

Second Quarter And Half Year Financial Statement And Dividend Announcement For The Period Ended 30 June 2007

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (1Q, 2Q & 3Q), HALF-YEAR AND FULL YEAR RESULTS

The Board of Directors announces the results of the Group for the second quarter ended 30 June 2007. These figures have not been audited.

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

1(a)(i) Income statement

	Group					
	2Q 2007	2Q 2006	Change	1H 2007	1H 2006	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	937,046	735,912	27%	1,724,562	1,357,692	27%
Cost of sales	(725,186)	(567,832)	28%	(1,323,063)	(1,050,515)	26%
Gross profit	211,860	168,080	26%	401,499	307,177	31%
Other income	4,334	7,189	-40%	8,945	9,891	-10%
Selling and distribution expenses	(57,645)	(70,919)	-19%	(124,282)	(117,712)	6%
Administrative and other operating expenses	(58,375)	(43,073)	36%	(107,025)	(80,036)	34%
Research and development costs	(8,380)	(11,424)	-27%	(18,242)	(20,067)	-9%
Profit from operations	91,794	49,853	84%	160,895	99,253	62%
Finance costs	(8,484)	(8,691)	-2%	(14,970)	(16,089)	-7%
Other non-operating income/(expenses)	5,141	18,176	-72%	5,141	19,907	-74%
Share of profit of associates	7,696	17	45171%	9,727	1,253	676%
Profit before taxation	96,147	59,356	62%	160,793	104,324	54%
Taxation	(17,593)	(8,797)	100%	(29,995)	(16,585)	81%
Profit after taxation	78,554	50,559	55%	130,798	87,740	49%

Net Profit Attributable to :

Shareholders of the Company	33,520	24,418	37%	55,360	39,118	42%
Minority Interests	45,034	26,141	72%	75,438	48,621	55%
	78,554	50,559	55%	130,798	87,740	49%

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

Profit from operations include the following:	Group			Group		
	2Q 2007 \$'000	2Q 2006 \$'000	Change %	1H 2007 \$'000	1H 2006 \$'000	Change %
Gain on disposal of investment, property, plant and equipment	679	11	6070%	870	28	3006%
Gain on disposal of assets held for sale	-	-	-	3,046	-	NM
Allowance written back/(made) for doubtful trade debts and bad debts written off	336	(3,067)	NM	(10,651)	(2,107)	406%
Allowance (made) for stock obsolescence	(6,403)	(7,356)	-13%	(7,965)	(6,714)	19%
Depreciation and amortisation	(13,378)	(8,906)	50%	(24,374)	(18,458)	32%
Foreign exchange gain/(loss)	1,629	(876)	NM	1,573	(1,163)	NM

NM: Not meaningful

Other non-operating income include the following items :

	2Q 2007 \$'000	2Q 2006 \$'000	1H 2007 \$'000	1H 2006 \$'000
Negative goodwill arising from the acquisition of shares in an associate and a subsidiary	-	13,741	-	15,472
Gain on disposal/redemption of shares in subsidiaries and related businesses	5,141	4,435	5,141	4,435
Other non-operating income, before minority interests	5,141	18,176	5,141	19,907
Amount attributed to minority interests	4,645	12,482	4,645	13,845
Other non-operating income attributable to shareholders of the Company	496	5,694	496	6,062

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

The Group's tax charge for 2Q 2007 included an underprovision of \$2,694,000 (2Q 2006: underprovision of \$nil) in respect of prior years. The Group's tax charge for 1H 2007 included an underprovision of \$2,656,000 (1H 2006: overprovision of \$105,000) in respect of prior years.

