will be seeking appointment as Director at the 2016 AGM.

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 ("CES"), and Non-Executive Chairman of Millennium & Copthorne Hotels plc ("M&C"). HLF, CDL, CES and M&C are subsidiaries of HLIH and thus, related companies under the Hong Leong Group of companies.

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).

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

In March 2015, Mr Kwek was awarded "Best Singaporean Investor to Italy" by the Italian Chamber of Commerce in Singapore (ICCS). This annual award is presented to business people who have made impactful investments in Italy and helped to boost bilateral ties between Italy and Singapore.

In October 2015, Hotel Investment Conference Asia Pacific (HICAP) conferred Mr Kwek with the prestigious Lifetime Achievement Award. This award is only presented to exceptional individuals who have distinguished themselves through their accomplishments and contributions to the hotel industry in the Asia Pacific region and the world. Mr Kwek is the first Singaporean to clinch this coveted award.

Other prestigious awards received by Mr Kwek in the past include the inaugural Real Estate Developers' Association of Singapore (REDAS) Lifetime Achievement Award in 2014 which was introduced to honour a pioneering group of real estate industry leaders in Singapore, and the "Partners in the Office of the CEO" award in the Brendan Wood International – Securities Investors Association Singapore (SIAS) TopGun CEO Designation Award in 2012 which was jointly won with the late Mr Kwek Leng Joo (then the Managing Director of CDL). The latter award was accorded to CEOs who are best in class rated by shareholders.

KWEK LENG PECK, 59

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 30 April 2015. 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"). HLF, CDL, M&C, TCB and CYI are subsidiaries of HLIH and thus, related companies under the Hong Leong Group of companies.

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

BOARD OF DIRECTORS

PHILIP TING SII TIEN @ YAO SIK TIEN, 61

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 will be seeking re-election as Director at the 2016 AGM. He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd ("HLCH") (the immediate holding company of HLA), Executive Director and Group CEO of TCB and a Non-Executive Director of HL Global Enterprises Limited ("HLGE"). In the preceding 3-year period, he was a Non-Executive Director of Thakral Corporation Ltd until his resignation in January 2015. HLCH and TCB are related companies under the Hong Leong Group of companies and HLGE is an associated company of HLA.

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, 75

Non-Executive and Lead Independent Director

Appointed a Non-Executive Director of HLA since 3 April 2000, Mr Lee was last re-appointed on 30 April 2015 to hold office until the 2016 AGM pursuant to Section 153(6), which provision has since been repealed, and will be seeking appointment as Director at the 2016 AGM. 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, 61

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, CapitaLand Commercial 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, 79

Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA since 28 April 2005, Mr Quek was last re-appointed on 30 April 2015 to hold office until the 2016 AGM pursuant to Section 153(6), which provision has since been repealed. He resigned as the Chairman of the AC on 1 January 2016 but remains a member of the AC, NC, RC and SOSC of HLA. Mr Quek, who will be retiring at the 2016 AGM, will not be seeking appointment as Director when his term ends at the conclusion of the said meeting. Upon his cessation as Director, he will also cease to be a member of the AC, 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.

TAN HUAY LIM, 59

Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA on 1 October 2015, Mr Tan was appointed the Chairman of the AC on 1 January 2016. Pursuant to the Company's Constitution, Mr Tan will stand for re-election as Director at the 2016 AGM. He is also a Non-Executive and Lead Independent Director of Auric Pacific Group Limited.

Mr Tan was an Audit Partner of KPMG Singapore with more than 30 years of accounting and auditing experience in KPMG LLP until his retirement in September 2015. He was also the Singapore Head of KPMG Global China Practice from September 2010 until his aforesaid retirement.

Mr Tan holds a Bachelor of Commerce (Accountancy) degree from the Nanyang University, Singapore and is a Fellow of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants, United Kingdom and Certified Practising Accountants Australia.

Mr Tan contributes to the non-profit sector, serving as an Honorary Council Member of Singapore Chinese Chamber of Commerce and Industry, and a board member of Singapore Hokkien Huay Kuan and Ren Ci Hospital.

KWONG KA LO @ CAROLINE KWONG, 57

Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA on 22 February 2016, Ms Kwong will, pursuant to the Company's Constitution, stand for re-election as Director at the 2016 AGM.

Ms Kwong is currently a limited partner of Laurel Capital Kingsway LLP, London, United Kingdom, which provides corporate advisory services with focus on equity fund raising and cross-border mergers and acquisitions. Concurrently, she also holds the role of Responsible Officer in Laurel Capital Hong Kong and is a Partner of MindWorks Ventures, a venture capital firm under the Laurel Capital umbrella. She is also a Director of KEV Capital Limited, Hong Kong, which provides consultancy and agency services relating to project finance, fund raising, corporate and debt restructuring for corporates.

Ms Kwong has extensive experience in corporate finance, capital markets and debt restructuring arising from her senior management positions previously held at HL Bank (which is the Singapore branch of Hong Leong Bank Berhad); Mycom Berhad (now Dutaland) and Olympia Industries Berhad Group, Malaysia; PrimeEast Capital Ltd (now BNP Paribas Hong Kong), Hong Kong; and Deutsche Morgan Grenfell (Asia) Ltd (now Deutsche Bank), Singapore and Hong Kong.

Ms Kwong holds a Bachelor of Science in Business Administration with Major in Finance and Human Resources Management, and Minor in French, from the California State University, Sacramento, and a Master of Science in Finance and Accounting from the London School of Economics and Political Science.

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*
Tan Huay Lim – *Independent*
Kwong Ka Lo @ Caroline Kwong – *Independent*

AUDIT COMMITTEE

Tan Huay Lim – *Chairman*
Quek Shi Kui
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

SECRETARIES

Ng Siew Ping, Jaslin
Yeo Swee Gim, Joanne

INVESTOR RELATIONS

Goh Cher Shua
Chief Financial Officer
Email: csgoh@corp.hla-grp.com
Tel: (65) 6220 8411
Fax: (65) 6226 0502

REGISTERED OFFICE

16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581
Tel: (65) 6220 8411
Fax: (65) 6222 0087 / 6226 0502
Website: www.hlasia.com.sg

SHARE REGISTRAR & SHARE 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
United Overseas Bank Limited

* *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

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.

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 such differences is explained 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 2015 ("**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' Statement on pages 41 to 43 and the Financial Statements on pages 135 to 138 of the AR.

Board Processes
Board and Board Committee meetings are held regularly, with the Board meeting no less than four 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

CORPORATE GOVERNANCE REPORT

deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution (previously known as Company's Memorandum and 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 2015 ("**FY 2015**"), 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 2015

Number of meetings held in 2015:	**Board**	**AC**	**NC**	**RC**	**SOSC**
	4	5	2	2	1
Name of Directors	**Number of meetings attended in 2015**				
Kwek Leng Beng	4	N.A.	2	N.A.	N.A.
Kwek Leng Peck	4	N.A.	N.A.	2[(a)]	1
Philip Ting Sii Tien @ Yao Sik Tien	4	5[(a)]	N.A.	N.A.	N.A.
Ernest Colin Lee	3	5	2	2	1
Goh Kian Hwee	4	5	2	2	1
Quek Shi Kui	4	5	2	2	1
Tan Huay Lim[(b)]	1[(b)]	1[(b)]	N.A.	N.A.	N.A.
Kwong Ka Lo @ Caroline Kwong[(c)]	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:
(a) Attendance by invitation for all or part of the meeting.
(b) Mr Tan Huay Lim was appointed as a Director and a member of the AC on 1 October 2015.
(c) Ms Caroline Kwong was appointed as a Director on 22 February 2016.

Board Approval
The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and this includes 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 Constitution. 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 Tan Huay Lim and Ms Caroline Kwong, who were appointed to the Board on 1 October 2015 and 22 February 2016 respectively, were given detailed briefings by key Management on the Group's business and operations including an overview of the organizational structure, key internal controls, roles and responsibilities of the various departments, and by the Company Secretary on the Company's internal corporate governance practices, and the directors' duties and responsibilities pursuant to the relevant legislation. In addition, Mr Tan, who was also appointed as a member of the AC, was similarly briefed on the scope and responsibilities of the AC by Mr Quek Shi Kui, the incumbent AC chairman at the time of Mr Tan's appointment to the AC. Mr Tan has since 1 January 2016 been appointed the AC chairman in place of Mr Quek who will be retiring at the coming AGM ("**2016 AGM**").

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.

Four in-house seminars were conducted by invited speakers in 2015 on topics relating to transfer pricing, cyber security and big data analytics for companies, integrating sustainability for greater business value, financial reporting surveillance program by the Accounting & Corporate Regulatory Authority, tax transparency and corporate governance updates. 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 Executive Director ("**ED**"), Mr Kwek Leng Peck, the Chief Executive Officer ("**CEO**"), Mr Philip Ting (who is also a Director), the Chief Financial Officer ("**CFO**"), Mr Goh Cher Shua and other relevant key Management staff.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Independence
The Board currently comprises eight members, two of whom are executive Directors, while the other members of the Board are non-executive Directors ("**NEDs**"). Of the six NEDs, the Board has determined five of them, being more than half of the Board, to be independent, 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 NEDs who are not related to the substantial shareholders of the Company also provided declarations regarding their independence.

Mr Goh Kian Hwee, an independent Director, 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 2015 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.

CORPORATE GOVERNANCE REPORT

When conducting an annual review of the independence of the four independent Directors ("**IDs**") in January 2016, three of them who have served on the Board for more than nine years, namely Mr Ernest Colin Lee, Mr Goh Kian Hwee and Mr Quek Shi Kui ("**3 IDs**"), 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 nine years be subject to particularly rigorous review. The Board members had individually provided their views on the independence of each of these 3 IDs by taking into consideration factors such as whether these IDs have expressed their individual viewpoints and debated issues constructively during meetings of the Board and Board Committees, whether they have constructively challenged and sought clarification from Management as and when necessary and whether they have avoided apparent conflicts of interest by abstaining from deliberation on matters in which they have an interest in. Having considered the feedback from the individual Board members, 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 each of their own independence) has determined all three of them to be independent notwithstanding that they have served on the Board beyond nine 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 and their extensive knowledge and familiarity with the business of the Group.

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 Board is satisfied that the current composition mix and size of the Board facilitates effective decision making by the Board.

In support of gender diversity on the Board, the NC recommended and the Board approved the appointment of its first female Director, Ms Caroline Kwong in February 2016. Ms Kwong's extensive experience in corporate advisory further complements and strengthen the core competencies of 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 ("**Board Chairman**") 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 Board Chairman and the CEO. As Board Chairman, 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 contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. As the Board Chairman, he also promotes and leads the Company in its commitment to achieve and maintain good corporate governance. 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 Board Chairman.

Lead Independent Director
In view that the Board Chairman, 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 Board Chairman and also as an intermediary between the NEDs and the Board Chairman. 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. The Lead ID is available to shareholders where they have concerns and for which contact through the normal channels of the Board Chairman or the key Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2015. During the year, the Lead ID held discussions with the other independent Directors without the presence of Management or the Board Chairman.

PRINCIPLE 4: BOARD MEMBERSHIP

NC Composition and Role
Three out of the four members of the NC are independent. The NC chairman is also the Lead ID. Please refer to the 'Corporate Directory' section on page 18 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, board succession plans for the Directors, determine Director's independence annually and as and when circumstances require, 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 ED, CEO, Chief Operating Officer, 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 appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and 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 Constitution 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 new Directors who are seeking appointment at the AGM or who will be seeking re-election at the first AGM immediately after their initial appointment, the remaining Directors of the Company will retire about once in every two to three years.

In accordance with the Company's Constitution, Mr Philip Ting, Mr Tan Huay Lim and Ms Caroline Kwong will be retiring (Mr Philip Ting by way of rotation while Mr Tan Huay Lim and Ms Caroline Kwong who were appointed on 1 October 2015 and 22 February 2016 respectively) at the 2016 AGM and being eligible, have offered themselves for re-election. Messrs Kwek Leng Beng and Ernest Colin Lee who were appointed as Directors to hold office until the 2016 AGM under section 153(6) of the Companies Act, which provision has since been repealed, have also offered themselves for appointment as Directors at the 2016 AGM. Mr Quek Shi Kui, who was also appointed under section 153(6) of the Companies Act which provision has since been repealed, is due to retire at the 2016 AGM and has indicated that he will not be seeking appointment as a Director at the 2016 AGM.

CORPORATE GOVERNANCE REPORT

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 SID and 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 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; (b) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; (c) the candidate's independence, in the case of the appointment of an independent NED; and (d) the composition requirements for the Board and Board Committees after matching the candidate's skill set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees).

Taking into consideration the wealth of Mr Tan Huay Lim's accounting and auditing experience, the Board accepted the NC's recommendation to appoint him as the AC Chairman in place of Mr Quek Shi Kui with effect from 1 January 2016 as Mr Quek has expressed a desire to retire after his term as a Board member ends at the 2016 AGM. Pending his retirement at the 2016 AGM, Mr Quek continued to serve as a member of the AC, NC, RC and SOSC.

Directors' Time Commitments

When considering the re-nomination of Directors for re-election or 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 company 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. Excluding the directorship held in the Company, the number of listed company board representations currently held by the Directors ranged from nil to five and those held by the Board Chairman, Mr Kwek Leng Peck and Mr Philip Ting are for boards within the Hong Leong Investment Holdings Pte. Ltd. group of companies.

The Board has a policy where a Director should consult the Board Chairman 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 appointment at the 2016 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 2015 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 three 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 Board Chairman (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 three 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 and year-to-date 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.

CORPORATE GOVERNANCE REPORT

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 Board Chairman 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 three 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 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 KMP's contracts of service have been reviewed by the RC and it is of the view that the said contracts contain fair and reasonable termination clauses.

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 2015. 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 three 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. The Company does not require the EDs and KMP to continue to hold their shares upon exercise of the options after the vesting period. Options granted under the SOS to EDs and KMP vest progressively over a period of three 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' Statement on pages 41 to 43 and the Financial Statements on pages 135 to 138 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.

CORPORATE GOVERNANCE REPORT

The Company does not discourage Directors from holding shares in the Company. There is however no requirement under the Company's Constitution for Directors to hold shares in order to be qualified to act as a Director. 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), 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 options 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 2015.

The link between the remuneration paid to Directors and the KMP, and performance is as set out under Principle 8 above. Information on the SOS is set out in the Directors' Statement on pages 41 to 43 and the Financial Statements on pages 135 to 138 of the AR.

Director's Remuneration for FY 2015
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 2015 is set out below:

	Total Remuneration (nearest thousand)	Base Salary(1)	Variable Bonuses/ Allowances1	Board/ Board Committee Fees2	Share Option Grants5	Other Benefits	Total
	$'000	%	%	%	%	%	%
Board Chairman (Non-executive)							
Kwek Leng Beng	82	0	0	100	0	0	100
Executive Directors							
Kwek Leng Peck	807	60	15	23(4)	0	2	100
Philip Ting Sii Tien @ Yao Sik Tien (CEO)	1,394	51(3)	35(3)	6(4)	1	7	100
Non-executive Directors							
Ernest Colin Lee	132	0	0	98	0	2	100
Goh Kian Hwee	107	0	0	100	0	0	100
Quek Shi Kui	129	0	0	100	0	0	100
Tan Huay Lim(6)	22	0	0	96	0	4	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 2015, which are subject to approval by shareholders as a lump sum at the 2016 AGM as well as the proposed additional AC fees to take into consideration the changes in the number and composition of the AC for the period from 1 October 2015 to 31 December 2015, which is also subject to shareholders' approval at the 2016 AGM, and the AC fees for FY 2015 that had already been approved by shareholders at the 2014 and 2015 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.
6. Mr Tan Huay Lim was appointed a Director and a member of AC on 1 October 2015 and the Board and AC fees payable to him for FY 2015 are pro-rated accordingly.

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 2015 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 32,500
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

Remuneration of Key Management Personnel (not being a Director or CEO) for FY 2015
The Board does not believe it to be in the interest of the Company to disclose the FY 2015 remuneration of its CFO, being currently identified as the Company's KMP (not being a Director), having regard to the highly competitive human resource environment.

Remuneration of Director's Immediate Family Member for FY 2015
During FY 2015, none of the Directors had immediate family members who were or are employees of the Company.

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, second and third quarter 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.

CORPORATE GOVERNANCE REPORT

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.

A summary of the Group's top risks and risk mitigation plans is set out below:

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
1	Strategic	Concentration risk - China	Majority of the Group's businesses are based in China.	• Regular review of performance of business units in China. • Continuously evaluate new investments opportunities in other geographical regions besides China.
2	Strategic	Market dynamics risk – Market complexity and competition	The Group's performance is affected by current economic slowdown and market overcapacity.	• Closely monitor market conditions and key external indicators which may affect the Group's businesses. • Continuously strengthen ability to respond to changes in market, customer needs, competition and market pricing.
3	Strategic and Operational	Channel management and branding risk	The Group continues to develop and maintain effective sales channels and increase brand awareness in the market.	• Continuously focus on the following activities: - Strengthen current sales teams. - Appointment of new dealers and distributors through participation in trade exhibitions and conferences. - Enhance corporate image through marketing media and brand promotional activities. - Upgrading of E-commerce capabilities to improve online retail sales.
4	Strategic , Operational and Compliance	Human capital risk - Succession planning - Recruitment & retention, leadership	Human Resource continues to be a top priority for the Group. The Group minimizes the impact of loss of key employees and critical knowledge by constantly reviewing succession plans and grooming talents with needed skill sets.	• Succession planning framework is in place to ensure smooth succession for key positions. • Training and development program for employees. • Management associate program is in place to groom next generation leaders.
5	Operational	Product innovation risk	Investment in research and development ("R&D") to ensure development of innovative products to meet changing market demands.	• Increase R&D activities in new products and new technologies. • Automation of processes to improve productivity. • Increase R&D technical competency through recruitment of external talent. • Competitors' product analysis and market surveys. • Co-operation with research institutions and design companies.

