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

# Unaudited Full Year Financial Statement And Dividend Announcement For The Year Ended 31 December 2009

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

The Board of Directors announces the results of the Group for the year ended 31 December ("FY") 2009. These figures have not been audited. Certain comparative figures for FY2008 have been reclassified to be consistent with the classification in for FY2009.

### 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 | | |
|---|---|---|---|
| | FY 2009 | FY 2008 | Change |
| | $'000 | $'000 | % |
| **Revenue** | **4,448,128** | **3,616,784** | **23%** |
| Cost of sales | (3,481,188) | (2,861,761) | 22% |
| **Gross profit** | **966,940** | **755,023** | **28%** |
| Other income/(expenses) | 83,438 | 44,619 | 87% |
| Selling and distribution expenses | (459,457) | (279,976) | 64% |
| Research and development costs | (77,685) | (57,198) | 36% |
| General and administrative expenses | (220,767) | (220,108) | 0% |
| **Profit from operations** | **292,469** | **242,360** | **21%** |
| Finance costs | (31,053) | (50,751) | -39% |
| Share of profit of associates, net of tax | 11,116 | 15,470 | -28% |
| **Profit before taxation** | **272,532** | **207,079** | **32%** |
| Taxation | (61,762) | (33,618) | 84% |
| **Profit after taxation** | **210,770** | **173,461** | **22%** |

**Net Profit Attributable to :**

| | | | |
|---|---|---|---|
| **Shareholders of the Company** | **126,653** | **41,977** | **202%** |
| Minority Interests | 84,117 | 131,484 | -36% |
| | **210,770** | **173,461** | **22%** |

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

| Profit from operations include the following: | Group | | |
|---|---|---|---|
| | FY 2009 $'000 | FY 2008 $'000 | Change % |
| Loss on disposal of investment, property, plant and equipment | (1,752) | (1,786) | -2% |
| Impairment loss on property, plant and equipment, intangibles and assets held for sale | (30,416) | (8,349) | 264% |
| Allowance made for trade and other receivables/bad debts written off | (4,292) | (8,691) | -51% |
| Allowance made for stock obsolescence | (41,942) | (6,992) | 500% |
| Negative goodwill on acquisition of subsidiary companies (1) | 37,104 | - | NM |
| Provisional negative goodwill on additional acquisition of shares in a subsidiary (2) | 13,540 | - | NM |
| Depreciation and amortisation | (107,357) | (59,694) | 80% |
| Foreign exchange loss | (447) | (2,522) | -82% |

NM: Not meaningful

(1) The purchase price allocation in respect of acquisition of additional shares in Tasek Corporation Berhad ("Tasek") had been completed during the year and the related attributable negative goodwill is thus final.

(2) Provisional negative goodwill was recognized in respect of further purchases of shares in China Yuchai International Limited ("CYI") by a subsidiary of the Company.

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

The Group's tax charge in 2009 included an under provision of $2,664,000 (2008: under provision of $64,000) in respect of prior years.

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

The Group applies revised FRS 1 *Presentation of Financial Statements (2008),* which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

| | **Group** | | |
|---|---|---|---|
| | **FY 2009 $'000** | **FY 2008 $'000** | **Change %** |
| Profit for the period | 210,770 | 173,461 | 22% |
| | | | |
| Other comprehensive income: | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations | (26,626) | 63,112 | **NM** |
| Increase/(Decrease) in own share reserve | 11,446 | (28,873) | **NM** |
| Increase/(Decrease) in fair value reserve | 16,714 | (21,993) | **NM** |
| **Total comprehensive income** | **212,304** | **185,707** | **14%** |
| Attributable to: | | | |
| Shareholders of the Company | 145,636 | 20,809 | **600%** |
| Minority interests | 66,668 | 164,898 | **-60%** |
| | **212,304** | **185,707** | **14%** |