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

\$'000	Group		Company	
	30/06/07	31/12/06	30/06/07	31/12/06
Non-current assets				
Property, plant and equipment	773,245	734,110	4,014	4,382
Prepaid operating leases	50,431	50,132	-	-
Intangibles	68,018	66,465	-	-
Investment in subsidiaries	-	-	218,038	219,980
Investment in associates	251,418	217,852	54,826	55,226
Investment in jointly controlled entity	-	-	15,000	15,000
Investment properties	8,742	8,584	-	-
Other financial assets	3,471	2,847	32	137
Other non-current receivables	9,099	11,095	-	-
Amounts due from subsidiaries	-	-	59,850	60,150
Deferred tax assets	63,042	57,192	-	-
	1,227,466	1,148,277	351,760	354,875
Current assets				
Other financial assets	13,923	10,723	-	-
Inventories and work-in-progress	522,579	493,397	6,434	3,602
Development properties	24,118	23,622	-	-
Trade and other receivables	1,061,313	598,588	90,362	87,981
Cash and cash equivalents	210,349	269,701	5,249	5,259
Assets held for sale	-	18,968	-	-
	1,832,282	1,414,999	102,045	96,842
Current liabilities				
Bank overdrafts	1,101	570	-	-
Trade and other payables	1,182,099	846,182	34,258	22,688
Provisions	44,709	46,589	347	567
Interest-bearing borrowings	312,049	280,780	102,000	50,000
Provision for taxation	47,312	29,875	-	-
	1,587,270	1,203,996	136,605	73,255
Net current assets/(liabilities)	245,012	211,003	(34,560)	23,587
Non-current liabilities				
Interest-bearing borrowings	138,073	186,410	-	50,000
Amount due to a subsidiary	-	-	11,000	12,300
Deferred tax liabilities	2,059	2,210	-	457
Deferred grants	282	294	-	-
Retirement benefits	260	225	-	-
	140,674	189,139	11,000	62,757
	1,331,804	1,170,141	306,200	315,705
Capital and reserves				
Share capital	277,984	277,124	277,984	277,124
Reserves	307,633	231,735	28,216	38,581
	585,617	508,859	306,200	315,705
Minority interests	746,187	661,282	-	-
Total Equity	1,331,804	1,170,141	306,200	315,705

Explanatory Notes to Balance Sheets

- Compared to 31 December 2006, the increase in the current assets and liabilities were mainly due to movements in working capital such as inventories, trade receivables and trade payables arising from the increase in business volume during first half of 2007.
- The carrying amount of investment in associates increased due to higher share of profits and fair value reserves.
- HLG Enterprise Limited ("HLGE") disposed its assets held for sale to a third party in 1H 2007.

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

Amount repayable in one year or less, or on demand

As at 30/06/2007		As at 31/12/2006	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
\$5,327,053	\$307,822,689	\$5,844,614	\$275,505,702

Amount repayable after one year

As at 30/06/2007		As at 31/12/2006	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
\$7,522,977	\$130,549,909	\$7,691,518	\$178,718,612

Details of any collateral

The secured banking facilities of the Group, comprising term loans, are secured on the assets of certain subsidiaries with a total carrying value as at 30 June 2007 of \$19,419,000 (2006: \$19,220,000).

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

	2Q 2007 \$'000	2Q 2006 \$'000	1H 2007 \$'000	1H 2006 \$'000
Operating Activities				
Profit from Operations	91,794	49,853	160,895	99,253
Adjustment for :				
Dividend and interest income	(1,105)	(2,772)	(1,979)	(3,563)
Depreciation and amortisation	13,378	8,906	24,374	18,457
(Gain)/Loss on disposal of property, plant, equipment	(679)	(11)	(710)	(28)
(Gain) on disposal of assets held for sale	-	-	(3,046)	-
(Gain) on disposal of investments	-	-	(160)	-
Accretion of deferred grant	(3)	(46)	(3)	(46)
Cost of share-based payment	93	56	187	110
Allowance for Impairment loss	5,253	-	5,253	-
Operating profit before working capital changes	108,731	55,986	184,811	114,183
Changes in working capital:				
Inventories and work-in-progress	48,953	37,803	(19,398)	39,947
Trade and other receivables	(195,338)	(108,132)	(445,932)	(257,278)
Trade and other payables	50,744	127,753	311,958	148,127
	13,090	113,410	31,439	44,979
Income tax paid	(9,017)	(8,434)	(12,472)	(10,650)
Cash flows from operating activities	4,073	104,976	18,967	34,329
Investing Activities				
Interest and dividends received	2,120	3,313	3,982	4,137
Proceeds from disposal of subsidiaries, net of cash disposed	2,189	15,464	2,189	15,464
Proceeds from disposal of investments	-	21,060	-	21,060
Proceeds from disposal of property, plant and equipment	1,566	14,456	2,369	15,067
Proceeds from disposal of assets held for sales	-	-	18,245	-
Purchase of additional shareholding in a subsidiary	-	(8,618)	-	(86,211)
Investments in associates and joint ventures	-	-	-	(7,986)
Purchase of other investments	-	(5,297)	-	(178,302)
Purchase of property, plant and equipment	(25,863)	(19,625)	(55,526)	(52,784)
Balances with related parties	2,455	-	2,758	(690)
Cash flows from investing activities	(17,533)	20,753	(25,983)	(270,245)
Financing Activities				
Proceeds from share issue	34	95	859	221
Net increase / (decrease) in bank borrowings	6,659	15,422	(25,087)	249,393
Dividends paid to shareholders of the Company	(15,237)	(6,082)	(15,237)	(6,082)
Dividends paid to minority shareholders of subsidiaries	(667)	(8,475)	(667)	(28,708)
Interest paid	(7,598)	(8,456)	(17,648)	(14,998)
Cash flows from financing activities	(16,809)	(7,496)	(57,780)	199,826
Net (decrease)/increase in cash and cash equivalents	(30,269)	118,233	(64,796)	(36,090)
Cash and cash equivalents at beginning of the period	234,770	177,288	269,131	338,319
Effects of exchange rate changes on cash and cash equivalents	4,747	(2,106)	4,913	(8,814)
Cash and cash equivalents at end of the period	209,248	293,415	209,248	293,415