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 written assurances to the Board that (i) the Group's 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 in place 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 operations.

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. The management action plans are initiated to address the deficiencies identified by internal auditors and external auditors, especially in the Group's China operations."

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 2015 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.

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 2014 annual report filing on Form 20F on 15 April 2015, 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 2014, 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 2015 annual report filing on Form 20F in mid April 2016.

As part of internal audit program for FY 2015, 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 2015.

CORPORATE GOVERNANCE REPORT

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 four NEDs, all of whom including the chairman of the AC are independent. Three 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 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 SGX-ST 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 five 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 2015. 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 2015 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 2015, please refer to note 24 of the Notes to the Financial Statements on page 131.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2016, the AC had considered the adequacy of the resources, experience and competence of EY. Consideration was also given to the incoming 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, the level of audit fee, 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 SGX-ST 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 2016 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 30 April 2015. 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 2016 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

CORPORATE GOVERNANCE REPORT

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 SGX-ST Listing Manual are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions in FY 2015 (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 2015 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:			
	(i) Legal and trademark services	227	Construction-related Transaction – Purchase of raw materials by the Group from Interested Person	582
	(ii) Corporate secretarial services	360	Industrial and Consumer-related Transaction – Sale of air-conditioning products to Interested Person	204
			General Transaction - Renewal of sub-lease of office premises by the Company for a lease tenure of three years	1,452
	Total	587	Total	2,238

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, and reviewed on an annual basis. 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. The Head of IA and IA team members are members of the Institute of Internal Auditors of Singapore and/or chartered member of professional bodies.

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 2015 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.

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 reviewed the effectiveness and 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. The assessment was facilitated through the use of an evaluation framework modeled on the framework recommended in the ACGC Guidebook. The evaluation framework covers IA organisation, resources and continuing training, audit plans, work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, 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 Company's Constitution, shareholders may appoint one or two proxies each to attend and vote at general meetings in their absence. Pursuant to the Companies Amendment Act ("**Amendment Act**") which came into effect on 3 January 2016, relevant intermediaries (as defined in the Amendment Act) will be able to appoint more than two proxies each at the 2016 AGM. The proxy forms must be deposited with the Company not less than forty-eight (48) hours before the time set for the general meetings.

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.

CORPORATE GOVERNANCE REPORT

Although the Company does not have a formal investor relations policy, 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*, information on the Board of Directors and Key Management team, Annual Reports, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, and contact details of its Investor Relations.

Shareholders are also encouraged to attend the Company's general meetings where the Board Chairman and the chairmen of the respective Board Committees will be present to engage shareholders in dialogues and to address their queries.

The Company has adopted a dividend policy, which is set out on page 3 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 were present at the last AGM, and will endeavor to be present at the 2016 AGM to assist the Directors 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.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election or 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.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the 2016 AGM and at any adjournment thereof shall be put to the vote by way of poll.

In support of greater transparency and to allow for a more efficient voting system, the Company had introduced electronic poll voting instead of voting by show of hands at the 2014 AGM and would continue to do so in respect of all resolutions proposed at the 2016 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the meeting 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 2016 AGM. The rules including voting procedures that govern general meetings of shareholders are set out within the notice of 2016 AGM.

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.

Date: 21 March 2016

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members of Hong Leong Asia Ltd. (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

In our opinion:

(i) the consolidated financial statements of the Group set out on pages 48 to 168 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; 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.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Kwek Leng Beng	
Kwek Leng Peck	
Ting Sii Tien @ Yao Sik Tien, Philip	
Ernest Colin Lee	
Goh Kian Hwee	
Quek Shi Kui	
Tan Huay Lim	(appointed on 1 October 2015)
Kwong Ka Lo @ Caroline Kwong	(appointed on 22 February 2016)

DIRECTORS' INTERESTS

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

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and children below 18 years of age) in the shares and/or share options of the Company and its related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year or date of appointment	**At end of the year**
The Company		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,680,000	1,913,300
Ting Sii Tien @ Yao Sik Tien, Philip	280,000	280,000
Ernest Colin Lee	40,000	40,000

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year or date of appointment	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	500,000	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	51,200	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	3,136,000	2,920,000
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
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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year or date of appointment	At end of the year
Related Corporations (cont'd)		
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	906,000	906,000
Redeemable non-voting Preference Shares		
Kwek Leng Beng	453,000	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 or date of appointment	At end of the year
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. **Ordinary Shares**		
Kwek Leng Beng	40,744	40,744

The directors' interests in the Company as at 31 December 2015 disclosed above remained unchanged as at 21 January 2016.

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' STATEMENT

SHARE OPTIONS

By the Company

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

The HLA 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 HLA 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 HLA Share Option Scheme, all other rules of the HLA Share Option Scheme remain unchanged.

The HLA 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 HLA Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the HLA 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 are Market Price Options and Incentive Price Options which are at Market Price under the HLA Share Option Scheme.

Under the HLA Share Option Scheme,

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

(i) Group Employees and Parent Group Employees (both as defined in the HLA 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 HLA 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.

Incentive Price Options (as defined in the HLA Share Option Scheme) granted to:

(i) Group Employees and Parent Group Employees may be exercised two years 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 may be exercised two years 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 HLA Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the HLA 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 HLA Share Option Scheme shall not exceed 20% of the total number of Shares available under the HLA Share Option Scheme.

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

By the Company (cont'd)

(b) Options granted under the HLA Share Option Scheme

(i) During the financial year, the following Incentive Price Options were granted at Market Price to a Group Employee under the HLA Share Option Scheme:

Date of grant	Exercise price per Share	Number of Shares under option	Exercise period
3/2/2015	$1.45	200,000	3/2/2017 to 2/2/2025

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

Name of director	Aggregate Shares under option granted since commencement of the HLA Share Option Scheme to end of financial year	Aggregate Shares under option exercised since commencement of the HLA 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	960,000	460,000	500,000
Ernest Colin Lee	150,000	150,000	–

There was no grant of options, issuance of new Shares or transfer of existing Shares to the directors during the financial year.

(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 HLA 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 HLA 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 HLA 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 HLA Share Option Scheme.

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

By the Company (cont'd)

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

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

Market Price Options:

(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.

Incentive Price Options:

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

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

(3) four 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.

(c) Unissued shares under option

There were a total of 1,590,000 unissued Shares under option granted pursuant to the HLA 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 2015	Options granted	Options exercised	Options cancelled/ lapsed	Options Outstanding at 31 December 2015	Number of option holders at 31 December 2015	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	–	–	80,000	380,000	3	5/1/2012 to 4/1/2021
28/1/2014	$1.31	540,000	–	–	–	540,000	8	28/1/2015 to 27/1/2024
3/2/2015	$1.45	–	200,000	–	–	200,000	1	3/2/2017 to 2/2/2025
Total		1,470,000	200,000	–	80,000	1,590,000		

* 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.

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

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;

(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 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.

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

By Subsidiary (cont'd)

(b) Options granted under the CYI Equity Plan

No option was granted under the CYI Equity Plan during the financial year under review. As at the end of the year, there were a total of 570,000 unissued Ordinary Shares under option granted pursuant to the CYI Equity Plan. Details of the options to subscribe for Ordinary Shares in CYI are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2015	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2015	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.

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

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

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

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

Tan Huay Lim – Chairman
Quek Shi Kui
Ernest Colin Lee
Goh Kian Hwee

The AC performs the functions of an audit committee under its terms of reference including those specified in the Act, the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual") and the Code of Corporate Governance 2012.

The AC held five meetings during the financial year. In the performance of its functions, the AC met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and their evaluation of the Group's system of internal controls.

The AC also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly and annual financial statements of the Group and of the Company prior to their submission to the directors of the Company for approval; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual)

The AC has full access to management and is given the resources required by it to discharge its functions. It has full authority and the discretion to invite any director or executive officer or third party advisor to attend its meetings. The AC also recommends the appointment of external auditors and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 (read with Rule 716) of the Listing Manual.

AUDITORS

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

On behalf of the Board of Directors

Kwek Leng Peck Director	**Ting Sii Tien @ Yao Sik Tien, Philip** Director

21 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG LEONG ASIA LTD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 48 to 168, which comprise the balance sheets of the Group and the Company as at 31 December 2015, 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 Financial Statements

Management is responsible for the preparation of 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 financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company 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 subsidiary corporations 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
21 March 2016

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non-current assets					
Property, plant and equipment	3	1,219,741	1,276,373	325	260
Land use rights	4	141,129	146,699	–	–
Intangible assets	5	84,789	99,543	192	240
Investment in subsidiaries	7	–	–	204,455	204,455
Interests in associates	8	53,210	62,055	13,726	13,726
Interests in joint ventures	9	57,282	57,692	–	–
Investment property	10	1,602	–	–	–
Other investments	11	1,425	1,766	–	–
Non-current receivables	12	10,205	7,741	103,184	–
Deferred tax assets	13	75,987	101,683	15	11
Long-term deposits	17	12,924	–	–	–
		1,658,294	1,753,552	321,897	218,692
Current assets					
Inventories	14	524,799	583,908	–	–
Development properties	15	4,870	7,108	–	–
Other investments	11	2,592	4,878	–	1
Trade and other receivables	16	1,919,677	2,115,359	226,153	290,218
Cash and short-term deposits	17	1,013,189	796,775	11,199	1,968
Derivatives		3,340	12	–	–
		3,468,467	3,508,040	237,352	292,187
Total assets		5,126,761	5,261,592	559,249	510,879

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

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Current liabilities					
Trade and other payables	21	1,681,031	1,741,378	5,562	5,076
Provisions	22	70,063	80,102	–	–
Loans and borrowings	20	921,533	577,998	202,006	117,375
Current tax payable		13,554	17,599	40	54
Derivatives		–	1,426	–	–
		2,686,181	2,418,503	207,608	122,505
Net current assets		782,286	1,089,537	29,744	169,682
Non-current liabilities					
Loans and borrowings	20	62,373	371,709	–	60,000
Deferred tax liabilities	13	45,423	47,159	1,937	1,890
Deferred grants		75,153	69,675	–	–
Other non-current payables	21	24,844	28,042	–	–
Retirement benefit obligations		256	283	–	–
		208,049	516,868	1,937	61,890
Total liabilities		2,894,230	2,935,371	209,545	184,395
Net assets		2,232,531	2,326,221	349,704	326,484
Equity attributable to owners of the Company					
Share capital	18	266,830	266,830	266,830	266,830
Reserves	19	515,910	600,545	82,874	59,654
		782,740	867,375	349,704	326,484
Non-controlling interests		1,449,791	1,458,846	–	–
Total equity		2,232,531	2,326,221	349,704	326,484
Total equity and liabilities		5,126,761	5,261,592	559,249	510,879

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 2015

	Note	Group 2015 $'000	Group 2014 $'000
Revenue	23	4,082,728	4,560,004
Cost of sales		(3,229,428)	(3,605,449)
Gross profit		853,300	954,555
Other item of income (net)			
Other income (net)		17,955	57,024
Other items of expense			
Selling and distribution expenses		(423,200)	(408,191)
Research and development expenses		(123,108)	(114,465)
General and administrative expenses		(201,992)	(194,856)
Finance costs	25	(43,387)	(58,196)
Share of profit of associates and joint ventures, net of income tax		1,673	1,504
Profit before income tax	24	81,241	237,375
Income tax expense	27	(72,882)	(62,749)
Profit for the year		8,359	174,626
Attributable to:			
Owners of the Company		(61,353)	26,929
Non-controlling interests		69,712	147,697
		8,359	174,626
(Loss)/earnings per share (cents per share)			
– Basic	28	(16.41)	7.20
– Diluted	28	(16.41)	7.20

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 2015

	Group	
	2015	**2014**
	$'000	$'000
Profit for the year	8,359	174,626
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 liquidation of a foreign operation	(64)	–
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	1,918	35,056
Net fair value changes of available-for-sale financial assets	(349)	54
Other comprehensive income for the year, net of income tax	1,505	35,010
Total comprehensive income for the year	9,864	209,636
Attributable to:		
Owners of the Company	(73,091)	34,064
Non-controlling interests	82,955	175,572
Total comprehensive income for the year	9,864	209,636

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000
At 1 January 2015		266,830	293	35,321	45,579
Profit for the year		–	–	–	–
Other comprehensive income					
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–
Net fair value changes of available-for-sale financial assets		–	–	–	(349)
Realisation of foreign currency translation reserve upon liquidation of a foreign operation		–	–	–	–
Realisation of statutory reserve upon disposal of a foreign operation		–	–	(1,287)	–
Other comprehensive income for the year, net of tax		–	–	(1,287)	(349)
Total comprehensive income for the year		–	–	(1,287)	(349)
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		–	4,149	(1,147)	–
Others					
Transfer to statutory reserve		–	–	291	–
At 31 December 2015		266,830	4,442	33,178	45,230

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

Share option reserve $'000	Translation reserve $'000	Discount/ (premium) 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
2,872	(11,915)	17,204	511,191	867,375	1,458,846	2,326,221
–	–	–	(61,353)	(61,353)	69,712	8,359
–	(11,357)	–	–	(11,357)	13,275	1,918
–	–	–	–	(349)	–	(349)
–	(32)	–	–	(32)	(32)	(64)
–	–	–	1,287	–	–	–
–	(11,389)	–	1,287	(11,738)	13,243	1,505
–	(11,389)	–	(60,066)	(73,091)	82,955	9,864
916	–	–	–	916	1,428	2,344
–	–	(2,933)	–	(2,933)	7,055	4,122
–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	(74,747)	(74,747)
–	2,712	(4,024)	–	1,690	(25,746)	(24,056)
–	–	–	(291)	–	–	–
3,788	(20,592)	10,247	439,617	782,740	1,449,791	2,232,531

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000
At 1 January 2014		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.

Share option 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	(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 2015

Company	**Note**	**Share capital** $'000	**Capital reserve** $'000	**Fair value reserve** $'000	**Share option reserve** $'000	**Accumulated profits** $'000	**Total equity** $'000
At 1 January 2015		266,830	9,199	–	2,397	48,058	326,484
Total comprehensive income for the year		–	–	–	–	34,381	34,381
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Cost of share-based payments		–	–	–	56	–	56
Dividends paid to shareholders	29	–	–	–	–	(11,217)	(11,217)
At 31 December 2015		266,830	9,199	–	2,453	71,222	349,704
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

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 2015

		Group	
	Note	2015	2014
		$'000	$'000
Operating activities			
Profit before income tax		81,241	237,375
Adjustments for:			
Share of profit of associates and joint ventures, net of income tax		(1,673)	(1,504)
Cost of share-based payments	26	2,344	482
Depreciation and amortisation	24	144,690	132,632
Allowance recognised for inventories write-down	24	12,557	1,690
Impairment losses recognised for trade and other receivables	24	10,626	2,769
Impairment losses on property, plant and equipment and intangible assets	24	16,201	20,213
Write-back of allowance for anticipated losses on development properties	24	(650)	–
Property, plant and equipment written off	24	1,245	170
Finance costs	25	43,387	58,196
Dividend income from other investments	24	(44)	(250)
Interest income	24	(14,069)	(15,912)
(Gain)/loss on disposal of:			
– subsidiaries	24	2,981	–
– joint venture	24	(76)	–
– property, plant and equipment	24	3,190	1,205
– land use rights	24	(548)	(40)
Fair value loss on investments	24	2,375	1,080
Fair value (gain)/loss on derivatives	24	(3,689)	1,773
Waiver of trade payables	24	–	(7,333)
Gains arising from acquisition of subsidiaries	7	–	(19,390)
Provisions for warranties and other costs, net	24	84,652	97,243
Operating cash flows before changes in working capital		384,740	510,399
Changes in working capital:			
Inventories		45,588	92,199
Trade and other receivables		181,352	(53,817)
Trade and other payables		(73,743)	(292,250)
Provisions utilised	22	(95,770)	(97,559)
Cash flows from operations		442,167	158,972
Income taxes paid		(45,091)	(69,978)
Net cash flows from operating activities		397,076	88,994

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 2015

	Note	Group 2015 $'000	Group 2014 $'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired	7(h)	–	(3,405)
Acquisition of non-controlling interests in subsidiaries (including share swap transaction)		(24,056)	(8,924)
Investment in associates and joint ventures		(566)	(95)
Dividends received from:			
– associates and joint ventures		6,290	4,236
– other investments	24	44	250
Interest received		17,814	16,866
(Placement)/release of restricted deposits with banks		(30,924)	157,447
Purchase of:			
– property, plant and equipment	3	(131,687)	(171,671)
– land use rights	4	–	(2,011)
– intangible assets	5	(1,285)	(5,573)
Proceeds from disposal of:			
– subsidiaries, net of cash disposed	7(d)	37,286	–
– joint ventures		385	–
– property, plant and equipment		17,212	4,693
– land use rights		983	518
– other investments		1	22
Net cash flows used in investing activities		(108,503)	(7,647)
Financing activities			
Dividends paid to:			
– non-controlling interests of subsidiaries		(74,747)	(92,599)
– shareholders of the Company	29	(11,217)	(14,956)
Interest paid		(43,242)	(58,058)
Proceeds from borrowings		810,131	571,457
Proceeds from issuance of bonds		87,106	–
Capital contribution by non-controlling interests of subsidiaries		4,122	3,469
Grant received from government		10,902	4,183
Repayments in respect of borrowings		(860,440)	(599,701)
Repayment of obligation under finance leases		(1,770)	(1,194)
Net cash flows used in financing activities		(79,155)	(187,399)

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 2015

	Note	Group 2015 $'000	Group 2014 $'000
Net increase/(decrease) in cash and cash equivalents		209,418	(106,052)
Cash and cash equivalents at the beginning of the financial year	17	740,542	842,877
Effect of exchange rate changes on balances held in foreign currencies		(11,340)	3,717
Cash and cash equivalents at the end of the financial year	17	938,620	740,542

Note:

Cash and bank balances totalling $784,694,000 (2014: $542,311,000) are held in countries which have foreign exchange controls.