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

| | Group | | Company | |
|---|---|---|---|---|
| **$'000** | 31/12/09 | 31/12/08 | 31/12/09 | 31/12/08 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,133,128 | 868,708 | 495 | 723 |
| Prepaid operating leases | 117,437 | 52,838 | - | - |
| Intangibles | 72,028 | 66,786 | 844 | 1,099 |
| Investment in subsidiaries | - | - | 231,945 | 239,628 |
| Investment in associates | 33,421 | 253,350 | 14,695 | 52,295 |
| Investment in jointly controlled entity | - | - | 15,000 | 15,000 |
| Investment properties | 7,008 | 7,222 | - | - |
| Other investments | 2,259 | 2,145 | - | - |
| Amounts due from subsidiaries | - | - | - | 55,674 |
| Deferred tax assets | 67,704 | 38,299 | - | - |
| Other non-current receivables | 6,790 | 5,827 | - | - |
| | **1,439,775** | **1,295,175** | **262,979** | **364,419** |
| **Current assets** | | | | |
| Other investments | 1,331 | 633 | 34 | - |
| Inventories | 669,287 | 724,781 | - | - |
| Development properties | 18,879 | 20,366 | - | - |
| Trade and other receivables | 940,229 | 975,126 | 175,440 | 136,883 |
| Cash and bank | 1,076,233 | 271,178 | 7,859 | 10,495 |
| Assets classified as held for sale | 94,395 | - | 39,326 | - |
| | **2,800,354** | **1,992,084** | **222,659** | **147,378** |
| **Current liabilities** | | | | |
| Trade and other payables | 1,851,669 | 1,135,023 | 55,936 | 17,350 |
| Provisions | 66,371 | 59,697 | - | - |
| Financial Liabilities | 225,373 | 531,032 | 105,223 | 167,338 |
| Provision for taxation | 45,453 | 25,767 | - | - |
| | **2,188,866** | **1,751,519** | **161,159** | **184,688** |
| | | | | |
| **Net current assets/(liabilities)** | **611,488** | **240,565** | **61,500** | **(37,310)** |
| | | | | |
| **Non-current liabilities** | | | | |
| Financial Liabilities | 300,642 | 56,838 | - | - |
| Amount due to a subsidiary | - | - | - | 10,400 |
| Deferred tax liabilities | 32,198 | 2,111 | 457 | 457 |
| Deferred grants | 258 | 276 | - | - |
| Retirement benefits | 221 | 308 | - | - |
| | **333,319** | **59,533** | **457** | **10,857** |
| | | | | |
| **Net assets** | **1,717,944** | **1,476,207** | **324,022** | **316,252** |
| | | | | |
| **Capital and reserves** | | | | |
| Share capital | 264,996 | 278,664 | 264,996 | 278,664 |
| Reserves | 446,352 | 302,221 | 59,026 | 37,588 |
| | 711,348 | 580,885 | 324,022 | 316,252 |
| Minority interests | 1,006,596 | 895,322 | - | - |
| **Total Equity** | **1,717,944** | **1,476,207** | **324,022** | **316,252** |

**Explanatory Notes to Statement of Financial Position**

**Group**

- Compared to 31 December 2008, the consolidation of Tasek effective January 2009 was a common factor for the increase in both total assets and total liabilities. Other main factors for the increase in total assets were fair value adjustments to non-current assets relating to further acquisition of Tasek shares, new research facilities and capacity expansion by one of the Group's China subsidiaries and increased cash holdings. Better payment terms from trade suppliers were the other main reason for the increase in total liabilities.

- Compared to 31 December 2008, the increase in the net working capital was due largely to the consolidation of Tasek with effect from January 2009, better working capital management mainly by the Group's China subsidiaries and increased net cash holdings.

- As a result of better working capital management, total financial liabilities (including bank overdrafts and long term loans) were lower as at 31 December 2009 compared to 31 December 2008. In 2009, the Group also refinanced some of its short term borrowings into long term borrowings, which resulted in an increase in long term financial liabilities as at 31 December 2009.

- The decrease in the carrying amount of investments in associates for the Group was due primarily to Tasek being treated as a subsidiary with effect from January 2009. It was an associate prior to January 2009. A secondary factor was the reclassification of some investments to 'assets held for sale'.

**Company**

- As the financing taken by the Company for one of its subsidiaries to purchase Tasek shares had been fully repaid following the sale of Tasek shares to a Malaysian entity within the Group, the working capital of the Company was no longer in the negative as at 31 December 2009.

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

| As at 31/12/2009 | | As at 31/12/2008 | |
|---|---|---|---|
| **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| 44,366,910 | 181,006,077 | 5,398,064 | 525,634,162 |

**Amount repayable after one year**

| As at 31/12/2009 | | As at 31/12/2008 | |
|---|---|---|---|
| **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| 169,911,582 | 130,730,141 | 18,899,363 | 37,938,870 |

### Details of any collateral

The secured banking facilities of the Group, comprising term loans are secured on the assets of certain subsidiaries with a total carrying value as at 31 December 2009 of $287,537,000 (31 December 2008: $23,889,000).