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

	2Q 2007 \$'000	2Q 2006 \$'000	1H 2007 \$'000	1H 2006 \$'000
Non-current assets	-	3,758	-	3,758
Net current (liabilities)/assets	(87)	12,372	(87)	12,372
Non-current liabilities	-	(204)	-	(204)
Minority Interest	-	(3,296)	-	(3,296)
Realisation of translation difference	(2,812)	-	(2,812)	-
Profit on disposal	5,141	4,961	5,141	4,961
Total cash consideration	2,242	17,591	2,242	17,591
Less: Cash and bank balances of subsidiary disposed	(53)	(2,127)	(53)	(2,127)
Disposal of subsidiary, net of cash disposed	2,189	15,464	2,189	15,464

Explanatory Notes to the Group Cash Flow Statements

- In 2Q 2007, cashflows from operating activities was \$4.1 million compared to \$105.0 million in 2Q 2006 due to the higher funding of working capital requirements in China operations. For 1H 2007, cashflows from operating activities was \$19.0 million vs \$34.3 million in 1H 2006.
- In 2Q 2007 and 1H 2007, the Group incurred higher capital expenditures in property, plant and equipment for the expansion of capacity at Xinfei.
- FY 2006 final dividends of \$15.2 million was paid to shareholders of the Company in 2Q 2007.
- In 2Q 2007, HLG Enterprise Limited, a subsidiary of the Company, received \$2.2 million upon disposal of its subsidiary to a third party.