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

	Group 2015 $'000	Group 2014 $'000
Disposal		
Non-current assets	18,458	–
Net current assets	25,915	–
Loss on disposal of a subsidiary	(2,981)	–
Total disposal consideration	41,392	–
Less: Cash and bank balance of subsidiaries disposed	(4,106)	–
Disposal of subsidiaries, net of cash disposed	37,286	–

The value of assets and liabilities of a joint venture liquidated during the year, and the cash flow effect of the liquidation was:

	Group 2015 $'000	Group 2014 $'000
Cash and bank balances	373	–
Net assets disposed	373	–
Gain on liquidation of a joint venture	76	–
Realisation of foreign currency translation reserve upon liquidation of a joint venture	(64)	–
Net cash inflow on liquidation of a joint venture	385	–

The cash flow effect of acquisitions in 2015 and 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 2015

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 are Hong Leong Corporation Holdings Pte Ltd and Hong Leong Investment Holdings Pte. Ltd. respectively. These companies are incorporated in Singapore.

Related corporations 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 accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
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 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS *1 Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

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

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2.13(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 (cont'd)

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.

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.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.10 Property, plant and equipment (cont'd)

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

Buildings	:	Over the period of the lease ranging from 3 to a maximum of 70 years
Leasehold improvements	:	3 to 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.

2.11 Investment property

Investment properties are properties owned by the Group that are held to lease to third parties and earn rentals rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the investment properties. The estimated useful life is 30 years. Depreciation methods, useful lives and residual values of investment properties are reassessed at each reporting date.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.12 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.

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.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.13 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. Trademarks 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.

(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. 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 of 10 to 20 years 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.13 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(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.

(iv) Computer softwares

Computer softwares have a finite useful life and are amortised over the period of estimated useful life of 5 years on a straight-line basis.

2.14 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.

The Group did not have any held-to-maturity investments during the years ended 31 December 2015 and 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.14 Financial instruments (cont'd)

(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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.14 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.

2.15 Share capital and share issuance expenses

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

2.16 Financial guarantee

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

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

2.17 Inventories

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

2.18 Development properties

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

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 reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.19 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.19 Impairment of financial assets (cont'd)

(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.

2.20 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.20 Impairment of non-financial assets (cont'd)

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.

2.21 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.22 Provisions

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

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

(a) Claims

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

(b) Warranties

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

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

(c) Onerous contracts

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

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.23 Revenue recognition (cont'd)

(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.

(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.

(f) Interest income

Interest income is recognised using the effective interest method.

2.24 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.25 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 2.23 (d). Contingent rents are recognised as revenue in the period in which they are earned.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.27 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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 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.

2.31 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings and leasehold land $'000
Cost		
At 1 January 2014	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(h))	2,833	29,783
At 31 December 2014 and 1 January 2015	61,729	631,699
Translation differences	(2,770)	(1,035)
Additions	–	7,270
Transfers	–	50,693
Reclassification to land use rights (Note 4)	–	(1,379)
Transfer from development properties (Note 15)	–	54
Disposals	–	(3,490)
Disposal of subsidiaries (Note 7(d) and 7(e))	–	(26,248)
Write-off	–	(46)
At 31 December 2015	58,959	657,518
Accumulated depreciation and impairment losses		
At 1 January 2014	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 and 1 January 2015	1,569	179,738
Translation differences	(14)	(1,327)
Charge for the year	–	22,590
Impairment losses made	–	1,122
Reclassification to land use rights (Note 4)	–	(433)
Disposals	–	(1,035)
Disposal of subsidiaries (Note 7(d) and 7(e))	–	(7,716)
Write-off	–	(24)
At 31 December 2015	1,555	192,915
Net book value		
At 31 December 2014	60,160	451,961
At 31 December 2015	57,404	464,603

* $355,000 was capitalised as intangible assets in 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
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
129	(4,670)	(732)	(550)	1,568	(8,060)
142	10,429	4,616	2,893	106,337	131,687
–	101,423	575	54	(152,745)	–
–	–	–	–	–	(1,379)
–	–	–	–	–	54
–	(95,287)	(4,470)	(3,084)	–	(106,331)
–	(16,924)	(590)	(315)	(5)	(44,082)
–	(1,823)	(795)	–	(1,051)	(3,715)
7,550	1,038,901	63,156	49,038	88,211	1,963,333
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
12	(4,136)	(43)	(62)	–	(5,570)
719	103,113	7,703	4,660	–	138,785
–	534	–	–	–	1,656
–	–	–	–	–	(433)
–	(78,567)	(3,914)	(2,413)	–	(85,929)
–	(12,741)	(518)	(258)	–	(21,233)
–	(1,666)	(780)	–	–	(2,470)
1,894	464,350	45,051	37,772	55	743,592
6,116	587,940	21,949	14,195	134,052	1,276,373
5,656	574,551	18,105	11,266	88,156	1,219,741

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2014	417	1,035	–	1,452
Additions	41	56	–	97
Write-off	–	(32)	–	(32)
At 31 December 2014 and 1 January 2015	458	1,059	–	1,517
Additions	–	36	221	257
At 31 December 2015	458	1,095	221	1,774
Accumulated depreciation				
At 1 January 2014	220	920	–	1,140
Charge for the year	105	44	–	149
Write-off	–	(32)	–	(32)
At 31 December 2014 and 1 January 2015	325	932	–	1,257
Charge for the year	108	51	33	192
At 31 December 2015	433	983	33	1,449
Net book value				
At 31 December 2014	133	127	–	260
At 31 December 2015	25	112	188	325

Assets held under finance lease

The carrying amount of plant and equipment held under finance leases at the end of the reporting period was $35,000 (2014: $70,000).

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

Assets pledged as security

The Group's assets with a carrying amount of $19,431,000 (2014: $24,289,000) are mortgaged to secure the Group's bank loans (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. LAND USE RIGHTS

	Group	
	2015	**2014**
	$'000	$'000
Cost		
At 1 January	179,758	169,719
Additions	–	2,011
Acquisition of subsidiaries (Note 7(h))	–	5,841
Disposals	(1,164)	(518)
Disposal of subsidiaries (Note 7(d) and 7(e))	(5,633)	–
Reclassification from property, plant and equipment (Note 3)	1,379	–
Translation differences	2,001	2,705
At 31 December	176,341	179,758
Accumulated amortisation		
At 1 January	33,059	29,083
Amortisation for the year	3,833	3,454
Disposals	(729)	(40)
Disposal of subsidiaries (Note 7(d) and 7(e))	(1,738)	–
Reclassification from property, plant and equipment (Note 3)	433	–
Translation differences	354	562
At 31 December	35,212	33,059
Net carrying amount	141,129	146,699
Amount to be amortised:		
– Not later than one year	3,451	3,753
– Later than one year but not later than five years	13,746	14,795
– Later than five years	123,932	128,151
	141,129	146,699

The Group has land use rights over 52 (2014: 54) plots of land in the PRC, Singapore and Malaysia where the Group's manufacturing and storage facilities reside. The transferable land use rights have a remaining tenure of 25 to 49 years (2014: 26 to 50 years) and the non-transferable land use rights have a remaining tenure of 10 to 16 years (2014: 9 to 17 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. INTANGIBLE ASSETS

Group	Patents and development expenditure and computer software with finite useful lives $'000	Trade-marks with indefinite useful lives $'000	Trade-marks with finite useful lives $'000	Club Membership $'000	Goodwill $'000	Total $'000
Cost						
At 1 January 2014	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 and 1 January 2015	52,159	66,276	7,662	313	11,590	138,000
Additions	1,285	–	–	–	–	1,285
Disposal of subsidiary (Note 7(e))	(83)	–	–	–	–	(83)
Translation differences	(100)	256	93	–	(18)	231
At 31 December 2015	53,261	66,532	7,755	313	11,572	139,433
Accumulated amortisation and impairment losses						
At 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 and 1 January 2015	26,692	–	1,428	101	10,236	38,457
Amortisation charge for the year	1,619	–	423	30	–	2,072
Disposal of subsidiary (Note 7(e))	(58)	–	–	–	–	(58)
Impairment losses	5,832	5,893	2,820	–	–	14,545
Translation differences	(350)	–	(22)	–	–	(372)
At 31 December 2015	33,735	5,893	4,649	131	10,236	54,644
Net carrying amount						
At 31 December 2014	25,467	66,276	6,234	212	1,354	99,543
At 31 December 2015	19,526	60,639	3,106	182	1,336	84,789

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 (2014: 1 to 10 years). Development expenditure amounting to $17,625,000 (2014: $23,073,000) 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 and lifestyle appliances unit 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 life of 17 years (2014: 18 years).

Company	Computer software and related costs $'000	Club Membership $'000	Total $'000
Cost			
At 1 January 2014	1,461	313	1,774
Additions	16	–	16
At 31 December 2014 and 31 December 2015	1,477	313	1,790
Accumulated amortisation and impairment losses			
At 1 January 2014	1,428	71	1,499
Amortisation charge for the year	21	30	51
At 31 December 2014 and 1 January 2015	1,449	101	1,550
Amortisation charge for the year	18	30	48
At 31 December 2015	1,467	131	1,598
Net carrying amount			
At 31 December 2014	28	212	240
At 31 December 2015	10	182	192

Amortisation expense

The amortisation of intangible assets is included in the "General and administrative expenses" line item in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 $10,796,000 (net of impairment and exchange differences) as at 31 December 2015 (2014: $16,332,000). The impairment test was triggered in 2014 as 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. In 2015, management performed the impairment assessment based on the updated business plan, which takes into consideration the slowdown in the PRC economy and the diesel engines industry performance in 2015.

As a result, the Group recognised an impairment loss of $5,832,000 (2014: $12,341,000) in the income statement under the line item "General and administrative expenses" 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 15 year forecast, using pre-tax discount rate of 12.34% and revenue growth rate of 11.1% from 2021 to 2026, 6 years after the expected commercial deployment of the technology. Thereafter, management assumed no revenue growth from 2026 to 2030. In 2014, the Group used a 10-year forecast, using pre-tax discount rate of 12.24% and no revenue growth 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 1% (2014: 1%) from management's estimate, the Group's impairment loss on intangible asset in Jining Yuchai will increase by $4,029,000 (2014: $4,963,000).

In addition, the Group recognised an impairment loss of $628,000 (2014: $3,015,000) in the income statement under the line item "Cost of sales" in respect of specific plant and equipment which are no longer in use.

Consumer products segment

In 2015, the Group recognised impairment loss of $1,122,000 in the income statement under the line item "Cost of sales" in respect of industrial buildings which are no longer in use. In 2014, the Group recognised impairment loss of $5,000,000 in the income statement in respect of plant and machinery which had been underutilised.

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 $58,088,000 (net of impairment) (2014: $62,697,000) as at 31 December 2015. In 2014, the recoverable amounts of trademarks were assessed to be in excess of its carrying amounts based on the value in use using the relief-from-royalty method.

The management updated its business plans and projections as a result of the slowdown in the PRC economy, overcapacity in the industry and competitors slashing selling prices, which affected the segment's performance in 2015. As a result, the Group recognised an impairment loss of $4,609,000 (2014: Nil) in the income statement under the line item "General and administrative expenses" in respect of the trademarks held. The recoverable amount of trademarks was determined based on their fair value less cost to sell using the relief-from-royalty method (income approach). Management used an external valuation specialist to support the determination of the recoverable amount of the trademarks based on fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Consumer products segment (cont'd)

The assumptions used in the assessment for the trademarks in 2015 are:

– Royalty rate of 2% (2014: 2%) based on assessment of royalty rates of similar trademarks.

– Discount rate of 15.5% (2014: 15%) which reflects the current market assessment of the risks specific to the CGU.

– Revenue growth rate of 2% per annum perpetually (2014: 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).

If the royalty rate decreases by 5% from management's estimate, the Group's impairment loss on trademarks will increase by $3,213,000.

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on trademarks will increase by $631,000.

With regards to the assessment of fair value less cost to sell 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 trademarks to materially exceed its recoverable amount.

Air-conditioning systems segment

Trademark relates 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 $3,106,000 (net of impairment, amortisation and exchange differences) (2014: $6,234,000) as at 31 December 2015. The impairment test was triggered during the year in view of losses incurred and slowdown in the Chinese economy. In 2014, the recoverable amount of trademark was assessed to be in excess of its carrying amount based on the value in use using the relief-from-royalty method.

The management updated its business plans and projections as a result of the economic slowdown in the PRC and Europe, coupled with competitors slashing selling prices, which affected the segment's performance in 2015. As a result, the Group recognised an impairment loss of $2,820,000 (2014: Nil) in the income statement under the line item "General and administrative expenses" in respect of the trademarks held. The recoverable amount of trademark was determined based on the fair value less cost to sell using the relief-from-royalty method (income approach). Management used an external valuation specialist to support the determination of the recoverable amount of the trademark based on fair value less cost to sell.

The assumptions used in the assessment for the trademark in 2015 are:

– Royalty rate of 2.5% (2014: 2%) based on assessment of royalty rates of similar trademarks.

– Discount rate of 16.5% (2014: 15%) which reflects the current market assessment of the risks specific to the CGU.

– Revenue growth rate of 2% per annum perpetually (2014: 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Air-conditioning systems segment (cont'd)

If the royalty rate decreases by 5% from management's estimate, the Group's impairment loss on trademarks will increase by $158,000.

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on trademark will increase by $33,000.

With regards to the assessment of fair value less cost to sell 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 trademark to materially exceed its recoverable amount.

Others – Lifestyle appliances

Trademark relates to the Group's lifestyle appliances unit which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $2,551,000 (net of impairment and exchange differences) (2014: $3,579,000) as at 31 December 2015. In 2014, the recoverable amount of trademark was assessed to approximate its carrying amount.

The management updated its business plans and projections as a result of the economic slowdown in the markets that the unit operates in 2015. As a result, the Group recognised an impairment loss of $1,284,000 (2014: Nil) in the income statement under the line item "General and administrative expenses" in respect of the trademark held. The recoverable amount of trademark was determined based on the value in use using the relief-from-royalty method. The Group used a revenue perpetual growth rate of 2% (2014: revenue growth of 10% per annum) per annum. A royalty rate of 3.0% (2014: 2.0%) and a discount rate of 13% (2014: 17%) was used.

If the royalty rate decreases by 5% from management's estimate, the Group's impairment loss on trademarks will increase by $128,000.

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on trademark will increase by $30,000.

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

Determination of fair value

The assumptions used in the assessment for the trademarks relating to the consumer products segment and air-conditioning systems segment in 2015, with key significant unobservable inputs (fair value level 3), are royalty rate, discount rate and long term revenue growth rate. Details of the estimation of these inputs and the ranges involved are described above.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES

	Company 2015 $'000	Company 2014 $'000
Shares, at cost	232,387	232,387
Impairment losses	(27,932)	(27,932)
	204,455	204,455

During the year ended 31 December 2015, the Group entered into various transactions with non-controlling interests ("NCI"). The following summarises the net effect of the change in ownership interest on the equity attributable to owners of the Company:

	Note	(Premium)/ discount on acquisition of NCI $'000	Decrease in total equity $'000
Shanghai Rex Packaging Co., Ltd and Tianjin Rex Packaging Co., Ltd (including effect of share swap)	7(e)	(6,101)	(16,719)
Airwell Air-conditioning (Asia) Company Limited	7(f)	(654)	– *
China Yuchai International Limited	7(i)	1,584	(2,663)
Others		1,147	(4,674)
		(4,024)	(24,056)

* Less than $1,000.

(a) Composition of the Group

The Group has the following significant investment in subsidiaries.