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

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Operating Activities** | | |
| Profit before income tax | 272,532 | 207,079 |
| Adjustment for : | | |
| Dividend and interest income | (8,791) | (3,606) |
| Finance costs | 31,053 | 50,751 |
| Depreciation and amortisation | 107,357 | 59,694 |
| Share of profit of associated companies | (11,116) | (15,470) |
| Accretion of deferred grants | - | (11) |
| Loss on disposal of property, plant and equipment | 1,752 | 1,786 |
| Cost of share-based payment | 204 | 847 |
| Allowance for Impairment loss | 22,672 | 8,349 |
| Negative goodwill for acquisition of subsidiaries & associates | (50,644) | - |
| Gain on disposal/redemption of share in subsidiaries & related business | (53) | - |
| Provision for warranties and other costs, net | 96,463 | 64,132 |
| Operating profit before working capital changes | 461,429 | 373,551 |
| Changes in working capital: | | |
| Inventories | 94,207 | (77,033) |
| Trade and other receivables | 67,418 | 37,566 |
| Trade and other payables | 736,309 | 9,073 |
| Provisions utilised | (89,752) | (66,666) |
| | 1,269,611 | 276,491 |
| Income tax paid | (37,146) | (42,271) |
| Cash flows from operating activities | 1,232,465 | 234,220 |
| | | |
| **Investing Activities** | | |
| Interest and dividends received | 20,234 | 9,187 |
| Proceeds from disposal of subsidiaries, net of cash disposed | 385 | - |
| Proceeds from disposal of investments | 1,638 | - |
| Proceeds from disposal of property, plant and equipment | 9,483 | 9,190 |
| Acquisition of subsidiaries and businesses, net of cash acquired | 10,550 | - |
| Purchase of additional shareholding in subsidiaries | (60,005) | (1,138) |
| Investments in associates and joint ventures | (445) | (40,405) |
| Purchase of property, plant and equipment | (200,325) | (134,060) |
| Payment of prepaid operating leases | (34,531) | (2,881) |
| Purchase of intangible assets | (1,634) | (1,709) |
| Repayment to related corporations | (10,258) | - |
| Cash flows from investing activities | (264,908) | (161,816) |
| | | |
| **Financing Activities** | | |
| Proceeds from share issue | 1,222 | 249 |
| Share cancellation | (14,891) | - |
| Capital contribution by minority shareholders of a subsidiary | - | 10,103 |
| Proceeds from bank borrowings | 334,906 | 966,113 |
| Repayment of bank borrowings | (360,260) | (930,872) |
| Dividends paid to shareholders of the Company | (19,070) | (34,323) |
| Dividends paid to minority shareholders of subsidiaries | (14,800) | (16,780) |
| Fixed deposits pledged with banks | (20,649) | 30,920 |
| Interest paid | (34,092) | (56,494) |
| Cash flows from financing activities | (127,634) | (31,084) |
| | | |
| **Net increase in cash and cash equivalents** | 839,923 | 41,320 |
| **Cash and cash equivalents at beginning of the period** | 238,017 | 186,681 |
| Effects of exchange rate changes on cash and cash equivalents | (23,266) | 10,016 |
| **Cash and cash equivalents at end of the period** | 1,054,674 | 238,017 |
| Comprising: | | |
| Fixed deposit, bank and cash balances | 1,076,233 | 271,178 |
| Less: Bank overdraft | (617) | (32,868) |
| Fixed deposits pledged | (20,942) | (293) |
| | 1,054,674 | 238,017 |

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

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Acquisitions** | | |
| Non-current assets | 276,499 | - |
| Net current assets | 214,901 | - |
| Non-current liabilities | (24,707) | - |
| Minority Interest | (110,886) | - |
| Revaluation reserves | (13,960) | - |
| Amount previously accounted for as associate | (164,406) | - |
| Goodwill/(Negative goodwill) | (26,869) | - |
| Currency translation differences | (205) | - |
| Total consideration | 150,367 | - |
| Less: Consideration to be settled by debts set-off | (50,839) | - |
| Less: Cash & cash equivalents of subsidiary acquired | (110,078) | - |
| Acquisition of subsidiary, net of cash acquired | (10,550) | - |
| **Disposals** | | |
| Net current assets | 441 | - |
| Realisation of translation difference | (6) | - |
| Profit on disposal | 53 | - |
| Total cash consideration | 488 | - |
| Less: Cash and bank balances of subsidiary disposed | (103) | - |
| Disposal of subsidiary, net of cash disposed | 385 | - |