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

Statement of Changes in Equity	Share Capital \$'000	Share Premium \$'000	Capital Reserves \$'000	Statutory Reserves \$'000	Own Share Reserves \$'000	Fair Value Reserves \$'000	Equity Compensation Reserves \$'000	Translation Reserves \$'000	Revenue Reserves \$'000	Total \$'000	Minority Interests \$'000	Total Equity \$'000
The Group												
At 1 January 2006	75,983	200,807	(34,684)	14,609	(3,359)	8,962	374	(20,168)	190,456	432,980	637,113	1,070,093
Share issues during the period	113	13	-	-	-	-	-	-	-	126	-	126
Share of equity component of convertible bonds	-	-	657	-	-	-	-	-	-	657	-	657
Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations	-	-	-	-	-	-	-	(10,826)	-	(10,826)	(14,350)	(25,176)
Net fair value changes/adjustment, net of deferred taxes	-	-	-	-	(454)	1,396	-	-	-	942	1,315	2,257
Cost of share-based payment	-	-	-	-	-	-	107	-	-	107	64	171
Net gain/(loss) recognised directly in equity	-	-	-	-	(454)	1,396	107	(10,826)	-	(9,777)	(12,971)	(22,748)
Transfer to statutory reserves	-	-	-	101	-	-	-	-	(101)	-	-	-
Transfer to share capital	200,820	(200,820)	-	-	-	-	-	-	-	-	-	-
Purchase of additional shareholding in a subsidiary	-	-	-	-	-	-	-	-	-	-	(69,160)	(69,160)
Net profit for the period	-	-	-	-	-	-	-	-	14,700	14,700	22,480	37,180
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(20,232)	(20,232)
At 31 March 2006	276,916	-	(34,027)	14,710	(3,813)	10,358	481	(30,994)	205,055	438,686	557,230	995,916
At 1 April 2006	276,916	-	(34,027)	14,710	(3,813)	10,358	481	(30,994)	205,055	438,686	557,230	995,916
Share issues during the period	95	-	-	-	-	-	-	-	-	95	-	95
Realisation of associated corporation's revaluation reserves to income statement	-	-	(504)	-	-	-	-	-	-	(504)	-	(504)
Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations	-	-	-	-	-	-	-	(5,775)	-	(5,775)	(10,003)	(15,778)
Net fair value changes/adjustment, net of deferred taxes	-	-	-	-	(454)	(2,432)	-	-	-	(2,886)	(2,474)	(5,360)
Cost of share-based payment	-	-	-	-	-	-	56	-	-	56	-	56
Net gain/(loss) recognised directly in equity	-	-	(504)	-	(454)	(2,432)	56	(5,775)	-	(9,109)	(12,477)	(21,586)
Transfer to statutory reserves	-	-	-	131	-	-	-	-	(131)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	24,418	24,418	26,141	50,559
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(6,082)	(6,082)	-	(6,082)
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(8,475)	(8,475)
At 30 June 2006	277,011	-	(34,531)	14,841	(4,267)	7,926	537	(36,769)	223,260	448,008	562,419	1,010,426
At 1 January 2007	277,124	-	(34,684)	16,944	(1,635)	45,308	629	(30,848)	236,021	508,859	661,282	1,170,141
Share issues during the period	826	-	-	-	-	-	-	-	-	826	-	826
Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations	-	-	-	-	-	-	-	757	-	757	88	845
Net fair value changes/adjustment, net of deferred taxes	-	-	-	-	1,724	2,419	-	-	-	4,143	(5,058)	(916)
Cost of share-based payment	-	-	-	-	-	-	96	-	-	96	8	104
Net gain/(loss) recognised directly in equity	-	-	-	-	1,724	2,419	96	757	-	4,995	(4,962)	33
Transfer from statutory reserves	-	-	-	(525)	-	-	-	-	525	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	21,841	21,841	30,404	52,245
Dividends paid/payable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(4,419)	(4,419)
At 31 March 2007	277,950	-	(34,684)	16,419	89	47,727	725	(30,091)	258,387	536,522	682,305	1,218,827
At 1 April 2007	277,950	-	(34,684)	16,419	89	47,727	725	(30,091)	258,387	536,522	682,305	1,218,827
Share issues during the period	34	-	-	-	-	-	-	-	-	34	-	34
Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations	-	-	-	-	-	-	-	9,734	-	9,734	14,229	23,963
Net fair value changes/adjustment, net of deferred taxes	-	-	-	-	14,437	6,513	-	-	-	20,950	5,285	26,235
Cost of share-based payment	-	-	-	-	-	-	94	-	-	94	1	95
Net gain/(loss) recognised directly in equity	-	-	-	-	14,437	6,513	94	9,734	-	30,778	19,515	50,293
Transfer from statutory reserves	-	-	-	9	-	-	-	-	(9)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	33,520	33,520	45,034	78,554
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(15,237)	(15,237)	-	(15,237)
Dividends paid/payable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(667)	(667)
At 30 June 2007	277,984	-	(34,684)	16,428	14,526	54,240	819	(20,357)	276,661	585,617	746,187	1,331,804

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

Statement of Changes In Equity	Share Capital \$'000	Share Premium \$'000	Capital Reserves \$'000	Fair Value Reserves \$'000	Equity Compensation Reserves \$'000	Revenue Reserves \$'000	Total Equity \$'000
The Company							
At 1 January 2006	75,983	200,807	9,199	131	322	4,481	290,923
Share issues during the period	113	13	-	-	-	-	126
Net fair value changes	-	-	-	(6)	-	-	(6)
Cost of share-based payment	-	-	-	-	54	-	54
Transfer to share capital	200,820	(200,820)	-	-	-	-	-
Net (loss) for the period	-	-	-	-	-	(377)	(377)
At 31 March 2006	276,916	-	9,199	125	376	4,104	290,720