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2015 %	Effective equity interest 2014 %
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.	Singapore	100	100
Island Concrete (Private) Limited	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2015 %	Effective equity interest 2014 %
Held by the Group			
Airwell Air-conditioning (Asia) Company Limited (1) (8)	Hong Kong	100	80
Airwell Air-conditioning (Hong Kong) Company Limited (1)	Hong Kong	67	53.60
Airwell Air-conditioning Technology (China) Co., Ltd.	The People's Republic of China	67	53.60
China Yuchai International Limited ("CYI") (2)	Bermuda	38.65	37.02
Fedders International Pte. Ltd.	Singapore	100	100
Guangxi Yuchai Machinery Company Limited (3)	The People's Republic of China	29.53	28.29
Guangxi Yuchai Machinery Monopoly Development Co., Ltd (3)	The People's Republic of China	21.21	20.32
Guangxi Yulin Hotel Company Limited (3)	The People's Republic of China	29.53	28.29
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited (3)	The People's Republic of China	29.53	27.48
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") (3)(4)	Singapore	18.90	18.11
Hong Leong Electric Pte Ltd	Singapore	100	100
HL Technology Systems Pte Ltd	Singapore	100	100
Jining Yuchai Engine Company Limited (3)(5)	The People's Republic of China	–	–
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. (7)	The People's Republic of China	–	28.29

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Names of significant subsidiaries	Country of incorporation	Effective equity interest 2015 %	Effective equity interest 2014 %
Held by the Group (cont'd)			
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. [3][9]	The People's Republic of China	29.53	28.29
Augustland Hotel Sdn. Bhd. [3][10]	Malaysia	18.90	18.11
LKN Investment International Pte Ltd [3][11]	Singapore	18.90	18.11

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 15,189,528 or 38.65% 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 through 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 50.17% (2014: 50.17%), excluding the ordinary shares held by the Trustee under the Trust as of 31 December 2015. 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(g) for details.

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

(7) Xiamen Yuchai Diesel Engines Co., Ltd. was disposed on 21 September 2015. Please refer to Note 7(d) for details.

(8) Airwell Air-conditioning (Asia) Company Limited became a wholly-owned subsidiary of the Group in 2015. Please refer to Note 7(f) for details.

(9) Yuchai Remanufacturing Services (Suzhou) Co., Ltd. was a joint venture of CYI in 2013. It became a subsidiary of CYI in 2014. Please refer to Note 7(h) for details.

(10) Augustland Hotel Sdn. Bhd. was a joint venture of HLGE in 2013. It became a wholly-owned subsidiary of HLGE in 2014. Please refer to Note 7(h) for details.

(11) LKN Investment International Pte Ltd is a wholly-owned subsidiary of HLGE.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Interest in subsidiaries with material non-controlling interests (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 interests	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 2015:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	70.47%	89,171	1,267,956	21,629
Guangxi Yuchai Machinery Monopoly Development Co., Ltd	The People's Republic of China	78.79%	22,491	92,698	–
Tasek Corporation Berhad	Malaysia	25.72%	8,262	60,221	15,419
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

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 $655,144,000 (2014: $380,456,000) held in the PRC 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 $'000	As at 31 December 2014 $'000	As at 31 December 2015 $'000	As at 31 December 2014 $'000	As at 31 December 2015 $'000	As at 31 December 2014 $'000
Current						
Assets	2,693,999	2,636,172	240,256	205,814	148,121	190,668
Liabilities	(1,879,723)	(1,687,651)	(172,940)	(147,524)	(37,270)	(39,826)
Net current assets	814,276	948,521	67,316	58,290	110,851	150,842
Non-current						
Assets	1,171,464	1,144,486	52,817	38,633	131,182	158,036
Liabilities	(104,013)	(308,172)	(166)	(697)	(9,031)	(11,790)
Net non-current assets	1,067,451	836,314	52,651	37,936	122,151	146,246
Net assets	1,881,727	1,784,835	119,967	96,226	233,002	297,088

Summarised income statement and statement of comprehensive income

	Guangxi Yuchai Machinery Company Limited		Guangxi Yuchai Machinery Monopoly Development Co., Ltd		Tasek Corporation Berhad	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue	2,986,401	3,370,469	344,518	324,263	247,307	254,093
Profit before income tax	161,864	252,342	36,400	32,100	42,176	52,708
Income tax expense	(35,327)	(32,803)	(7,855)	(8,176)	(10,052)	(12,107)
Profit after tax	126,537	219,539	28,545	23,924	32,124	40,601
Other comprehensive income	21,750	36,177	871	2,790	(40,114)	(7,327)
Total comprehensive income	148,287	255,716	29,416	26,714	(7,990)	33,274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Net cash flows from operations	372,599	19,699	17,777	44,181	42,336	49,800
Net cash flows used in investing activities	(64,850)	(124,180)	(12,620)	(4,393)	(6,605)	(4,204)
Net cash flows used in financing activities	(78,455)	(99,346)	–	(30,374)	(56,033)	(82,945)
Acquisition of significant property, plant and equipment	(86,436)	(135,470)	(2,227)	(1,234)	(11,799)	(12,096)

(d) Disposal of ownership in interest in subsidiary, Xiamen Yuchai Diesel Engines Co., Ltd ("Xiamen Factory") in 2015

On 21 September 2015, the Group's subsidiary company, Guangxi Yuchai Machinery Company Limited ("GYMCL") entered into an equity transfer agreement to sell its entire shareholding interest in its wholly owned subsidiary Xiamen Yuchai Diesel Engines Co., Ltd ("Xiamen Yuchai") to a third party for a cash consideration of RMB189.5 million (equivalent to $41,392,000).

The value of assets and liabilities of the disposal recorded in the consolidated financial statements and the cash flow effect, and the effects of the disposals were:

	$'000
Property, plant and equipment	14,547
Land use rights	3,858
Deferred tax assets	53
Inventories	1,388
Trade and other receivables	24,388
Cash and cash equivalents	4,106
	48,340
Trade and other payables	(3,749)
Provision for taxation	(218)
Carrying value of net assets	44,373
Loss on disposal of a subsidiary	(2,981)
Total consideration	41,392
Cash and cash equivalents of the subsidiary	(4,106)
Net cash inflow on disposal of the subsidiary	37,286

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(e) Transaction with non-controlling interest in 2015 – Share swap

On 31 August 2015, the Group's subsidiary company, Rex Holdings Pte. Ltd. ("Rex Holdings") entered into equity interest transfer agreements with Shanghai Zijiang Enterprise Group Co., Ltd ("Shanghai Zijiang") and the Group's subsidiary company, Shanghai Rex Packaging Co., Ltd ("Shanghai Rex"), for the following:

- Transfer of all of its 55% equity interest in Shanghai Rex to Shanghai Zijiang for a cash consideration of RMB55,800,000 (equivalent to $12,310,000); and

- Purchase of the remaining 75% equity interest in the Group's subsidiary company, Tianjin Rex Packaging Co., Ltd ("Tianjin Rex") comprising 54.55% and 20.45% equity interests in Tianjin Rex from Shanghai Rex and Shanghai Zijiang respectively, at an aggregate cash consideration of RMB45,800,000 (equivalent to $10,103,000).

The aggregate consideration for the transactions was arrived at on a willing-buyer willing-seller basis after taking into account the independent valuation reports for Shanghai Rex and Tianjin Rex commissioned by Rex Holdings and Shanghai Zijiang and also the underlying net book value of Shanghai Rex and Tianjin Rex as at 31 December 2014. Net consideration of RMB10,000,000 (equivalent to $2,207,000) was paid by Shanghai Zijiang to Rex Holdings.

The above transactions were completed on 13 November 2015 with the transfer of the relevant business licences to the respective parties. Following the completion, Tianjin Rex becomes a wholly-owned subsidiary of Rex Holdings while Shanghai Rex ceases to be a subsidiary of Rex Holdings. The difference of $6,101,000 between the consideration and the carrying value of the interest transferred has been recognised as premium paid on transaction with non-controlling interests within equity.

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

	$'000
Net consideration received	2,207
Decrease in carrying value of net assets, net	(8,308)
Decrease in equity attributable to owners of the Company	(6,101)

Effect of the transactions on cash flows and equity

	$'000
Net consideration received	2,207
Cash and cash equivalents of subsidiaries disposed	(5,997)
Net cash outflow	(3,790)
Effect of share swap, being net assets of Shanghai Rex derecognised	(12,929)
Decrease in total equity	(16,719)

The above share swap resulted in the derecognition of property, plant and equipment, land use right and intangible assets held in Shanghai Rex with carrying values of $8,302,000, $37,000 and $25,000 correspondingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(f) Acquisition of additional equity interest in subsidiary in 2015

On 13 November 2015, the Company entered into a Sale and Purchase Agreement (the "2015 SPA") with Elco Holland B.V. ("EHL") for the acquisition of the remaining 20% equity interest in Airwell Air-conditioning (Asia) Company Limited ("Airwell Asia") by the Company's subsidiary, Hong Leong Asia Investments Pte. Ltd., for a cash consideration of US$1.

As a result of the above acquisition, Airwell Asia becomes a wholly-owned subsidiary of the Group. The difference of $654,000 between the consideration and the carrying value of the additional equity interest was recognised as premium paid on transaction with non-controlling interests within equity.

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

	$'000
Consideration paid	–*
Increase in equity attributable to non-controlling interest	654
Decrease in equity attributable to owners of the Company	(654)

* *Less than $1,000.*

The net cash flow impact of this transaction is not material to the Group.

(g) Disposal of ownership in interest in subsidiary, Jining Yuchai Engine Company Limited, without loss of control in 2014

On 28 September 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 RMB70 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 RMB250,000 (equivalent to $53,150). These two provisions are also contained in a separate undertaking letter issued and signed by the Purchaser to the Lenders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(g) Disposal of ownership in interest in subsidiary, Jining Yuchai Engine Company Limited, without loss of control in 2014 (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 RMB240,000 (equivalent to $51,024) per annum. On 13 October 2015, the agreement was renewed and extended for one more year.

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 of ownership interest in Jining Yuchai, 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.

(h) Acquisition of additional equity interest in joint ventures in 2014

(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 PRC. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(h) Acquisition of additional equity interest in joint ventures in 2014 (cont'd)

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

	AHSB $'000	YRC $'000	Total $'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

* Cash consideration is not material to the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(h) Acquisition of additional equity interest in joint ventures in 2014 (cont'd)

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 $'000	**YRC** $'000	**Total** $'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 the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(h) Acquisition of additional equity interest in joint ventures in 2014 (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 ended 31 December 2014. If the business combination had taken place at the beginning of the year ended 31 December 2014, 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

(i) 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 $2,663,000 (2014: $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 1.63% (2014: 2.14%) increase in effective equity interest held in CYI by the Group. The difference of $1,584,000 (2014: $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:

	2015 $'000	**2014** $'000
Consideration paid	2,663	8,924
Decrease in equity attributable to non-controlling interests	(4,247)	(12,955)
Increase in equity attributable to owners of the Company	(1,584)	(4,031)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. INTERESTS IN ASSOCIATES

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Singapore Cement Manufacturing Company (Private) Limited	19,412	19,621	13,726	13,726
Cement Industries (Sabah) Sdn. Bhd.	29,380	37,416	–	–
Other associates	4,418	5,018	–	–
	53,210	62,055	13,726	13,726

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest 2015	2014
			%	%
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][3]	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.
(3) Proportionate of ownership interest held by the Group in Cement Industries (Sabah) Sdn. Bhd. is 30% (2014: 30%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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.		Total	
	As at December 2015 $'000	As at December 2014 $'000	As at December 2015 $'000	As at December 2014 $'000	As at December 2015 $'000	As at December 2014 $'000
Current assets	23,666	33,508	61,986	80,711	85,652	114,219
Non-current assets	19,451	16,441	46,628	59,092	66,079	75,533
Total assets	43,117	49,949	108,614	139,803	151,731	189,752
Current liabilities	(4,278)	(10,693)	(6,563)	(11,689)	(10,841)	(22,382)
Non-current liabilities	(15)	(15)	(4,119)	(3,394)	(4,134)	(3,409)
Total liabilities	(4,293)	(10,708)	(10,682)	(15,083)	(14,975)	(25,791)
Net assets	38,824	39,241	97,932	124,720	136,756	163,961
Proportion of the Group's ownership	50%	50%	30%	30%		
Carrying amount of significant associates	19,412	19,621	29,380	37,416	48,792	57,037
Carrying amount of other associates					4,418	5,018
Carrying amount of the investment in associates					53,210	62,055

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. INTERESTS IN ASSOCIATES (CONT'D)

Summarised income statement and statement of comprehensive income

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue	91,675	80,209	136,700	179,053	228,375	259,262
Profit after tax	1,082	2,691	6,076	18,136	7,158	20,827
Group's share of profit of significant associates	541	1,346	1,823	5,441	2,364	6,787
Group's share of (loss)/profit of other associates					(50)	88
Group's share of profit of associates for the year					2,314	6,875
Other comprehensive income of significant associates	–	–	(5,502)	(794)	(5,502)	(794)
Other comprehensive income of other associates					(707)	(68)
Group's share of (loss)/profit for the year representing the Group's share of total comprehensive income for the year					(3,895)	6,013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. INTERESTS IN JOINT VENTURES

	Group 2015 $'000	Group 2014 $'000
Y&C Engine Co., Ltd.	36,052	37,344
Copthorne Hotel Qingdao Co., Ltd.	20,034	18,293
Other joint ventures	1,196	2,055
	57,282	57,692

Particulars of the joint venture entities are as follows:

Names of significant joint venture entity	Country of incorporation	Principal activities	Effective equity interest 2015 %	Effective equity interest 2014 %
Joint venture entity of HL Global Enterprises Limited ("HLGE")				
Copthorne Hotel Qingdao Co., Ltd. (1)(3)	The People's Republic of China	Owns and operates a hotel in Qingdao	11.34	10.86
Joint venture entity of China Yuchai International Limited ("CYI")				
Y&C Engine Co., Ltd. (2)(3)	The People's Republic of China	Manufacture and sale of heavy duty diesel engines, spare parts and after-sales services	13.29	12.73

(1) Audited by member firms of Ernst & Young Global.

(2) Audited by Wuhu Heng Sheng CPAs Co., Ltd, the People's Republic of China.

(3) Proportionate of ownership interest held by the Group in Copthorne Hotel Qingdao Co., Ltd. and Y&C Engine Co., Ltd. is 60% and 45% respectively as at 31 December 2015 and 2014.

The Group's share of contingent liabilities is $2,798,000 (2014: $2,734,000).

As at 31 December 2015, the Group's share of outstanding bills receivables endorsed to suppliers for which a joint venture retained a recourse obligation were $1,054,000 (2014: $3,980,000).

As at 31 December 2015, the Group's share of outstanding bills receivables discounted during the year with banks for which a joint venture retained a recourse obligation amounted to $20,288,000 (2014: $16,865,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. INTERESTS IN JOINT VENTURES (CONT'D)

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.		Total	
	As at December 2015 $'000	As at December 2014 $'000	As at December 2015 $'000	As at December 2014 $'000	As at December 2015 $'000	As at December 2014 $'000
Cash and short-term deposits	11,122	14,267	1,957	2,097	13,079	16,364
Other current assets	24,504	50,401	614	481	25,118	50,882
Total current assets	35,626	64,668	2,571	2,578	38,197	67,246
Non-current assets	137,582	132,630	67,090	66,331	204,672	198,961
Total assets	173,208	197,298	69,661	68,909	242,869	266,207
Current financial liabilities (excluding trade and other payables and provisions)	(6,462)	(4,252)	(31,272)	(335)	(37,734)	(4,587)
Other current liabilities	(73,927)	(90,624)	(4,999)	(3,577)	(78,926)	(94,201)
Non-current liabilities	(12,731)	(19,134)	–	(29,852)	(12,731)	(48,986)
Total liabilities	(93,120)	(114,010)	(36,271)	(33,764)	(129,391)	(147,774)
Net assets	80,088	83,288	33,390	35,145	113,478	118,433
Proportion of the Group's ownership	45%	45%	60%	60%		
Group's share of net assets	36,040	37,480	20,034	21,087		
Cumulative impairment loss	–	–	(2,794)	(2,794)		
Reversal of cumulative impairment loss	–	–	2,794	–		
Other adjustments	12	(136)	–	–		
Carrying amount of significant joint ventures	36,052	37,344	20,034	18,293	56,086	55,637
Carrying amount of other joint ventures					1,196	2,055
Carrying amount of the investment in joint ventures					57,282	57,692

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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.		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue	77,914	100,203	11,134	12,453	89,048	112,656
Depreciation and amortisation	(5,123)	(4,966)	(2,638)	(2,487)	(7,761)	(7,453)
Interest expense	(4,284)	(5,480)	(1,878)	(1,917)	(6,162)	(7,397)
Loss after tax	(4,358)	(2,617)	(2,132)	(2,699)	(6,490)	(5,316)
Group's share of loss	(1,961)	(1,178)	(1,279)	(1,619)		
Reversal of cumulative impairment loss	–	–	2,794	–		
Group's share of (loss)/profit of significant joint ventures	(1,961)	(1,178)	1,515	(1,619)	(446)	(2,797)
Group's share of loss of other joint ventures					(195)	(2,574)
Group's share of loss of joint ventures for the year					(641)	(5,371)
Other comprehensive income of significant joint ventures	521	634	220	245	741	879
Other comprehensive income of other joint ventures					31	(41)
Group's share of profit/(loss) for the year representing the Group's share of total comprehensive income for the year					131	(4,533)

The Group recognised a reversal of impairment loss of $2,794,000 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 2015 for the investment in Copthorne Hotel Qingdao Co., Ltd.. The provision was made in 2013. No further impairment was identified in 2014. The reversal in 2015 was made because the fair value less cost to sell estimated in the latest independent valuation report was higher than the carrying amount, had no impairment loss been recognised in prior year, and on the basis that management had obtained the consent of its joint venture partner to sell the joint venture.