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

| Statement of Changes in Equity | Share Capital $'000 | Capital Reserve $'000 | Statutory Reserve $'000 | Own Share Reserve $'000 | Fair Value Reserve $'000 | Equity Compen-sation Reserve $'000 | Translation Reserve $'000 | Revenue Reserve $'000 | Total $'000 | Minority Interests $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Group | | | | | | | | | | | |
| At 1 January 2008 | 278,415 | (34,684) | 19,956 | 17,433 | 43,085 | 958 | (29,820) | 297,960 | 593,303 | 737,860 | 1,331,163 |
| Share issues during the period | 249 | - | - | - | - | - | - | - | 249 | - | 249 |
| Cost of share-based payment | - | - | - | - | - | 847 | - | - | 847 | 2 | 849 |
| Transfer from statutory reserve | - | - | 2,311 | - | - | - | - | (2,311) | - | - | - |
| Capital contribution by minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | (761) | (761) |
| Dividends paid to shareholders | - | - | - | - | - | - | - | (34,323) | (34,323) | - | (34,323) |
| Shares issued to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | 10,103 | 10,103 |
| Dividends paid/payable to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | (16,780) | (16,780) |
| Total comprehensive income for the period | - | - | - | (28,873) | (8,981) | - | 16,686 | 41,977 | 20,809 | 164,898 | 185,707 |
| At 31 December 2008 | 278,664 | (34,684) | 22,267 | (11,440) | 34,104 | 1,805 | (13,134) | 303,303 | 580,885 | 895,322 | 1,476,207 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2009 | 278,664 | (34,684) | 22,267 | (11,440) | 34,104 | 1,805 | (13,135) | 303,304 | 580,885 | 895,322 | 1,476,207 |
| Share issues during the period | 1,223 | - | - | - | - | - | - | - | 1,223 | - | 1,223 |
| Share cancellation during the period | (14,891) | - | - | - | - | - | - | - | (14,891) | - | (14,891) |
| Cost of share-based payment | - | - | - | - | - | 204 | - | - | 204 | - | 204 |
| Transfer to capital reserve | - | (77) | - | - | - | - | - | - | (77) | - | (77) |
| Transfer to statutory reserve | | | 7,526 | - | - | - | - | (4,431) | 3,095 | | 3,095 |
| Transfer to revenue reserve | - | (4,486) | - | - | - | - | - | 4,461 | (25) | - | (25) |
| Transfer to share capital | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of additional shareholding in a subsidiary | - | - | - | - | - | - | - | - | - | - | - |
| Dividends paid to shareholders | - | - | - | - | - | - | - | (19,070) | (19,070) | - | (19,070) |
| Acquisition of business combination | - | 10,575 | (129) | - | 41 | - | - | 3,881 | 14,368 | 59,406 | 73,774 |
| Dividends paid/payable to minority shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | (14,800) | (14,800) |
| Total comprehensive income for the period | - | - | - | 11,446 | 13,159 | - | (5,622) | 126,653 | 145,636 | 66,668 | 212,304 |
| At 31 December 2009 | 264,996 | (28,672) | 29,664 | 6 | 47,304 | 2,009 | (18,757) | 414,798 | 711,348 | 1,006,596 | 1,717,944 |

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

| Statement of Changes In Equity | Share Capital $'000 | Capital Reserves $'000 | Fair Value Reserves $'000 | Compensation Reserves $'000 | Revenue Reserves $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| The Company | | | | | | |
| At 1 January 2008 | 278,415 | 9,199 | - | 838 | 31,291 | 319,743 |
| Share issues during the period | 249 | - | - | - | - | 249 |
| Cost of share-based payment | - | - | - | 451 | - | 451 |
| Total comprehensive income for the period | - | - | - | - | 30,132 | 30,132 |
| Dividends | - | - | - | - | (34,323) | (34,323) |
| At 31 December 2008 | 278,664 | 9,199 | - | 1,289 | 27,100 | 316,252 |
| | | | | | | |
| At 1 January 2009 | 278,664 | 9,199 | - | 1,289 | 27,100 | 316,252 |
| Share issues during the period | 1,223 | - | - | - | - | 1,223 |
| Share cancellation during the period | (14,891) | - | - | - | - | (14,891) |
| Cost of share-based payment | - | - | - | 207 | - | 207 |
| Total comprehensive income for the period | - | - | 5 | - | 40,296 | 40,301 |
| Dividends | - | - | - | - | (19,070) | (19,070) |
| At 31 December 2009 | 264,996 | 9,199 | 5 | 1,496 | 48,326 | 324,022 |