At 1 April 2006	276,916	-	9,199	125	376	4,104	290,720
Share issues during the period	95	-	-	-	-	-	95
Net fair value changes	-	-	-	(46)	-	-	(46)
Cost of share-based payment	-	-	-	-	56	-	56
Net profit for the period	-	-	-	-	-	3,741	3,741
Dividends	-	-	-	-	-	(6,082)	(6,082)
At 30 June 2006	277,011	-	9,199	79	432	1,763	288,484

At 1 January 2007	277,124	-	9,199	118	478	28,786	315,705
Share issues during the period	826	-	-	-	-	-	826
Net fair value changes	-	-	-	(99)	-	-	(99)
Cost of share-based payment	-	-	-	-	94	-	94
Net (loss) for the period	-	-	-	-	-	(1,400)	(1,400)
At 31 March 2007	277,950	-	9,199	19	572	27,386	315,126

At 1 April 2007	277,950	-	9,199	19	572	27,386	315,126
Share issues during the period	34	-	-	-	-	-	34
Net fair value changes	-	-	-	3	-	-	3
Cost of share-based payment	-	-	-	-	93	-	93
Net profit for the period	-	-	-	-	-	6,181	6,181
Dividends	-	-	-	-	-	(15,237)	(15,237)
At 30 June 2007	277,984	-	9,199	22	665	18,330	306,200

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

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

	Number of Shares	Issued and Paid-Up Capital \$'000
Ordinary Shares		
Balance as at 1 April 2007	380,899,418	277,950
Shares issued for cash upon the exercise of options under the Hong Leong Asia Share Option Scheme 2000 (the "Scheme")	29,000	34
Balance as at 30 June 2007	380,928,418	277,984

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

During the period, the following options were exercised pursuant to the terms of the Scheme:

Year of Grant	Exercise Price Per Share	2Q 2007	Cumulative To Date
2001	\$0.41	4,000	6,067,000
2002	\$1.00	-	1,153,800
2003	\$1.79	-	-
2004	\$1.51	-	408,600
2005	\$1.28	25,000	139,700
2007	\$1.88	-	-
Total		29,000	7,769,100

As at 30 June 2007, there were a total of 1,795,600 (30 June 2006 : 1,570,000) unissued shares under options granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2001	\$0.41	40,000
2002	\$1.00	-
2003	\$1.79	-
2004	\$1.51	400,400
2005	\$1.28	135,200
2007	\$1.88	1,220,000
Total		1,795,600

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

The figures have not been audited nor reviewed.

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

Not Applicable

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2006.

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

With effect from 1 January 2007, the Group adopted the following FRS which are relevant to their operations:

- FRS1 - Amendment to FRS 1 (revised) Presentation of financial statements (Capital Disclosures)
- FRS 40 - Investment Property
- FRS 107 - Financial Instruments: Disclosures

The effects of adoption of the above FRS did not result in substantial changes to the Group's accounting policies and did not give rise to any material adjustments to the opening balances of revenue reserve or changes to comparatives.

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

	Group			
	2Q 2007	2Q 2006	1H 2007	1H 2006
Earnings per ordinary share for the year based on net profit attributable to shareholders				
Including other non-operating income				
(i) Based on the weighted average number of ordinary shares on issue (cts)	8.80	6.42	14.54	10.29
(ii) On a fully diluted basis (cts)	8.79	6.42	14.52	10.29

	Group			
	2Q 2007	2Q 2006	1H 2007	1H 2006
Earnings per ordinary share for the year based on net profit attributable to shareholders				
Excluding other non-operating income				
(i) Based on the weighted average number of ordinary shares on issue (cts)	7.80	6.42	13.54	10.29
(ii) On a fully diluted basis (cts)	7.79	6.42	13.52	10.29

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group		Company	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Net Asset Value per ordinary share based on the total number of issued shares in the capital of the Company at the end of the financial year (cts)	153.73	133.27	80.38	83.01

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

2nd Quarter (2Q) 2007

Hong Leong Asia Group achieved net profit attributable to shareholders of \$33.5 million as compared to \$24.4 million in 2Q 2006. This increased earnings were due mainly to improved profit contribution from its China operations and the Building Materials Unit ("BMU").