The impairment assessment process is complex and involved significant judgement and estimates of expected future market and economic conditions that may have an impact on the valuation of the business. Management uses an external specialist (real estate valuer) to support the determination of the recoverable amount of the joint venture.

The Group estimates the recoverable amounts of investment in joint ventures based on the cash generating unit's fair value less cost of disposal. The fair value is determined using recognised valuation technique, which is discounted cash flow method. The calculations require the use of key estimates, which are occupancy rates, room rates, discount rates and gross margins of operating hotel. With regards to the valuation of the recoverable amount of the joint venture, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the joint venture to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. INVESTMENT PROPERTY

	Group	
	2015	**2014**
	$'000	$'000
Cost		
Transfer from development properties (Note 15) and balance at 31 December	6,747	–
Accumulated depreciation		
Transfer from development properties (Note 15) and balance at 31 December	5,145	–
Net carrying amount	1,602	–
Fair value	1,602	–

During the year ended 31 December 2015, the commercial building with carrying amount of $1,602,000 was transferred from development properties to investment property as this property was leased to third parties to generate rental income.

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

The fair value is determined by independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of investment property is based on market value between a willing buyer and a willing seller in an arm's length transaction. For comparison method, it compares the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at their opinion of value. The assumption used in determination of fair value, with key significant unobservable inputs (fair value level 3), was rental yield of 3% based on valuer's assessment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. OTHER INVESTMENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Non-current				
Available-for-sale financial assets				
Quoted equity securities				
– related corporations	1,425	1,766	–	–
	1,425	1,766	–	–
Current				
Held for trading				
Quoted equity securities				
– other company	2,581	4,859	–	–
Available-for-sale financial assets				
Quoted equity securities				
– other companies	11	19	–	1
	2,592	4,878	–	1

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. NON-CURRENT RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Amounts due from subsidiaries	–	–	128,184	–
Amounts due from joint venture partners	327	268	–	–
Lease receivables	3,610	2,633	–	–
Retention sums	5,541	4,840	–	–
Others	727	–	–	–
Less: Impairment losses	–	–	(25,000)	–
	10,205	7,741	103,184	–

Group

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

Lease receivables relates to receivables for lease of cement trucks to ownership drivers under the owner driver scheme. The lease receivables are unsecured and are to be settled in cash. Full payment of the purchase price of cement trucks will be made over a period of approximately five years.

	2015		2014	
	Gross lease receivables	**Present value of minimum lease payments receivables**	**Gross lease receivables**	**Present value of minimum lease payments receivables**
	$'000	$'000	$'000	$'000
Within 1 year (Note 16)	2,238	2,099	1,472	1,369
After 1 year but within 5 years	3,857	3,610	2,808	2,633
Total gross lease receivables	6,095	5,709	4,280	4,002
Less: Amounts representing unearned finance income	(386)	–	(278)	–
Present value of minimum lease payments receivables	5,709	5,709	4,002	4,002

Other non-current receivables include non-trade amounts due from third parties for the disposal of vehicles under the lorry-owned driver schemes on a deferred payment basis.

Company

The non-trade amounts due from subsidiaries bear interest at rates ranging from 0.70% to 2.36% per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 1.17% per annum. Interest rates will be repriced within 12 months. During the year ended 31 December 2015, the Company recognised impairment loss of $25,000,000 on non-trade amounts due from subsdiaries. These balances of $103,184,000 have been reclassified from current receivables as repayment is not expected to be made within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. DEFERRED TAX

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

Group	At 1 January 2015 $'000	Recognised in income statement $'000	Withholding taxes paid on remittance of dividends $'000	Translation differences $'000	At 31 December 2015 $'000
Deferred tax liabilities					
Property, plant and equipment	(14,137)	(1,726)	–	1,403	(14,460)
Unremitted income	(3,831)	(90)	–	(1)	(3,922)
Withholding tax on dividend income	(28,443)	(877)	7,105	(435)	(22,650)
Other items	(748)	(3,702)	–	59	(4,391)
Total	(47,159)	(6,395)	7,105	1,026	(45,423)
Deferred tax assets					
Property, plant and equipment	1,633	475	–	35	2,143
Inventories	6,304	(434)	–	88	5,958
Intangible assets	1,273	55	–	16	1,344
Trade and other receivables	3,384	(734)	–	54	2,704
Provisions	69,779	(13,058)	–	818	57,539
Deferred grants	14,049	(9,662)	–	318	4,705
Other items	5,261	(3,720)	–	53	1,594
Total	101,683	(27,078)	–	1,382	75,987

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. DEFERRED TAX (CONT'D)

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

Group	At 1 January 2014 $'000	Recognised in income statement $'000	Withholding taxes paid on remittance of dividends $'000	Translation differences $'000	At 31 December 2014 $'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

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

	Company 2015 $'000	Company 2014 $'000
Deferred tax liabilities		
Property, plant and equipment	(6)	(32)
Unremitted income	(1,931)	(1,858)
	(1,937)	(1,890)
Deferred tax assets		
Provisions	15	11

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. 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	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Deferred tax assets	75,987	101,683	15	11
Deferred tax liabilities	(45,423)	(47,159)	(1,937)	(1,890)
	30,564	54,524	(1,922)	(1,879)

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

	Group	
	2015	**2014**
	$'000	$'000
Unutilised tax losses	558,246	426,342
Unutilised capital allowances and investment allowances	24,192	29,043
Other unrecognised temporary differences relating to provisions and deferred grants	103,909	–
	686,347	455,385

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 unabsorbed capital allowances do not expire under current tax legislation. The unutilised tax losses will expire within the next 5 years, except for an amount of $8,869,000 (2014: $8,869,000) with no expiry date. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

14. INVENTORIES

	Group	
	2015	**2014**
	$'000	$'000
Raw materials and consumables	270,688	334,297
Manufacturing work-in-progress	13,811	20,204
Finished goods	240,300	229,407
Total inventories at the lower of cost and net realisable value	524,799	583,908
Inventories recognised as an expense in cost of sales (Note 24)	2,606,366	3,003,516
Inclusive of the following charge/(credit):		
– Inventories written down	18,252	7,088
– Reversal of inventories written down	(5,695)	(5,398)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. DEVELOPMENT PROPERTIES

	Group	
	2015	**2014**
	$'000	$'000
Properties in the course of development, at cost	13,970	16,019
Completed projects	7,665	9,147
	21,635	25,166
Transfer to investment property (Note 10)	(6,747)	–
Transfer to property, plant and equipment (Note 3)	(58)	–
Allowance for anticipated losses	(9,960)	(18,058)
	4,870	7,108

No borrowing cost has been capitalised in 2015 and 2014.

The change in allowance for anticipated losses in respect of development properties during the year is as follows:

	Group	
	2015	**2014**
	$'000	$'000
At 1 January	18,058	18,985
Allowance utilised	–	(54)
Translation differences	(2,299)	(873)
Written back	(650)	–
Transfer to investment property (Note 10)	(5,145)	–
Transfer to property, plant and equipment (Note 3)	(4)	–
At 31 December	9,960	18,058

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. TRADE AND OTHER RECEIVABLES

	Group	
	2015	**2014**
	$'000	$'000
Trade receivables	299,510	302,442
Bill receivables	1,503,953	1,705,596
Less: Impairment losses	(17,181)	(7,802)
Net trade receivables	1,786,282	2,000,236
Amounts receivable from:		
– ultimate holding company (non-trade)	39	–
– immediate holding company (non-trade)	–	11
– associates and joint ventures (trade)	36,862	28,793
– associates and joint ventures (non-trade)	1,259	216
– other related corporations (trade)	546	936
– other related corporations (non-trade)	682	586
Advances paid to suppliers	11,115	19,905
Prepaid expenses	5,314	4,657
Refundable deposits	3,803	1,725
Tax recoverable	43,797	22,711
Lease receivables (Note 12)	2,099	1,369
Other receivables	30,237	35,813
Less: Impairment losses – other receivables	(2,358)	(1,599)
Net other receivables	133,395	115,123
Total trade and other receivables	1,919,677	2,115,359

	Company	
	2015	**2014**
	$'000	$'000
Trade receivables	16	16
Amounts receivable from:		
– ultimate holding company (non-trade)	39	–
– immediate holding company (non-trade)	28	22
– subsidiaries (non-trade)	225,862	284,895
– associates (non-trade)	1	1
– other related corporations (non–trade)	3	–
Prepaid expenses	44	29
Refundable deposits	160	59
Dividend receivables	–	5,000
Other receivables	–	196
Total trade and other receivables	226,153	290,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Group

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

Other receivables include an amount of approximately $4,822,300 which is currently the subject of litigation, instituted by a PRC based subsidiary of the Group, against a major bank in the PRC. The legal advice obtained by the subsidiary, from its legal advisors, in the PRC, is that this subsidiary has a good legal case against the bank and should be able to recover the entire amount which has been claimed.

Company

The non-trade balances due from subsidiaries include loans and advances of $208,742,000 (2014: $178,655,000) which bear interest at rates ranging from 0.70% to 2.36% (2014: 0.66% to 4.41%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 1.19% (2014: 1.20%) 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 12) and amounts due from subsidiaries at the reporting date (by business activities) is as follows:

	Group	
	2015	**2014**
	$'000	$'000
Diesel engines	1,592,314	1,767,725
Consumer products	138,718	160,137
Building materials	122,642	126,442
Industrial packaging	8,124	11,864
Air-conditioning systems	4,029	7,930
Others	26	4
	1,865,853	2,074,102

	Company	
	2015	**2014**
	$'000	$'000
Diesel engines	2	4
Consumer products	75,661	27,993
Air-conditioning systems	45,729	53,673
Others	207,741	208,460
	329,133	290,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses

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

	2015 Gross $'000	2014 Gross $'000
Group		
Not past due	1,728,546	1,942,502
Past due 0 to 30 days	45,289	58,863
Past due 31 to 120 days	61,849	45,492
Past due 121 days to one year	18,574	13,836
More than one year	31,134	22,810
	1,885,392	2,083,503
	Impairment losses $'000	**Impairment losses** $'000
Past due 0 to 30 days	(998)	(420)
Past due 31 to 120 days	(3,731)	(20)
Past due 121 days to one year	(6,376)	(2,426)
More than one year	(8,434)	(6,535)
	(19,539)	(9,401)
	Gross $'000	**Gross** $'000
Company		
Not past due	583	1,107
Past due 0 to 30 days	5,943	2,503
Past due 31 to 120 days	4,480	25,527
Past due 121 days to one year	59,047	20,240
More than one year	284,080	235,753
	354,133	285,130
	Impairment losses $'000	**Impairment losses** $'000
More than one year	(25,000)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. 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	
	2015	**2014**
	$'000	$'000
At 1 January	9,401	7,605
Impairment losses made	10,626	2,769
Amounts written off	(394)	(1,204)
Translation differences	(94)	231
At 31 December	19,539	9,401

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.

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 $27,812,000 (2014: $26,831,000) from certain trade receivables. These guarantees included cash collateral held from certain customers of $3,849,000 (2014: $4,680,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

As at 31 December 2015, outstanding bills receivables endorsed to suppliers with recourse obligation were $239,524,000 (2014: $280,382,000).

As at 31 December 2015, outstanding bills receivables discounted during the year with banks for which the Group retained a recourse obligation amounted to $384,000 (2014: $169,461,000).

<u>Receivables subject to offsetting arrangements</u>

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

	Gross carrying amounts	**Gross amounts offset in the balance sheet**	**Net amounts in the balance sheet**
	$'000	$'000	$'000
Company			
2015			
Current			
Amounts due from subsidiaries	90	(45)	45
Amounts due to subsidiaries	(55)	45	(10)
2014			
Current			
Amounts due from subsidiaries	1,376	(1,334)	42
Amounts due to subsidiaries	(1,479)	1,334	(145)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. 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 $'000	Related amounts not set off in the balance sheet $'000	Net amounts $'000
2015			
Trade and other receivables	32,152	(11,376)	20,776
Trade and other payables	(12,403)	11,376	(1,027)
2014			
Trade and other receivables	30,334	(4,876)	25,458
Trade and other payables	(5,107)	4,876	(231)

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

	Group		Company	
	2015 $'000	**2014** $'000	**2015** $'000	**2014** $'000
Short-term fixed deposits	260,159	329,086	9,875	1,060
Cash at banks and in hand	753,030	467,689	1,324	908
	1,013,189	796,775	11,199	1,968
Long-term fixed deposits	12,924	–	–	–
	1,026,113	796,775	11,199	1,968
Long-term fixed deposits	(12,924)	–		
Bank overdraft	(25)	–		
Short-term deposits*	(1,567)	(41,152)		
Restricted deposits	(72,977)	(15,081)		
Cash and cash equivalents in the cash flow statement	938,620	740,542		

* Relate to certain bank deposits with initial maturities of more than three months and subject to more than insignificant risk of changes in value upon withdrawal before maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. 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 Group has engaged banks to provide bankers' guarantee to its customers for contractual fulfillment of $678,000 (2014: $950,000).

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	
	2015	**2014**	**2015**	**2014**
	%	%	%	%
Fixed deposits	2.24	2.75	0.95	0.45

Interest rates will be repriced within 12 months.

18. SHARE CAPITAL

	Group and Company			
	2015		**2014**	
	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 "HLA 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. RESERVES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Capital reserve	4,442	293	9,199	9,199
Statutory reserve	33,178	35,321	–	–
Translation reserve	(20,592)	(11,915)	–	–
Fair value reserve	45,230	45,579	–	–
Share option reserve	3,788	2,872	2,453	2,397
Accumulated profits	439,617	511,191	71,222	48,058
Discount on acquisition of non-controlling interests	10,247	17,204	–	–
	515,910	600,545	82,874	59,654

(a) Capital reserve comprises:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'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	12,384	8,235	–	–
	4,442	293	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% (2014: 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.

(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 purchase price to the identifiable net assets and contingent liabilities of subsidiaries.

(e) The share option 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. LOANS AND BORROWINGS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current liabilities				
Unsecured bank overdraft	25	–	–	–
Unsecured bank loans	553,389	563,279	202,006	117,375
Secured bank loans	64,729	13,330	–	–
Obligations under finance leases (Note 31)	2,112	1,389	–	–
Short-term bonds	301,278	–	–	–
	921,533	577,998	202,006	117,375
Non-current liabilities				
Unsecured bank loans	7,000	67,000	–	60,000
Secured bank loans	51,751	90,045	–	–
Obligations under finance leases (Note 31)	3,622	2,660	–	–
Medium-term bonds	–	212,004	–	–
	62,373	371,709	–	60,000
Total loans and borrowings	983,906	949,707	202,006	177,375

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 1.34% (2014: 1.38%) per annum.

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

	Group	
	2015	2014
	$'000	$'000
Property, plant and equipment	19,431	24,289
Land use rights	16,020	12,344
Investment in subsidiaries	59,910	68,721
Cash at bank	64,742	–
Inventories	–	5,671

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 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. LOANS AND BORROWINGS (CONT'D)

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

	2015		
Group	**Weighted average interest rate** %	**Year of maturity**	**Carrying amount** $'000
Secured bank loans:			
– RMB floating rate loans	8.3	2016	3,232
– RMB floating rate loans	8.3	2017	807
– MYR floating rate loans	6.1	2016	987
– MYR floating rate loans	5.2	2017	46,502
– MYR floating rate loans	6.1	2020	4,442
– EURO floating rate loans	0.9	2016	60,510
			116,480
Unsecured bank loans:			
– RMB floating rate loans	4.7	2016	183,935
– USD floating rate loans	1.0	2016	41,031
– HKD floating rate loans	1.7	2016	274
– MYR floating rate loans	5.4	2016	3,979
– SGD floating rate loans	1.9	2016	195,010
– SGD floating rate loans	2.1	2017	7,000
– RMB fixed rate loans	5.9	2016	79,160
– SGD fixed rate loans	4.6	2016	50,000
– Bank overdraft	7.9	2016	25
			560,414
Obligations under finance leases:			
– MYR fixed rate loans	2.6	2016	10
– MYR fixed rate loans	2.6	2018	9
– SGD fixed rate loans	1.4	2016	2,102
– SGD fixed rate loans	1.4	2017	654
– SGD fixed rate loans	1.3	2019	621
– SGD fixed rate loans	1.3	2020	2,338
			5,734
Short-term bonds:			
– RMB fixed rate short-term bonds	4.6	2016	301,278
			983,906
Company			
Unsecured bank loans:			
– USD floating rate loans	1.0	2016	41,031
– SGD floating rate loans	1.9	2016	160,975
			202,006

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. LOANS AND BORROWINGS (CONT'D)

	2014		
Group	**Weighted average interest rate** %	**Year of maturity**	**Carrying amount** $'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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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:

Group	Carrying amount	Cash flows: Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
2015					
Floating interest rate loans	547,709	562,866	501,038	61,828	–
Fixed interest rate loans	129,160	136,081	136,081	–	–
Obligations under finance leases	5,734	6,116	2,252	3,864	–
Short-term bonds	301,278	313,861	313,861	–	–
Bank overdraft	25	25	25	–	–
Trade and other payables *	1,632,264	1,632,264	1,632,264	–	–
Non-current payables	24,844	24,844	–	24,844	–
	2,641,014	2,676,057	2,585,521	90,536	–
2014					
Floating interest rate loans	600,871	632,017	463,143	162,241	6,633
Fixed interest rate loans	132,783	140,532	140,532	–	–
Obligations under finance leases	4,049	4,332	1,491	2,841	–
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	2,298,586	415,607	6,633

* Excludes advances from customers.