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

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

| | Number of Shares | Issued and Paid-Up Capital |
|---|---|---|
| Ordinary Shares | | $'000 |
| Balance as at 1 January 2009 | 381,392,018 | 278,664 |
| Shares issued for cash upon the exercise of options under the Hong Leong Asia Share Option Scheme 2000 (the " Scheme") | 644,000 | 1,223 |
| Cancellation of shares pursuant to the HLA Selective Capital Reduction | (9,079,659) | (14,891) |
| Balance as at 31 December 2009 | 372,956,359 | 264,996 |

The Company did not hold any treasury shares as at 31 December 2009 and 31 December 2008.

There has been no change in the number of ordinary shares in issue as at 31 December 2008 and 1 January 2009.

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

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

| Year of Grant | Exercise Price Per Share | FY 2009 | Cumulative To Date |
|---|---|---|---|
| 2001 | $0.41 | - | 6,107,000 |
| 2002 | $1.00 | - | 1,153,800 |
| 2003 | $1.79 | - | - |
| 2004 | $1.51 | 160,000 | 809,000 |
| 2005 | $1.28 | 17,000 | 229,700 |
| 2007 | $1.88 | 296,000 | 406,200 |
| 2008 | $2.36 | 171,000 | 171,000 |
| 2009 | $1.42 | - | - |
| Total | | 644,000 | 8,876,700 |

As at 31 December 2009, there were a total of 1,922,200 (31 December 2008: 2,483,200) unissued shares under options granted pursuant to the Scheme. Details are as follows:

| Year of Grant | Exercise Price | Number of Outstanding Options |
|---|---|---|
| 2005 | $1.28 | 18,000 |
| 2007 | $1.88 | 625,200 |
| 2008 | $2.36 | 1,179,000 |
| 2009 | $1.42 | 100,000 |
| Total | | 1,922,200 |

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

Please refer to item 1(d)(ii)(A) above.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the year ended 31 December 2009.

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

The figures have not been audited nor reviewed.

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

Not Applicable

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for FY 2008.

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

The Group adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for financial periods beginning on or after 1 January 2009. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new and amended FRS that are relevant to the Group:

| | |
|---|---|
| FRS 1 (Revised) | Presentation of Financial Statements |
| FRS 108 | Operating Segments |

The adoption of the above FRS did not result in any change to the Group's accounting policies or any significant impact on the financial statements.

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

| | Group | |
|---|---|---|
| Earnings per ordinary share based on net profit attributable to shareholders | **2009** | **2008** |
| (i) Based on the weighted average number of ordinary shares in issue (cts) | 33.28 | 11.01 |
| (ii) On a fully diluted basis (cts) | 33.28 | 11.01 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/2009** | **31/12/2008** | **31/12/2009** | **31/12/2008** |
| Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at end of the financial year (cts) | 190.73 | 152.31 | 86.88 | 82.92 |

**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.**

**2009 versus 2008**

The Group ended the year on a strong note with record revenue and net profit attributable to shareholders of the Company.

Net profit attributable to shareholders improved to $126.7 million, an increase of 202 percent from $42.0 million achieved a year ago.

The Chinese government stimulus program had a strong impact on the operations of the Group's two largest China businesses dealing in diesel engines ("Yuchai") and consumer goods ("Xinfei"). Diesel engine sales reached a record 467,899 units in 2009, more than 25 percent increase year-on-year. Average selling prices were also higher as more of the higher emission standard engines were sold during the year. Xinfei's sales of refrigerators in the China domestic market also grew strongly, up by 10 percent year-on-year. This growth more than compensated for declines in export and air-conditioner sales. The inclusion of Tasek as a subsidiary boosted the revenue of the Group's building material unit ("BMU") even as falling prices dampened the sales of the Singapore operations. As resin prices have an effect on the selling prices of industrial packaging products, lower resin prices and falling export sales in 2009 caused the revenue of the industrial packaging unit ("Rex") to fall. The four-month delay in the move of the green technology pallet plant from Singapore to Senai in Malaysia affected its sales as did the effect of global financial crisis, which affected its international customers. The relative strength of the Chinese Renminbi ("RMB") in 2009 compared to 2008 also had a positive bearing on the revenue growth of the Group.