The Group's revenue of \$937.0 million reflects a 27% increase over the corresponding quarter in 2006 of \$735.9 million. This increase arose from higher unit sales from the China operations and BMU.

The Group maintained its gross margin at 23% in 2Q 2007 despite continuing keen competition in the business environment in China.

Selling and distribution expenses were lower due to the reduced advertising, promotion and warranty expenses required for the China operations.

Research and development costs were lower in 2Q 2007 versus 2Q 2006.

With the higher unit sales volume in granite and ready-mixed concrete divisions, BMU achieved improved profit performance in 2Q 2007 compared to the corresponding quarter in

2006. The strong construction sector growth in Singapore of 17.6% in 2Q 2007 contributed to the higher business volume in BMU.

Finance costs had reduced to \$8.5 million in 2Q 2007 versus \$8.7 million in 2Q 2006 due to lower utilization of bank loans.

The share of profit from the Group's associated company, Tasek Corporation Berhad ("Tasek"), was \$6.5 million in 2Q 2007 versus \$1.2 million in 2Q 2006. Tasek's improved operating margins and higher unit sales volume of cement, together with the exceptional gain of \$3.8 million arising from the sale of its investments in Jurong Cement Limited, contributed to the improved profit performance.

PT Karimun Granite, a subsidiary of the Group, has ceased production activities temporarily due to the disagreement with the local Karimun government (Bulpati) on the new royalty rate relating to exports of building material products to Singapore. However, the Group has been able to secure alternative supplies of building material products from neighbouring countries (Malaysia, Vietnam) for its business requirements.

Taxation expense had increased in 2Q 2007 as compared to 2Q 2006 mainly due to higher taxable income in the Group's China operations and additional tax expense relating to underprovision of tax in prior years.

The Group's overall performance improved significantly, with profit after taxation of \$78.6 million which was 55% higher than the same period last year of \$50.6 million.

For purpose of comparison, excluding non-operating income, the adjusted net profit attributable to the Group for 2Q 2007 would be \$33.0 million as compared to the adjusted net profit attributable of \$18.7 million in 2Q 2006. This would represent approximately 76% increase in net earnings compared to last year.

First Half (1H) 2007

The Group's revenue of \$1,724.6 million was 27% higher than that achieved in the same period last year of \$1,357.7 million. The Group's net profit attributable to shareholders was \$55.4 million compared to \$39.1 million in 1H 2006. This increase of 42% was largely due to improved net earnings achieved in the Group's China operations and BMU.

With higher unit sales volume and revenue, increased selling and distribution expenses were incurred in 1H 2007 compared to the same period last year. Administrative and other operating expenses were also higher than 1H 2006 arising from increased business activities.

Xinfei's unit sales volume of 1,824,759 in 1H 2007 was 8% higher than 1H 2006. However, domestic sales of refrigerators reported 18% higher than the same period of last year. Xinfei has commenced production in its new plant in June 2007 with a capacity of 500,000 units per year for the first phase. In the second phase of expansion, which is expected to be ready in mid 2008, a further 1 million units will be added to increase production capacity for refrigerators and freezers.

GPac Technology (S) Pte Ltd ("GPac") has redefined its strategies by focusing more attention on producing and selling the common standard sized pallets which better meet customers' requirements. Total pallets sold for 1H 2007 was 119,000 units versus 36,000 units in 1H 2006. However, due to its higher carrying cost of operations, GPac is still incurring a loss.

The Group's BMU, especially the ready-mixed concrete division, continued to benefit from the increase in new construction projects in Singapore. Higher selling prices and increased volume contributed to the improved profit performance.

Share of profit from Tasek was \$8.1 million in 1H 2007 versus \$2.3 million in 1H 2006. Included in the results of 1H 2007 was \$3.8 million, being the Group's share of gain by Tasek upon disposal of its investment in Jurong Cement Limited.