Company	Carrying amount	Cash flows: Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
2015					
Floating interest rate loans	202,006	205,517	205,517	–	–
Trade and other payables	5,562	5,562	5,562	–	–
	207,568	211,079	211,079	–	–
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	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade payables	1,037,368	1,082,084	–	–
Accrued expenses	443,275	464,230	2,748	1,930
Other payables	65,440	54,893	52	4
Deferred grants	5,784	5,990	–	–
Deferred income [(i)]	36,618	36,142	–	–
Advances from customers	48,767	58,437	–	–
Trust receipts	3,648	4,112	–	–
Amounts due to:				
– immediate holding company (non-trade)	119	100	48	13
– subsidiaries (trade)	–	–	401	739
– subsidiaries (non-trade)	–	–	2,302	2,389
– associates and joint ventures (trade)	12,728	11,808	–	–
– associates and joint ventures (non-trade)	615	220	–	–
– other related corporations (trade)	26,308	22,291	–	–
– other related corporations (non-trade)	361	1,071	11	1
Total trade and other payables (current)	1,681,031	1,741,378	5,562	5,076

(i) Related to a subsidiary's transfer of technology know-how to a joint venture for which revenue has not been recognised.

	Group	
	2015	2014
	$'000	$'000
Amount due to a joint venture partner	–	2,405
Provision for bonus	24,844	25,637
Other payables (non-current)	24,844	28,042

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. The amount due to a joint venture partner was interest-free and fully settled during the year.

Amounts due to related corporations

The balances with the immediate holding company, subsidiaries, associates, joint ventures 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 agreed between the parties.

The weighted average effective annual interest rates at the balance sheet date in respect of interest-bearing balances are as follows:

	Group	
	2015	2014
	%	%
Trust receipts	3.65	3.65

Interest rates will be repriced within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. PROVISIONS

Group	Claims $'000	Warranties $'000	Total $'000
At 1 January 2014	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 and 1 January 2015	7,356	72,746	80,102
Provision made	6,324	78,356	84,680
Provision utilised	(2,691)	(93,079)	(95,770)
Provision reversed	(28)	–	(28)
Translation differences	(83)	1,162	1,079
At 31 December 2015	10,878	59,185	70,063

<u>Claims</u>

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.

<u>Warranties</u>

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 2015 $'000	Group 2014 $'000
Sale of goods	4,062,105	4,543,491
Services rendered	20,542	16,210
Sale of development properties	–	180
Rental income	81	123
	4,082,728	4,560,004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

24. PROFIT BEFORE INCOME TAX

Profit before income tax includes the following:

	Note	Group 2015 $'000	Group 2014 $'000
Impairment losses recognised for trade and other receivables	16	10,626	2,769
Inventories recognised as an expense in cost of sales	14	2,606,366	3,003,516
Amortisation of intangible assets	5	2,072	2,179
Depreciation of property, plant and equipment	3	138,785	126,999
Amortisation of land use rights	4	3,833	3,454
Property, plant and equipment written off	3	1,245	170
Audit fees paid/payable:			
– auditors of the Company		1,283	1,225
– other auditors		1,872	1,591
Non-audit fees paid/payable to:			
– auditors of the Company		102	170
– other auditors		418	586
Exchange loss, net		9,038	1,358
Fair value loss on investments		2,375	1,080
Fair value (gain)/loss on derivatives		(3,689)	1,773
Operating lease expense		18,860	16,385
Loss on disposal of property, plant and equipment		3,190	1,205
Loss on disposal of subsidiaries	7(d)	2,981	–
Gain on disposal of a joint venture		(76)	–
Gain on disposal of land use rights		(548)	(40)
Provisions made, net	22	84,652	97,243
Allowance made for inventories written down, net	14	12,557	1,690
Impairment losses on property, plant and equipment	3	1,656	7,872
Impairment losses on intangible assets	5	14,545	12,341
Write-back of allowance for anticipated losses on development properties	15	(650)	–
Waiver of trade payables	7(g)	–	(7,333)
Gains arising from acquisition	7(h)	–	(19,390)
Dividend income from other investments		(44)	(250)
Interest income:			
– cash and short-term deposits		(13,834)	(15,700)
– other related corporations		(235)	(212)
Sale of scrap		(440)	(3,146)
Government grant		(7,041)	(5,675)

25. FINANCE COSTS

	Group 2015 $'000	Group 2014 $'000
Bank term loans	27,071	32,525
Bank overdrafts	21	10
Finance lease	2	2
Fixed interest rate bonds	11,821	10,230
Trust receipts	258	196
Bills discounting	2,619	13,108
Bank charges	1,595	1,961
Facilities fees	–	164
	43,387	58,196

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. EMPLOYEE BENEFITS

	Group	
	2015	**2014**
	$'000	$'000
Wages and salaries	311,297	308,876
Cost of share-based payments	2,344	482
Contributions to defined contribution plans	77,954	70,727
	391,595	380,085

27. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	**2014**
	$'000	$'000
Consolidated income statement:		
Current tax charge		
– Current year	41,554	53,140
– (Over)/under provision in respect of prior years	(2,145)	1,791
	39,409	54,931
Deferred tax expense		
– Movements in temporary differences	31,097	3,259
– Under/(over) provision in respect of prior years	1,499	(438)
	32,596	2,821
Withholding tax expense	877	4,997
Income tax expense recognised in profit or loss	72,882	62,749

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 and 2014 are as follows:

	Group	
	2015	**2014**
	$'000	$'000
Profit before income tax	81,241	237,375
Income tax using the PRC tax rate of 25% (2014: 25%)	20,310	59,344
Adjustments:		
Effect of different tax rates in other countries	1,676	(2,035)
Effect of tax concessions	(14,018)	(21,242)
Non-deductible expenses	10,970	5,756
Tax-exempt income	(1,957)	(1,181)
Utilisation of deferred tax benefits previously not recognised	(437)	(2,552)
Deferred tax benefits not recognised	61,955	24,879
Tax credits for research and development expense	(5,917)	(7,039)
(Over)/under provision in respect of prior years:		
– current	(2,145)	1,791
– deferred	1,499	(438)
Withholding tax expenses	877	4,997
Others	69	469
	72,882	62,749

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% (2014: 25%). This concession is available subject to certain conditions including these entities remain engaged in advanced and new technology.

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 foreign investors of the 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. As of 31 December 2015, the amount of deferred tax liability in respect of withholding tax payable was $22,650,000 (2014: $28,443,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on:

	Group 2015 $'000	Group 2014 $'000
(i) Net (loss)/profit attributable to owners of the Company	(61,353)	26,929

	2015 No. of shares	2014 No. of shares
(ii) Number of issued ordinary shares at beginning and end of the year	373,908,559	373,908,559

Diluted (loss)/earnings per share

The weighted average number of ordinary shares adjusted for the effect of unissued ordinary shares under the HLA Share Option Scheme is determined as follows:

	Group 2015 No. of shares	Group 2014 No. of shares
Weighted average number of shares issued, used in the calculation of basic (loss)/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

1,590,000 (2014: 1,470,000) 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 2015 $'000	Group 2014 $'000
Interim tax exempt dividend paid of 1 cent per share in respect of year 2015 (2014: 1 cent per share in respect of year 2014)	3,739	3,739
Final tax exempt dividend paid of 2 cents per share in respect of year 2014 (2014: 3 cents per share in respect of year 2013)	7,478	11,217
	11,217	14,956

After the balance sheet date, the directors proposed a final tax exempt dividend of 1 cent (2014: 2 cents) per ordinary share in respect of year 2015 amounting to approximately $3,739,000 (2014: $7,478,000) on the basis that the number of shares (373,908,559 shares) in issue at the time of payment remains the same as at 26 February 2016. The dividends have not been provided for.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. SHARE OPTIONS

By the Company

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

The HLA 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 HLA 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 HLA Share Option Scheme, all other rules of the HLA Share Option Scheme remain unchanged.

The HLA 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 HLA Share Option Scheme are subject to a vesting schedule as follows:

Market Price Options:

(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.

Incentive Price Options:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. SHARE OPTIONS (CONT'D)

By the Company (cont'd)

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

Details of the options granted under the HLA 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 2015	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	–	–	80,000
28/1/2014	$1.31	540,000	–	–	–
3/2/2015	$1.45	–	200,000	–	–
Total		1,470,000	200,000	–	80,000

* 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Number of options outstanding at 31 December 2015	Number of options exercisable at 1 January 2015	Number of options exercisable at 31 December 2015	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
380,000	460,000	380,000	–	–	5/1/2012 to 4/1/2021
540,000	–	178,200	–	–	28/1/2015 to 27/1/2024
200,000	–	–	–	–	3/2/2017 to 2/2/2025
1,590,000	930,000	1,028,200	–		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. SHARE OPTIONS (CONT'D)

By the Company (cont'd)

Hong Leong Asia Share Option Scheme 2000 (the "HLA 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 estimated at the date of the grant using 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	On 3 February 2015
Fair value at measurement date ($)	0.53 – 0.66	1.18 – 1.44	0.13 – 0.25	0.14 – 0.17
Share price ($)	2.36	3.17	1.31	1.45
Exercise price ($)	2.36	3.17	1.31	1.45
Expected volatility (%)	43.9 – 45.2	72.0 – 79.0	21.1 – 34.0	16.9 – 18.5
Expected option life (years)	2 – 4	2 – 4	2 – 4	3 – 5
Expected dividends (%)	2.5	3.0	3.1	2.2
Risk-free interest rate (%)	1.1 – 1.4	0.9 – 1.4	0.6 – 0.8	1.5 – 1.7

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 (2014: $1.31 to $3.17). The weighted average remaining contractual life for these options is 5.78 years (2014: 6.29 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 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;

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

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30. SHARE OPTIONS (CONT'D)

By Subsidiary (cont'd)

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

No option was granted under the CYI Equity Plan during the financial year under review. As at the end of the year, there were a total of 570,000 unissued Ordinary Shares under option granted pursuant to the CYI Equity Plan. Details of the options to subscribe for Ordinary Shares in CYI are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2015	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2015	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	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	126,844	217,710	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Within 1 year	9,184	9,809	594	377
After 1 year but within 5 years	12,017	11,725	945	19
After 5 years	823	2,619	–	–
	22,024	24,153	1,539	396

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 three years. Any increase will not exceed 5.5% (2014: 5.5% to 9.0%) on an annualised basis, provided that any rent after such increase shall not exceed the prevailing market rent. The leases expire between 2016 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	
	2015	**2014**
	$'000	$'000
Within 1 year	831	665
After 1 year but within 5 years	1,966	1,457
After 5 years	4,085	3,722
	6,882	5,844

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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			
	2015		**2014**	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
	$'000	$'000	$'000	$'000
Within 1 year	2,252	2,112	1,491	1,389
After 1 year but within 5 years	3,864	3,622	2,841	2,660
Total minimum lease payments	6,116	5,734	4,332	4,049
Less: Amounts representing finance charges	(382)	–	(283)	–
Present value of minimum lease payments	5,734	5,734	4,049	4,049

32. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Group	
	2015	**2014**
	$'000	$'000
Short-term employee benefits	9,830	11,632
Defined contribution plans	142	130
Share-based payments	42	28
	10,014	11,790

Directors' remuneration included in key management personnel compensation amounted to $2,673,000 (2014: $2,795,000).

<u>Hong Leong Asia Share Option Scheme 2000 (the "HLA Share Option Scheme")</u>

Key management personnel of the Group participate in the HLA Share Option Scheme as described in Note 30. During the year, 200,000 (2014: 350,000) shares under option were granted to key management personnel pursuant to the HLA Share Option Scheme (the "Options"). All Options are subject to a vesting schedule.

As at the end of the year, 1,320,000 (2014: 1,120,000) Options granted to key management personnel were outstanding, of which 970,000 (2014: 970,000) were Options granted to the Executive Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. RELATED PARTY TRANSACTIONS (CONT'D)

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

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

Awards of share options, restricted stock and stock payments may be granted to key management personnel of the Group who are employees of CYI or a subsidiary of CYI pursuant to the CYI Equity Plan as described in Note 30. No award was granted to key management personnel under the CYI Equity Plan during the financial year under review (2014: 430,000 options). As at the end of the year, 430,000 (2014: 430,000) options granted to key management personnel were outstanding. These options are subject to a vesting period.

(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 $95,000 (2014: $127,000). $22,000 was outstanding at the balance sheet date (2014: S$43,000).

Significant transactions with related parties made at terms agreed between the parties, other than those as disclosed elsewhere in the financial statements, are as follows:

	Group	
	2015	**2014**
	$'000	$'000
Sale of diesel engines and raw materials		
– associates and joint ventures	36,126	43,516
– related corporations	112,859	82,300
Purchase of raw materials		
– associates and joint ventures	75,944	60,922
– related corporations	258,155	300,482
Management services paid and payable		
– related corporations	552	987
Rental paid and payable (include general expenses)		
– immediate holding company	481	585
Interest expenses		
– related corporations	–	78
General and administrative expenses		
– related corporations	10,834	7,294
Delivery, storage and distribution expenses		
–related corporations	42,628	50,571
Hospitality and restaurant service income		
– related corporations	709	350
Purchase of vehicles and machineries		
– related corporations	429	3,440

(c) *Outstanding balances with a related party*

As at 31 December 2015, fixed deposits held with a related party amounted to $23,167,000 (2014: $20,925,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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, 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.

As at 31 December 2015, there was no significant concentration of credit risk. As at 31 December 2014, a subsidiary of the Group had trade receivables due from a major Chinese customer, amounting to $38 million, representing 2% of total gross trade and bill receivables of the Group. Except for this, there was no significant concentration of credit risk as at 31 December 2014.

<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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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.

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, Hong Kong Dollar and Euro, 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 2015		
Floating rate instruments	(2,876)	2,876
31 December 2014		
Floating rate instruments	(2,718)	2,718

	Profit before income tax	
	100 bp Increase	100 bp Decrease
	$'000	$'000
Company		
31 December 2015		
Floating rate instruments	(1,921)	1,921
31 December 2014		
Floating rate instruments	(1,763)	1,763

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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:

	2015					
Group	**Singapore Dollar** $'000	**Chinese Renminbi** $'000	**United States Dollar** $'000	**Ringgit Malaysia** $'000	**Euro** $'000	**Hong Kong Dollar** $'000
Other investments	2,581	–	–	–	–	–
Trade and other receivables	3,013	73,290	77,893	–	1,911	475
Cash and cash equivalents	27,017	8,610	1,782	202	91	–
Loans and borrowings	(7,005)	–	(41,031)	–	(60,511)	–
Trade and other payables	(32,027)	(1,224)	(30,594)	(10,400)	(1,017)	(1,075)
	(6,421)	80,676	8,050	(10,198)	(59,526)	(600)

	2015	
Company	**Chinese Renminbi** $'000	**United States Dollar** $'000
Trade and other receivables	–	72,882
Cash and cash equivalents	375	27
Loans and borrowings	–	(41,031)
	375	31,878

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(d) Foreign currency risk (cont'd)

Group	2014 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

Company	2014 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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**
	$'000	$'000
2015		
Singapore Dollar	(642)	–
Chinese Renminbi	8,068	38
United States Dollar	805	3,188
Ringgit Malaysia	(1,020)	–
Euro	(5,953)	–
Hong Kong Dollar	(60)	–
2014		
Singapore Dollar	(1,942)	–
Chinese Renminbi	2,723	6
United States Dollar	(46)	2,597
Ringgit Malaysia	(24)	–
Euro	(55)	–
Hong Kong Dollar	76	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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.