Gross profit improved on account of lower raw material prices in the production of consumer goods and industrial packaging products, higher sales volumes achieved by Yuchai and Xinfei and the inclusion of Tasek as a subsidiary. This increase was achieved despite higher impairment charges and increased stock write-down and provisions for stock obsolescence.

Other income in 2009 included negative goodwill of $50.6 million which arose from the purchases of additional shares in Tasek and CYI. In 2008, a write-back of $42.9 million of bad debt provision was reflected in other income.

A factor for the increase in operating expenses was the inclusion of Tasek as a subsidiary effective January 2009. This factor accounted for about $37.6 million of the increase in operating expenses.

Selling and distribution expenses increased significantly as Yuchai invested heavily on incentives to increase its market penetration and extend its market reach which enabled Yuchai to maintain its leadership position in China. 2009 also saw a higher proportion of diesel engine sales being made on a delivered basis resulting in an increase in outward freight charges. Higher warranty claim provisions were also required as Yuchai sold higher emission standard engines which require more costly spare parts for repairs and maintenance. In order to counter the competition as a result of an increase in the number of qualified distributors under the Chinese government's stimulus program to encourage purchases of electrical appliances, Xinfei also invested in building customer relationships and providing increased incentives to dealers, chain stores and wholesalers.

Research and development costs were influenced primarily by heavy investments made by Yuchai to develop higher emission standard engines and alternative fuel technologies.

Despite the significant revenue growth, general and administrative expenses did not vary much year-on-year.

Finance costs fell as interest rates eased and the loan base declined, the latter being the result of better working capital management.

Share of profits from associates, net of tax, declined as Tasek was no longer an associate company since the beginning of 2009. Other secondary factors were the reclassification of some investments from associates to "assets held for sale'. This was partly mitigated by a gain from the sale of quoted securities by an associate of the Company in 2009.

Taxation for 2009 was higher than in 2008 due to higher pretax profit and the absence of tax refund, which was received by Xinfei in 2008. As a result of this tax refund and the inclusion of Tasek as a subsidiary in 2009, the effective tax rate for 2009 was higher than 2008.

**Working Capital and Cash Flow**

Continuing its focus on working capital management, the Group generated net cash of $839.9 million in 2009, substantially higher than $41.3 million generated in 2008. This brought net cash holdings at the end of 2009 to more than $1 billion, more than threefold increase from $238.0 million as at end of 2008.

Cash flow from operating activities surpassed the $1 billion mark from improved profitability, lower receivable and inventory balances and better suppliers' trade terms.

Investments in capacity expansion in both finished goods and component parts, new research facilities and the acquisitions of further shares in CYI and another subsidiary in BMU were the primary factors which caused a net cash outflow on investing activities.

Arising from its strong cash flow, the Group made further loan repayments. Borrowings declined by a net $25.4 million (2008: increased by $35.2 million). Arising from the HLA Selective Capital Reduction, about 9 million shares of the Company were cancelled. In order to avail itself of cheaper trade financing facilities, one of the Group's China operations pledged RMB100 million with two Chinese banks. These were the main factors which caused a net cash outflow from financing activities.

**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.**

The Asian Development Bank has forecast growth of 8.9 percent for China while the International Monetary Fund predicted growth of 9 percent in 2010. While Chinese exports have been hard hit by the global financial crisis in 2009, recently published figures have shown that exports are on an increase. Beijing reported that exports rose by a robust 17.7 percent in December 2009, the first growth in 14 months. Consumer spending also saw double-digit annual growth, driven by a 45 percent surge in auto sales in 2009. China's manufacturing activity, as measured by the Purchasing Managers' Index, grew for the $10^{th}$ straight month in December 2009, a sign that the economic recovery continued to gather pace. The State Information Centre, a top government think-tank, forecast that exports would rise by 6 percent in 2010.

The Group is of the view that while there has been discussion on the possible pull back of the Chinese government's stimulus program, any withdrawal is unlikely to be in consumer goods and diesel engine sectors, given that the Chinese government has repeatedly stated that it is important to carry out structural reforms to make the economy less reliant on exports. This implies that incentives to spur domestic consumption are likely to continue.