PT Karimun Granite, a subsidiary of the Group, has ceased production activities temporarily due to the disagreement with the local Karimun government (Bulpati) on the new royalty rate relating to exports of building material products to Singapore. However, the Group has been able to secure alternative supplies of building material products from neighbouring countries (Malaysia, Vietnam) for its business requirements.

For purpose of comparison, excluding non-operating income, the adjusted net profit attributable to the Group in 1H 2007 would be \$54.9 million as compared to the adjusted net profit attributable of \$33.1 million in 1H 2006. This would represent approximately 66% increase in net earnings compared to last year.

Business segment data has not been included in this announcement. Following a change by a subsidiary, China Yuchai International Limited ("CYI") which is listed on the New York Stock Exchange, to appoint the same auditors as its parent, CYI is still in the process of reviewing with its auditors, the accounting of certain transactions under U.S. Generally Accepted Accounting Principles and has decided it would not be meaningful to release any quarterly interim information to its shareholders until the completion of such review.

The Group has been advised that such review does not affect the accounting treatment of these transactions under the Singapore Financial Reporting Standards adopted by the Group. The Group has received information from CYI for the purposes of this announcement upon an undertaking by the Company not to use the information in a way that would allow disclosure of detailed information relating to CYI, pending completion of such review.

As a result, the Company will only release business segment data upon the release by CYI of its interim financial information for the quarter.

With reference to the Company's announcement on the potential accounting errors at Guangxi Yuchai Machinery Company Limited, a subsidiary of CYI, released on 3 August 2007, depending on the results of the independent inquiry, the relevant accounting entries may have to be reversed, which will result in a decrease in the Group's share of CYI's profits of \$4.6 million for 2005 and/or 2006, thus necessitating an adjustment, if any, to be made in the Group's financial statements.

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

None

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

Barring any unforeseen circumstances, the Group believes that the overall outlook for the second half of 2007 remains positive.

China's economy grew by an estimated 11.9% in the second quarter of 2007 which is the fastest growth pace in 12 years. The Chinese government has implemented new capital reserve requirements on its banks to curb excessive bank loans. The Group's China operations are still expected to increase their unit sales volume and market share.

The Singapore property market remains resilient with higher level of construction jobs arising from new commercial, residential and en-bloc redevelopment projects. The construction sector in Singapore grew by 17.6% in 2Q 2007 due to increased new construction contracts. The Group's BMU is expected to benefit from this construction boom for the next few years.

11. Dividend

(a) Current Financial Period Reported On

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	4 cents per ordinary share
Tax Rate	Tax Exempt (1-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim	Interim
Dividend Type	Cash	Cash
Dividend Amount per Share (in cents)	0.6 cent per ordinary share (less tax)	1.4 cents per ordinary share
Tax Rate	20%	Tax Exempt (1-tier)

(c) Date payable

20 September 2007

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 September 2007 for the purpose of determining Shareholders' entitlements to the interim dividend (the "Dividend"). Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited of 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to 5.00 p.m. on 5 September 2007 (the "Books Closure Date") will be registered to determine Shareholders' entitlement to the Dividend.

Shareholders (being depositor(s)) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares as at the Books Closure Date will be entitled to the payment of the Dividend.

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

Not Applicable

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to 1Q, 2Q, 3Q or Half Year Results)

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

Not Applicable

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

Not Applicable

15. A breakdown of sales.

Not Applicable

16. Interested persons transactions

No interested person transactions were conducted under Shareholders' Mandate for the quarter ended 30 June 2007.

BY ORDER OF THE BOARD

Ng Siew Ping, Jaslin
Company Secretary
14 August 2007

Confirmation Pursuant to Rule 705(4) of the Listing Manual

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited quarterly financial results of the Group for the quarter ended 30 June 2007 to be false or misleading in any material respect. As highlighted under Section 8 on page 11 of the said unaudited quarterly financial results of the Group, arising from the potential accounting errors at Guangxi Yuchai Machinery Company Limited, the Group's share of China Yuchai International Limited's share of profits may be reduced by \$4.6 million for 2005 and/or 2006, which may necessitate an adjustment, if any, to be made in the Group's financial statements.

On behalf of the Board

Kwek Leng Beng
Chairman

Teo Tong Kooi
Director & CEO

14 August 2007