(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			
	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**
2015				
Financial assets				
Other investments	4,017	–	–	4,017
Derivatives	–	3,340	–	3,340
At 31 December 2015	4,017	3,340	–	7,357
2014				
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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) *Level 2 fair value measurements*

The Group's derivatives consist of the following:

i. On 22 December 2015, the Group entered into a non-deliverable forward ("NDF") foreign exchange contract with a bank to purchase Euro 39.1 million at the forward exchange rate (RMB/Euro) of 6.6987 on 13 April 2016. The Group accounted this NDF at fair value through "Other income" line in the income statement. As at 31 December 2015, the carrying amount of this financial asset is $3,340,000.

ii. The Group entered into a coupon swap with range forward with a bank to hedge against foreign currency risk on the borrowings of $50 million. The contract has been fully settled in 2015.

iii. The Group entered into a non-deliverable range swap with a bank to hedge against foreign currency risk on the borrowings of $20.5 million. The contract has been fully settled in 2015.

iv. The Group entered into NDF foreign exchange contract with a bank to purchase Canadian Dollar ("CAD") 27.9 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 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 16), cash and short-term deposits (Note 17), 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 12) 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 17) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Group					
2015					
Assets					
Other investments	–	2,581	1,436	–	4,017
Non-current receivables	6,595	–	–	–	6,595
Long-term bank deposits	12,924	–	–	–	12,924
Trade receivables	1,786,282	–	–	–	1,786,282
Due from related corporations	39,388	–	–	–	39,388
Deposits	3,803	–	–	–	3,803
Lease receivables	5,709	–	–	–	5,709
Other receivables	27,879	–	–	–	27,879
Derivatives	–	3,340	–	–	3,340
Cash and short-term deposits	1,013,189	–	–	–	1,013,189
	2,895,769	5,921	1,436	–	2,903,126
Liabilities					
Trade payables	–	–	–	1,037,368	1,037,368
Accrued expenses	–	–	–	443,275	443,275
Other payables	–	–	–	65,440	65,440
Trust receipts	–	–	–	3,648	3,648
Due to related corporations	–	–	–	40,131	40,131
Loans and borrowings	–	–	–	983,906	983,906
Other non-current payables	–	–	–	24,844	24,844
	–	–	–	2,598,612	2,598,612

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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)

	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Group					
2014					
Assets					
Other investments	–	4,859	1,785	–	6,644
Non-current receivables	5,108	–	–	–	5,108
Trade receivables	2,000,236	–	–	–	2,000,236
Due from related corporations	30,542	–	–	–	30,542
Deposits	1,725	–	–	–	1,725
Lease receivables	4,002	–	–	–	4,002
Other receivables	34,214	–	–	–	34,214
Derivatives	–	12	–	–	12
Cash and short-term deposits	796,775	–	–	–	796,775
	2,872,602	4,871	1,785	–	2,879,258
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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)

	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Company					
2015					
Assets					
Trade receivables	16	–	–	–	16
Due from related corporations	329,117	–	–	–	329,117
Deposits	160	–	–	–	160
Cash and short-term deposits	11,199	–	–	–	11,199
	340,492	–	–	–	340,492
Liabilities					
Accrued expenses	–	–	–	2,748	2,748
Other payables	–	–	–	52	52
Due to related corporations	–	–	–	2,762	2,762
Loans and borrowings	–	–	–	202,006	202,006
	–	–	–	207,568	207,568

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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)

	Loans and receivables $'000	Fair value through profit or loss $'000	Available for sale $'000	Liabilities at amortised cost $'000	Total $'000
Company					
2014					
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 and 2014.

As disclosed in Note 19(b), the Group's subsidiaries in the PRC are 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 2015 and 2014.

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

	Group	
	2015	**2014**
	$'000	$'000
Loans and borrowings (current and non-current)	983,906	949,707
Trade and other payables (current and non-current)	1,705,875	1,769,420
Less: Cash and deposits	(1,026,113)	(796,775)
Net debt	1,663,668	1,922,352
Equity attributable to the owners of the Company	782,740	867,375
Less: Fair value reserve	(45,230)	(45,579)
Statutory reserve	(33,178)	(35,321)
Total capital	704,332	786,475
Capital and net debt	2,368,000	2,708,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

36. CONTINGENT LIABILITY

A PRC based subsidiary of the Group is in litigation, with the contractor/supplier employed to construct its factory (the "Claimant"). The Claimant alleges that approximately $4.2 million is outstanding and due to the Claimant for additional construction work done and costs incurred on instructions from the subsidiary. The subsidiary has disputed the claim and has also filed a counter-claim.

An independent valuer appraised the value of the additional construction work at a much lower sum. Using the appraised value, management has recognised that a sum of approximately $2.8 million is due to the Claimant. Efforts to reach an out of court settlement, with an offer based on the independent valuation, have failed. The claim and the counter-claim will now be determined by the Court, in Suzhou, the PRC.

After considering the evidence that the subsidiary will adduce, the advice obtained by the subsidiary from its legal advisors and the independent valuation, management does not expect that further provision, for the claim, will be required.

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 2015 or 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

	Diesel engines $'000	Consumer products $'000
2015		
Total external revenue	2,986,401	425,128
Interest income	8,738	372
Interest expense	(22,644)	(8,254)
Depreciation and amortisation	(101,177)	(11,145)
Reportable segment profit/(loss) before income tax	150,707	(110,315)
Share of profit/(loss) of associates and joint ventures, net of income tax	1,944	–
Reportable segment profit/(loss) after income tax	112,628	(127,711)
Other material non-cash items:		
– Impairment losses recognised on property, plant and equipment and intangible assets	6,460	5,637
– Claims, net	–	–
– Warranties	67,185	10,861
Assets and liabilities		
Reportable segment assets	3,930,072	428,532
Investment in associates and joint ventures	56,527	–
Capital expenditure ^	108,578	4,164
Reportable segment liabilities	1,949,828	581,537

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Building materials $'000	Industrial packaging $'000	Air-conditioning systems $'000	Corporate and Others* $'000	Adjustments $'000	Consolidated total $'000
580,401	52,607	24,758	13,433	–	4,082,728
4,040	215	938	3,167	(3,401)	14,069
(157)	(1,003)	(4,022)	(9,113)	3,401	(41,792)
(24,625)	(2,912)	(2,394)	(2,437)	–	(144,690)
77,479	(10,886)	(16,265)	(9,479)	–	81,241
2,260	–	–	(2,531)	–	1,673
60,531	(10,626)	(16,250)	(10,213)	–	8,359
–	–	4,104	–	–	16,201
6,296	–	–	–	–	6,296
–	–	310	–	–	78,356
396,261	5,767	106,158	1,071,820	(922,341)	5,016,269
52,482	–	–	1,483	–	110,492
14,412	2,719	2,639	460	–	132,972
113,913	54,323	158,331	584,831	(548,533)	2,894,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

37. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

	Diesel engines $'000	Consumer products $'000
2014		
Total external revenue	3,370,469	498,640
Interest income	9,126	722
Interest expense	(29,602)	(10,213)
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, net	–	–
– 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

* Others relate to hospitality and property development.

^ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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
(223)	(676)	(3,573)	(16,530)	4,582	(56,235)
(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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.

	The PRC $'000	Singapore $'000	Malaysia $'000	Others $'000	Consolidated total $'000
2015					
Total revenue from external customers	3,440,755	326,328	274,175	41,470	4,082,728
Non-current assets #	1,239,481	30,249	177,531	–	1,447,261
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

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 $633,528,000 (2014: $758,520,000) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 (CYI and its subsidiaries) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

(a) Judgments made in applying accounting policies (cont'd)

(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.

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 50.17%, 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 and judgement 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 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

(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 were 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. Where applicable, the Group considers independent valuation reports of valuation specialists. The value in use calculation is based on a discounted cash flow model or relief-from-royalty method, depending on the nature of the non-financial assets. The cash flows are derived from the budget for the next five years or the commercial useful life the assets 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.

(iii) 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 14 to the financial statements.

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

(b) Key sources of estimation uncertainty (cont'd)

(iv) Estimation of fair values in business acquisitions

The fair value of assets and liabilities identified during acquisition is based on management'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 involves significant judgment and estimation. The fair values of the acquired identifiable assets and liabilities are disclosed in Note 7 to the financial statements.

(v) 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 $6,939,000 (2014: $6,350,000).

(vi) 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

38. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONT'D)

(b) Key sources of estimation uncertainty (cont'd)

(vii) Withholding tax provision

The PRC's Unified Enterprise Income Tax Law also provides for a tax up to 15% to be withheld from dividends paid to foreign investors of the 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 13 to the financial statements.

(viii) 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. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $164,101,000 (2014: $106,323,000). The amounts of deferred tax position as at 31 December are disclosed in Note 13 to the financial statements.

(ix) Development expenditure

Research and development costs are capitalised in accordance with the accounting policy in Note 2.13 (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Proposed sale of the equity interest in Copthorne Hotel Qingdao Co., Ltd.

HLGE made an announcement on 22 February 2016 that its wholly owned subsidiary, LKN Investment International Pte Ltd ("LKNII") intended to dispose of its 60% equity interest in Copthorne Hotel Qingdao Co., Ltd by way of public tender on the Shanghai United Assets and Equity Exchange ("SUAEE"). LKNII, together with its joint venture partner of Copthorne Hotel Qingdao Co., Ltd, CAAC East China Regional Administration Authority Service Centre, on 23 February 2016 listed the entire equity interest in Copthorne Hotel Qingdao Co., Ltd on SUAEE for sale.

Set up of joint venture

On 19 February 2016, CYI's main operating subsidiary, GYMCL, signed an agreement to set up a 50/50 joint venture with MTU Friedrichshafen GmbH ("MTU"), a subsidiary of Rolls-Royce Power Systems. The joint venture is set up for the production, under licence from MTU, of MTU diesel engines in the PRC. Each party will invest RMB75 million (approximately $16.2 million) in the joint venture.

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors passed on 21 March 2016.

财务报表

资产负债表

2015年12月31日

	附注	合并 2015 $'000	合并 2014 $'000	母公司 2015 $'000	母公司 2014 $'000
非流动资产					
固定资产	3	1,219,741	1,276,373	325	260
土地使用权	4	141,129	146,699	–	–
无形资产	5	84,789	99,543	192	240
子公司股权投资	7	–	–	204,455	204,455
联营公司权益	8	53,210	62,055	13,726	13,726
合资公司权益	9	57,282	57,692	–	–
投资性房地产	10	1,602	–	–	–
其它金融资产	11	1,425	1,766	–	–
长期应收款	12	10,205	7,741	103,184	–
递延所得税资产	13	75,987	101,683	15	11
长期存款	17	12,924	–	–	–
		1,658,294	1,753,552	321,897	218,692
流动资产					
存货	14	542,799	583,908	–	–
开发性房地产	15	4,870	7,108	–	–
其它金融资产	11	2,592	4,878	–	1
应收账款及其他应收款	16	1,919,677	2,115,359	226,153	290,218
货币资金	17	1,013,189	796,775	11,199	1,968
金融性衍生品资产		3,340	12	–	–
		3,468,467	3,508,040	237,352	292,187
总资产合计		5,126,761	5,261,592	559,249	510,879

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

2015年12月31日

	附注	合并 2015 $'000	合并 2014 $'000	母公司 2015 $'000	母公司 2014 $'000
流动负债					
应付账款及其他应付款	21	1,681,031	1,741,378	5,562	5,076
计提准备	22	70,063	80,102	–	–
短期借款	20	921,533	577,998	202,006	117,375
应付所得税		13,554	17,599	40	54
金融性衍生品负债		–	1,426	–	–
		2,686,181	2,418,503	207,608	122,505
净流动资产		782,286	1,089,537	29,744	169,682
非流动负债					
长期借款	20	62,373	371,709	–	60,000
递延所得税负债	13	45,423	47,159	1,937	1,890
递延补贴		75,153	69,675	–	–
其他非流动资产	21	24,844	28,042	–	–
应付退休金		256	283	–	–
		208,049	516,868	1,937	61,890
总负债合计		2,894,230	2,935,371	209,545	184,395
净资产		2,232,531	2,326,221	349,704	326,484
股本与公积					
发行股本	18	266,830	266,830	266,830	266,830
各项储备	19	515,910	600,545	82,874	59,654
		782,740	867,375	349,704	326,484
少数股东权益		1,449,791	1,458,846	–	–
所有者权益合计		2,232,531	2,326,221	349,704	326,484
负债及所有者权益总计		5,126,761	5,261,592	559,249	510,879

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2015年12月31日

	附注	合并 2015 $'000	合并 2014 $'000
营业收入	23	4,082,728	4,560,004
营业成本		(3,229,428)	(3,605,449)
毛利润		853,300	954,555
其他收入项目净值			
其他收入		17,955	57,024
其他费用项目			
销售费用		(423,200)	(408,191)
研发费用		(123,108)	(114,465)
管理费用		(201,992)	(194,856)
财务费用	25	(43,387)	(58,196)
应占联营及合营公司净利润		1,673	1,504
税前利润	24	81,241	237,375
所得税费用	27	(72,882)	(62,749)
本年利润		8,359	174,626
归属于:			
母公司所有者		(61,353)	26,929
少数股东权益		69,712	147,697
		8,359	174,626
每股（亏损）/收益（分）			
– 基本	28	(16.41)	7.20
– 稀释	28	(16.41)	7.20

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2015年12月31日

	合并	
	2015	**2014**
	$'000	**$'000**
本年利润	8,359	174,626
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)
实现附属公司清算的外币会计报表折算差额	(64)	–
国外子公司和联营公司的外币报表折算差额	1,918	35,056
公允价值变动净值	(349)	54
本年其他综合收益（税后净值）	1,505	35,010
本年综合收益总额	9,864	209,636
归属于:		
母公司所有者	(73,091)	34,064
少数股东权益	82,955	175,572
本年综合收益总额	9,864	209,636

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2015年12月31日

合并	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
2015年1月1日余额		266,830	293	35,321	45,579	2,872
本年利润		–	–	–	–	–
其他综合收益						
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		–	–	–	(349)	–
实现附属公司清算外币会计报表折算差额		–	–	–	–	–
实现子公司处置产生的法定公积		–	–	(1,287)	–	–
本年其他综合（亏损）/收益（税后净值）		–	–	(1,287)	(349)	–
– 本年综合收益总额		–	–	(1,287)	(349)	–
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	–	–	–	–	916
发给子公司少数股东的股份		–	–	–	–	–
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		–	4,149	(1,147)	–	–
其他						
转入法定公积		–	–	291	–	–
2015年12月31日余额		266,830	4,442	33,178	45,230	3,788

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
(11,915)	17,204	511,191	867,375	1,458,846	2,326,221
–	–	(61,353)	(61,353)	69,712	8,359
(11,357)	–	–	(11,357)	13,275	1,918
–	–	–	(349)	–	(349)
(32)	–	–	(32)	(32)	(64)
–	–	1,287	–	–	–
(11,389)	–	1,287	(11,738)	13,243	1,505
(11,389)	–	(60,066)	(73,091)	82,955	9,864
–	–	–	916	1,428	2,344
–	(2,933)	–	(2,933)	7,055	4,122
–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	(74,747)	(74,747)
2,712	(4,024)	–	1,690	(25,746)	(24,056)
–	–	(291)	–	–	–
(20,592)	10,247	439,617	782,740	1,449,791	2,232,531

所有者权益变动表

截至2015年12月31日

合并	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
2014年1月1日余额		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

外币报表折算差额 $'000	收购少数股东股权的折让 $'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
(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

母公司所有者权益变动表

截至2015年12月31日

母公司	附注	发行股本 $'000	资本公积 $'000	公允价值公积 $'000	权益报酬公积 $'000	未分配利润 $'000	合计 $'000
2015年1月1日余额		266,830	9,199	–	2,397	48,058	326,484
本年综合收益总额		–	–	–	–	34,381	34,381
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		–	–	–	56	–	56
支付公司股东股利	29	–	–	–	–	(11,217)	(11,217)
2015年12月31日余额		266,830	9,199	–	2,453	71,222	349,704
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

合并现金流量表

截至2015年12月31日

	附注	合并 2015 $'000	合并 2014 $'000
经营活动产生的现金流量			
税前利润		81,241	237,375
调整项目:			
应占联营及合营公司利润		(1,673)	(1,504)
股份支付费用	26	2,344	482
折旧与摊销费用	24	144,690	132,632
存货减值准备	24	12,557	1,690
应收账款及其他应收款减值准备	24	10,626	2,769
固定资产及无形资产减值准备	24	16,201	20,213
开发性房地产减值准备冲回	24	(650)	–
固定资产注销	24	1,245	170
财务费用	25	43,387	58,196
其他投资股利收入	24	(44)	(250)
利息收入	24	(14,069)	(15,912)
处置以下资产的（收益）/损失:			
– 子公司	24	2,981	–
– 合资公司	24	(76)	–
– 固定资产	24	3,190	1,205
– 土地使用权	24	(548)	(40)
其他投资公允价值变动损失		2,375	1,080
衍生性金融产品公允价值变动（收益）/损失		(3,689)	1,773
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	84,652	97,243
流动资金变动前经营活动产生的现金流量		384,740	510,399
流动资金的变动:			
存货的减少		45,588	92,199
应收账款及其他应收款的减少/（增加）		181,352	(53,817)
应付账款及其他应付款的减少		(73,743)	(292,250)
已计提准备的使用	22	(95,770)	(97,559)
经营活动产生的现金流量		442,167	158,972
支付所得税		(45,091)	(69,978)
经营活动产生的现金流量净额		397,076	88,994

合并现金流量表

截至2015年12月31日

	附注	合并 2015 $'000	 2014 $'000
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(h)	–	(3,405)
收购子公司的非控制性权益（包括股权互换交易）		(24,056)	(8,924)
联营及合资公司权益		(566)	(95)
取得股利分配收到的现金:			
– 联营公司与合资公司		6,290	4,236
– 其他投资	24	44	250
取得利息收入收到的现金		17,814	16,866
银行限制性存款净（增加）/ 减少额		(30,924)	157,447
购置资产支付的现金:			
– 固定资产	3	(131,687)	(171,671)
– 土地使用权	4	–	(2,011)
– 无形资产	5	(1,285)	(5,573)
处置资产收回的现金净额:			
– 子公司	7(d)	37,286	–
– 合资公司		385	–
– 固定资产		17,212	4,693
– 土地使用权		983	518
– 其他投资		1	22
投资活动占用的现金流量净额		(108,503)	(7,647)

合并现金流量表

截至2015年12月31日

	附注	合并 2015 $'000	 2014 $'000
筹资活动产生的现金流量			
分配股利支付的现金：			
– 少数股东		(74,747)	(92,599)
– 本公司股东	29	(11,217)	(14,956)
偿付利息支付的现金		(43,242)	(58,058)
向银行借款收到的现金		810,131	571,457
发行债券收到的现金		87,106	–
子公司少数股东的资本投入		4,122	3,469
政府补贴收入收到的现金		10,902	4,183
偿还银行贷款支付的现金		(860,440)	(599,701)
偿还租赁融资支付的现金		(1,770)	(1,194)
筹资活动占用的现金流量净额		(79,155)	(187,399)
现金及现金等价物净增加/（减少）额		209,418	(106,052)
年初现金及现金等价物余额	17	740,542	842,877
汇率变动对现金及现金等价物的影响		(11,340)	3,717
年末现金及现金等价物余额	17	938,620	740,542

附注：

存放于实行外汇管制国家的现金及银行存款共计$784,694,000 (2014: $542,311,000)。

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MARCH 2016

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	373,908,559
Number of Ordinary Shareholders	:	6,055
Voting Rights	:	1 vote for 1 share

As at 7 March 2016, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	12	0.20	136	0.00
100 – 1,000	826	13.64	814,957	0.22
1,001 – 10,000	3,778	62.40	19,273,628	5.15
10,001 – 1,000,000	1,420	23.45	56,490,737	15.11
1,000,001 and above	19	0.31	297,329,101	79.52
	6,055	100.00	373,908,559	100.00

Based on information available to the Company as at 7 March 2016, approximately 34.99% 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 Singapore Exchange Securities Trading Limited is complied with.