The challenge for Yuchai and Xinfei, however, remains in continuing to build market shares as Chinese manufacturers and suppliers of consumer and industrial goods are expected to continue its focus on the Chinese domestic market. Another challenge facing companies in China is the expected tightening of raw material supplies, which may lead to cost pressure. The tightening of bank credit may also dampen consumption although the Group considers this to be directed at curbing rapid rises in real estate prices and in industries with excess capacities. Nonetheless, the positive macroeconomic policies and the belief of continuing favourable government policies should augur well for Xinfei and Yuchai.

The Singapore government has increased its 2010 GDP growth forecast in the range of 4.5 to 6.5 percent. Based on surveys done in the fourth quarter of 2009 by the Building and Construction Authority ("BCA"), the mid-range 2010 construction demand forecast is around $24 billion, up from the estimated 2009 mid range of $21 billion. Construction demand is a measure of total value of construction contracts awarded (excluding reclamation projects). As in 2009, the public sector is expected to remain the key growth driver, fuelled by demand in public housing construction projects and civil engineering works led by the Land Transport Authority's MRT and related projects. The Malaysian government's stimulus package of more than RM60 billion is likely to take effect in the 2nd half of 2010. Numerous projects are already in the pipeline which include the prominent Iskandar Infrastructure Project in Johor. These signs are positive news for BMU of the Group.

Rising crude oil prices may dampen margins in Rex. If the global economy continues to improve, there will be a positive effect on the sales of the Group's green technology pallets.

The Group will continue to put strong emphasis on working capital management as it had done so successfully in the past years. The Group remains optimistic that its cash position will remain healthy.

Thus, barring unforeseen circumstances and any adverse change in business climate, the Group expects to continue to operate profitably in the next quarter and next twelve months.

As part of the Group's efforts to grow its businesses and enhance shareholders' value, the Group will continue to explore investment and divestment opportunities. As and when these opportunities materialize, appropriate announcements will be made. In connection to this and further to an announcement made by the Company in November 2009, the Board of Directors wishes to announce that it has appointed Merrill Lynch (Singapore) Pte. Ltd. as its financial adviser to assist in the Company's review and execution of strategic alternatives (the "Strategic Review") with respect to the Group's interest in the Xinfei Group. The Xinfei Group is the Group's Consumer Products Unit which manufactures principally refrigerators and freezers.

Under the Strategic Review, the strategic alternatives may include, amongst others, listing, disposal, acquisition of a complementary business, debt or equity financing, or restructuring or recapitalization involving all or part of the Xinfei Group.

The Group is in negotiation to dispose of its interest in the quarry on Karimun Island (the "Proposed Disposal").

The Company cautions that there is no assurance that the Strategic Review and the negotiation on the Proposed Disposal will result in any specific transaction. Shareholders and investors are advised to exercise caution when dealing in the shares of the Company. The Company will make further announcements as appropriate.

## 11. Dividend

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

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

| Name of Dividend | Interim (Paid) | Proposed Final |
|---|---|---|
| Dividend Type | Cash | Cash |
| Dividend Amount per Share (in cents) | 3 cents per ordinary share | 7 cents per ordinary share |
| Tax Rate | Tax Exempt (1-tier) | Tax Exempt (1-tier) |

### *(b) Corresponding Period of the Immediately Preceding Financial Year*

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

| Name of Dividend | Interim (Paid) | Proposed Final |
|---|---|---|
| Dividend Type | Cash | Cash |
| Dividend Amount per Share (in cents) | 3 cents per ordinary share | 2 cents per ordinary share |
| Tax Rate | Tax Exempt (1-tier) | Tax Exempt (1-tier) |

### *(c) Date payable*

Subject to shareholders' approval at the Annual General Meeting to be held on 29 April 2010, the proposed final dividend for financial year ended 31 December 2009 will be payable on 24 May 2010.

### *(d) Books closure date*

5.00 p.m. on 10 May 2010.

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

Total Annual Dividend

| | Latest Full Year (S$'000) | Previous Full Year (S$'000) |
|---|---|---|
| Ordinary | 37,583 | 19,070 |
| Preference | 0 | 0 |
| Total: | 37,583 | 19,070 |

The figure under the latest full year comprises :

(i) the net interim dividend for the financial year 2009 that was paid on 25 September 2009; and

(ii) the proposed final dividend for financial year 2009 which is subject to shareholders' approval at the forthcoming Annual General Meeting, and calculated based on 373,443,559 issued shares in the capital of the Company as at 26 February 2010.

The figure under the previous full year comprises net interim and final dividends paid in respect of the financial year ended 31 December 2008.

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

Not Applicable

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

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

**13 (a)(i) Business Segments**

The Group determines and presents operating segments based on the information provided internally to the Group's chief operating decision maker (CODM). This change in accounting policy is due to the adoption of FRS 108 *Operating Segments*. Previously operating segments were determined and presented in accordance with FRS 14 *Segment Reporting.* Comparative segment information has been re-presented in conformity with the transitional requirements of such standard.

| $' 000 | Consumer products | Industrial packaging | Building materials | Diesel engines | Others (1) | Total |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| External revenue | 973,954 | 88,764 | 539,057 | 2,820,551 | 25,802 | 4,448,128 |
| Interest revenue | 396 | 105 | 2,968 | 5,155 | 389 | 9,013 |
| Interest expense | (5,958) | (1,277) | (1,664) | (16,567) | (400) | (25,865) |
| Depreciation and amortisation | (11,575) | (3,469) | (25,895) | (59,366) | (6,377) | (106,682) |
| Reportable segment profit before income tax | 76,043 | (3,064) | 49,200 | 122,234 | (775) | 243,638 |
| Share of profit of equity method investees | - | 1,184 | 6,631 | 3,250 | 51 | 11,116 |
| Reportable segment profit after income tax | 67,315 | (4,747) | 37,469 | 83,186 | (944) | 182,279 |
| **2008** | | | | | | |
| External revenue | 952,957 | 100,092 | 392,961 | 2,138,919 | 32,024 | 3,616,953 |
| Interest revenue | 255 | 120 | 268 | 1,983 | 916 | 3,542 |
| Interest expense | (14,008) | (1,093) | (1,209) | (24,065) | (7,370) | (47,745) |
| Depreciation and amortisation | (5,582) | (4,041) | (8,566) | (35,195) | (5,757) | (59,141) |
| Reportable segment profit before income tax | 27,452 | (16,370) | 25,201 | 191,361 | (10,890) | 216,754 |
| Share of profit of equity method investees | - | 276 | 13,143 | (6,413) | 196 | 7,202 |
| Reportable segment profit after income tax | 28,196 | (17,756) | 20,047 | 164,530 | (11,878) | 183,139 |

(1) Related to electronics, hospitality and property development operations.

### 13 (a)(i) Business Segments (Cont'd)

**Reconciliation of reportable segment revenue and profit before income tax**

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Revenue** | | |
| Total revenue for reportable segments | 4,422,326 | 3,584,929 |
| Other revenue | 25,802 | 32,024 |
| Elimination of revenue | - | (169) |
| Consolidated revenue | 4,448,128 | 3,616,784 |
| | | |
| **Profit or loss** | | |
| Total profit or loss for reportable segments | 244,413 | 227,644 |
| Other profit or loss | (775) | (10,890) |
| | 243,638 | 216,754 |
| Elimination of inter-segment profits | | |
| Unallocated amounts: | | |
| - Other corporate profit | 28,894 | (9,675) |
| Consolidated profit before income tax | 272,532 | 207,079 |

### 13(a)(ii) Geographical Segments

| $'000 | China (including Hong Kong) | Singapore | Malaysia | Indonesia | Others | Consolidated |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| Total revenue from external customers | 3,861,421 | 321,986 | 241,876 | 158 | 22,687 | 4,448,128 |
| | | | | | | |
| **2008** | | | | | | |
| Total revenue from external customers | 3,148,615 | 396,067 | 26,231 | 107 | 45,764 | 3,616,784 |
| | | | | | | |

### 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.

Please refer to Note 8.

### 15. A breakdown of sales.

| | Group | | |
|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | Increase/ (Decrease) |
| Sales reported for first half | 2,333,960 | 2,118,690 | 10.2% |
| Operating profit after tax before deducting minority interests reported for first half year | 71,785 | 145,942 | -50.8% |
| Sales reported for second half | 2,114,168 | 1,498,094 | 41.1% |
| Operating profit after tax before deducting minority interests reported for second half year | 138,985 | 27,519 | 405.1% |

## 16. Interested persons transactions

| Name of Interested Person | Aggregate value of all interested person transactions conducted in financial year 2009 conducted under IPT mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|
| Hong Leong Investment Holdings Pte. Ltd. and its associates<br>- General Transaction (renewal of lease/sub-lease of office premises by the Company for lease tenure of three years each) | $1,020,816 |

**BY ORDER OF THE BOARD**

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

26 February 2010