MAJOR SHAREHOLDERS LIST - TOP 20 AS AT 7 MARCH 2016

No.	Name of Shareholder	No. of Shares Held	%*
1.	Hong Leong Corporation Holdings Pte Ltd	233,000,000	62.31
2.	DBS Nominees Pte Ltd	13,593,213	3.64
3.	Citibank Nominees Singapore Pte Ltd	11,361,574	3.04
4.	Taiheiyo Singapore Pte Ltd	9,079,659	2.43
5.	Starich Investments Pte Ltd	6,664,000	1.78
6.	Raffles Nominees (Pte) Ltd	2,487,580	0.67
7.	DBSN Services Pte Ltd	2,313,000	0.62
8.	Ling Kung Eng	2,025,700	0.54
9.	Bank of Singapore Nominees Pte Ltd	1,946,000	0.52
10.	CIMB Securities (S) Pte Ltd	1,799,462	0.48
11.	United Overseas Bank Nominees Pte Ltd	1,759,290	0.47
12.	ABN Amro Nominees Singapore Pte Ltd	1,705,000	0.46
13.	HSBC (Singapore) Nominees Pte Ltd	1,700,643	0.45
14.	Soon Lee Heng Trading & Transportation Pte Ltd	1,373,900	0.37
15.	Maybank Kim Eng Secs Pte Ltd	1,347,000	0.36
16.	Phillip Securities Pte Ltd	1,315,500	0.35
17.	UOB Kay Hian Pte Ltd	1,305,780	0.35
18.	DBS Vickers Secs (S) Pte Ltd	1,289,300	0.34
19.	OCBC Securities Pte Ltd	1,262,500	0.34
20.	OCBC Nominees Singapore Pte Ltd	999,300	0.27
		298,328,401	79.79

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 7 March 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MARCH 2016

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2016

	No. of Shares			
Name of Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%***
Hong Leong Corporation Holdings Pte Ltd	233,000,000	6,664,000 (1)	239,664,000	64.10
Hong Leong Enterprises Pte. Ltd.	–	239,664,000 (2)	239,664,000	64.10
Hong Leong Investment Holdings Pte. Ltd.	–	239,932,000 (3)	239,932,000	64.17
Davos Investment Holdings Private Limited	–	239,932,000 (4)	239,932,000	64.17
Kwek Holdings Pte Ltd	–	239,932,000 (4)	239,932,000	64.17

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 7 March 2016.

Notes:

(1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") 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 4 of the SFA 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 4 of the SFA 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 4 of the SFA 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-Fifth Annual General Meeting (the "Meeting") of HONG LEONG ASIA LTD. (the "Company") will be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 22 April 2016 at 3.00 p.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2015 and the Auditors' Report thereon.

2. To declare a final one-tier tax exempt dividend of 1 cent per ordinary share for FY 2015 ("Final Dividend").

3. To approve Directors' Fees of $438,603 for FY 2015 (FY 2014: $414,789); additional Audit Committee ("AC") Fees of up to $26,350 for the period from 1 October 2015 to 30 June 2016; and AC Fees comprising $55,000 per annum payable to the AC chairman and $35,000 per annum payable to each AC member for the period from 1 July 2016 to 30 June 2017 (period from 1 July 2015 to 30 June 2016: $55,000 per annum payable for the AC chairman and $35,000 per annum for each AC member), with payment of the AC Fees to be made quarterly in arrears at the end of each calendar quarter.

4. To re-elect the following Directors retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for re-election:

   (a) Mr Tan Huay Lim (appointed on 1 October 2015)
   (b) Ms Kwong Ka Lo @ Caroline Kwong (appointed on 22 February 2016)
   (c) Mr Philip Ting Sii Tien @ Yao Sik Tien

5. To appoint the following Directors who were re-appointed at the Company's Fifty-Fourth Annual General Meeting ("54th AGM) to hold office until this Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50, which provision has since been repealed:

   (a) Mr Kwek Leng Beng
   (b) Mr Ernest Colin Lee

   Mr Quek Shi Kui who was also re-appointed at the Company's 54th AGM to hold office until this Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50 which provision has since been repealed, has notified the Company that he will not be seeking for appointment as a Director at the Meeting.

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 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;

NOTICE OF ANNUAL GENERAL MEETING

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, 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, of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by 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 percentage of issued shares, excluding treasury shares, shall be based on the total number of issued shares, excluding treasury shares, 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 SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting ("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 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 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 may be) sub-limits as may be prescribed in the SOS.

NOTICE OF ANNUAL GENERAL MEETING

9. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (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 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 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 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 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 Ordinary Resolution and expiring on the earliest 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 Ordinary 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 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 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 Ordinary Resolution; and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

NOTICE OF ANNUAL GENERAL MEETING

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

10. (a) That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on 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 category of Interested Person Transactions, particulars of which are set out in the Appendix Accompanying this Notice of AGM (the "Appendix") with any party who is of the class or classes of Interested Persons described in the Appendix; provided that such transactions are entered into in accordance with the review procedures for Interested Person Transactions as 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 next AGM of the Company; and

(b) That the Directors and each of them 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 or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Ordinary Resolution.

C. TO TRANSACT ANY OTHER ORDINARY BUSINESS

BY ORDER OF THE BOARD

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

Singapore, 4 April 2016

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 10 May 2016. 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 9 May 2016 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 19 May 2016.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. With reference to item 3 of the Ordinary Business above, the Directors' Fees of $438,603 for FY 2015 excludes the AC Fees of $120,000 paid to the AC chairman and 2 AC members for FY 2015 which had been approved by shareholders at the 2014 and 2015 AGMs of the Company. The proposed additional AC Fees of up to $26,350 is to take into consideration the changes in the number and composition of the AC for the period from 1 October 2015 to 30 June 2016. The Directors' Fees structure can be found on page 29 of the Annual Report.

2. With reference to item 4(a) of the Ordinary Business above, Mr Tan Huay Lim will, upon re-election as a Director of the Company, remain as chairman of the AC. Mr Tan is considered an independent Director.

   Key information on Mr Tan Huay Lim is found on page 17 of the Annual Report. Mr Tan 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.

3. Key information on Ms Kwong Ka Lo @ Caroline Kwong, who is seeking re-election as a Director of the Company under item 4(b) of the Ordinary Business above, is found on page 17 of the Annual Report. Ms Kwong 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. Ms Kwong is considered an independent Director.

4. Key information on Mr Philip Ting Sii Tien @ Yao Sik Tien, who is seeking re-election as a Director of the Company under item 4(c) of the Ordinary Business above, is found on page 16 of the Annual Report. Details of Mr Ting's share interest in the Company and its related corporations can be found on pages 38 to 40 of the Annual Report. Mr Ting is an Executive Director and the Chief Executive Officer of the Company.

5. With reference to item 5 of the Ordinary Business above, Mr Kwek Leng Beng and Mr Ernest Colin Lee were re-appointed as Directors at the 54th AGM to hold office until the conclusion of the Meeting under Section 153(6) of the Companies Act, Chapter 50, which provision has since been repealed.

   Mr Kwek Leng Beng will, upon appointment as a Director of the Company, remain as Chairman of the Board and a member of the Nominating Committee ("NC"). Mr Kwek 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 the 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 38 to 40 of the Annual Report. Mr Kwek Leng Beng is also a director of Hong Leong Corporation Holdings Pte Ltd and Hong Leong Enterprises Pte. Ltd., and a director and shareholder of Hong Leong Investment Holdings Pte. Ltd. and Kwek Holdings Pte Ltd, each of which holds more than 10% direct and/or deemed interest in the Company.

   Mr Ernest Colin Lee will, upon appointment as a Director of the Company, remain as Lead Independent Director, chairman of the NC, Remuneration Committee ("RC") and SOS Committee ("SOSC"), and as a member of the AC.

   Key information on Mr Ernest Colin 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 38 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.

6. Mr Quek Shi Kui who was re-appointed a Director at the 54th AGM to hold office until the conclusion of the Meeting under Section 153(6) of the Companies Act, Chapter 50, which provision has since been repealed, will not be seeking for appointment as a Director at the Meeting. Consequent thereto, Mr Quek will also cease as a member of the AC, NC, RC and SOSC, following the conclusion of the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

7. The Ordinary Resolution set out in item 7 of the Special Business above, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is revoked or varied at a general meeting), to issue shares and/or make or grant Instruments that might require shares to be issued up to a number not exceeding 50% of the total number of issued shares, excluding treasury shares, of the Company, of which up to 20% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued under this Ordinary Resolution will be calculated based on the total number of issued shares, excluding treasury shares, of the Company at the time that this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

8. The Ordinary Resolution set out in item 8 of the Special Business above, 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 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)*.

9. The Ordinary Resolution set out in item 9 of the Special Business above, if passed, will empower the Directors to make purchases or otherwise acquire the Company's issued shares from time to time subject to and in accordance with the guidelines set out in Annexure I of the Appendix Accompanying this Notice of Meeting. This authority will expire at the conclusion of 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.

10. The Ordinary Resolution set out in item 10 of the Special Business above, 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 Accompanying 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.

Voting restrictions pursuant to the Listing Manual of 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 Hong Leong Investment Holdings Pte. Ltd. (the "Parent Company") and its subsidiaries (but not including the Company and its subsidiaries)), he should abstain from voting at the Meeting in respect of the Ordinary Resolution 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 and its subsidiaries, 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.

NOTICE OF ANNUAL GENERAL MEETING

Meeting Notes:

1. (i) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (ii) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. The form of proxy or proxies must be deposited at the Share Registrar's office at 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time appointed for holding the Meeting.

4. Completion and return of the form of proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the Meeting.

5. Pursuant to Rule 730(A)(2) of the Listing Manual of SGX-ST, all resolutions at this Meeting shall be voted on by way of a poll.

6. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, members 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 a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) 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, administration and analysis by the Company (or its agents or service providers) of proxies and representatives 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 legislations, the Listing Manual of SGX-ST and/or other regulatory guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/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) and/or representative(s) for the Purposes; and

(iii) 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.

HONG LEONG ASIA LTD.
Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

PROXY FORM

For 55th Annual General Meeting

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies each to attend, speak and vote at AGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 April 2016.

*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 attend, speak and vote for *me/us on *my/our behalf at the Fifty-Fifth Annual General Meeting of the Company (the "AGM") to be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 22 April 2016 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 the Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon			
2.	Declaration of a Final Dividend			
3.	Approval of Directors' Fees and Audit Committee Fees			
4.	Re-election of Directors:	(a) Mr Tan Huay Lim		
		(b) Ms Kwong Ka Lo @ Caroline Kwong		
		(c) Mr Philip Ting Sii Tien @ Yao Sik Tien		
5.	Appointment of Directors:	(a) Mr Kwek Leng Beng		
		(b) Mr Ernest Colin Lee		
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 of Singapore 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			

Note: Voting will be conducted by poll

Dated this __________ day of __________ 2016

Total No. of Shares Held

____
Signature/Common Seal of Member(s)

* Delete accordingly
Notes: See overleaf

NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by the Central Depository (Pte) Limited), you should insert that number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

4. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. Where the form of proxy 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. Where a form of proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the form of proxy, failing which the form of proxy may be treated as invalid.

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 Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

6. Completion and return of this form of proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the AGM.

7. This form of proxy must be deposited at the Share Registrar's office at 112 Robinson Road, #05-01, Singapore 068902, not less than 48 hours before the time fixed for holding the AGM.

8. The Company shall be entitled to reject the form of proxy 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 form of proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

PROXY FORM

Affix
Stamp
Here

The Share Registrar
HONG LEONG ASIA LTD.
112 Robinson Road #05-01
Singapore 068902

Fold Here

OPERATING NETWORK

CORPORATE OFFICE

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

Hong Leong Asia (Shanghai) Co., Ltd.
Room 1511, 1118
Yan An Xi Road
Chang Ning District
Shanghai 200052
People's Republic of China
Tel: (86) 21 6226 2996
Fax: (86) 21 6226 3253

CONSUMER PRODUCTS

Henan Xinfei Electric Co., Ltd.
Henan Xinfei Household Appliance Co., Ltd.
Henan Xinfei Refrigeration Appliances Co., Ltd.
370 Hong Li Road, Xinxiang City
Henan 453002
People's Republic of China
Tel: (86) 373 338 1616
Fax: (86) 373 338 4788

DIESEL ENGINES

China Yuchai International Limited
Executive Office
16 Raffles Quay #39-01A
Hong Leong Building
Singapore 048581
Tel: (65) 6220 8411 (17 Lines)
Fax: (65) 6221 1172

Guangxi Yuchai Machinery Company Limited
88 Tianqiao West Road, Yulin
Guangxi, 537005
People's Republic of China
Tel: (86) 775 328 9000
Fax: (86) 775 328 8168

BUILDING MATERIALS

Ready-Mix Concrete Division
Island Concrete (Private) Limited
43/45 Sungei Kadut Street 4
Singapore 729061
Tel: (65) 6488 5777 (main)
Fax: (65) 6368 0312 (main)

Pre-Cast Concrete Division
HL Building Materials Pte. Ltd.
7A Tuas Avenue 13
Singapore 638979
Tel: (65) 6862 3501
Fax: (65) 6861 0674

HL-Manufacturing Industries Sdn. Bhd.
Lot 2595 and Lot 2596
Jalan Perindustrian 3
Kawasan Perindustrian
Senai Fasa II
81400 Senai
Johor Darul Ta'zim
Malaysia
Tel: (607) 598 6828
Fax: (607) 598 6822

Cement Division
Singapore Cement Manufacturing Company (Private) Limited
43/45 Sungei Kadut Street 4
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 0321

Tasek Corporation Berhad
5, Persiaran Tasek
Tasek Industrial Estate
31400 Ipoh, Perak
Malaysia
Tel: (605) 291 1011
Fax: (605) 291 9932

Trading and Granite Division
HL Building Materials Pte. Ltd.
43/45 Sungei Kadut Street 4
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 0312

Hayford Holdings Sdn. Bhd.
PTD 2734 and PTD 2735
Mukim Pengerang
81909 Kota Tinggi
Johor Darul Ta'zim
Malaysia
Tel: (607) 598 6828
Fax: (607) 598 6822

INDUSTRIAL PACKAGING

Hong Leong (China) Limited
82 Ubi Avenue 4
#06-03 Edward Boustead Centre
Singapore 408832
Tel: (65) 6922 6250
Fax: (65) 6922 6292

Tianjin Rex Packaging Co., Ltd.
167 Dongting Road, TEDA
Tianjin 300457
People's Republic of China
Tel: (86) 22 6620 0949/50
Fax: (86) 22 6620 1128

Dongguan Rex Packaging Co., Ltd.
Su Keng, Chang Ping, Dongguan
Guangdong Province 523577
People's Republic of China
Tel: (86) 769 8900 9055 ext 213
Fax: (86) 769 8391 0879

Rex Plastics (Malaysia) Sdn. Bhd.
Rex Pak Sdn. Bhd.
Lot 45 Jalan Delima 1/1
Taman Perindustrian Teknologi
Tinggi Subang, 47500 Subang Jaya
Selangor Darul Ehsan
Malaysia
Tel: (603) 5629 3000
Fax: (603) 5636 4977

AIR-CONDITIONING SYSTEMS

Airwell Air-conditioning Technology (China) Co., Ltd.
82 Guangzhou Road East
Economy Development Area
Taicang, Suzhou
Jiangsu Province 215400
People's Republic of China
Tel: (86) 512 8277 9996
Fax: (86) 512 8277 9691

S.E.A. DISTRIBUTION

For Air-Conditioning and Consumer White Goods
Fedders International Pte. Ltd.
82 Ubi Avenue 4
#06-03 Edward Boustead Centre
Singapore 408832
Tel: (65) 6922 6250
Fax: (65) 6922 6292

OTHERS

HL Global Enterprises Limited
156 Cecil Street #09-01
Far Eastern Bank Building
Singapore 069544
Tel: (65) 6324 9500
Fax: (65) 6221 4861

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581
www.hlasia.com.sg