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

Unaudited Second Quarter And Half Year Financial Statement And Dividend Announcement For The Period Ended 30 June 2010

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

The Board of Directors announces the results of the Group for the second quarter ("2Q") and half year ended 30 June ("1H") 2010. 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 2010	2Q 2009	Change	1H 2010	1H 2009	Change
	$'000	$'000	%	$'000	$'000	%
Revenue	**1,342,926**	**1,242,717**	**8%**	**2,836,870**	**2,333,960**	**22%**
Cost of sales	(1,019,069)	(956,990)	6%	(2,171,690)	(1,839,517)	18%
Gross profit	**323,857**	**285,727**	**13%**	**665,180**	**494,443**	**35%**
Other income/(expenses)	8,320	6,144	35%	18,395	27,876	-34%
Selling and distribution expenses	(159,151)	(147,124)	8%	(307,357)	(259,052)	19%
Research and development costs	(21,379)	(18,887)	13%	(38,615)	(35,164)	10%
General and administrative expenses	(47,340)	(78,799)	-40%	(98,305)	(134,711)	-27%
Profit from operations	**104,307**	**47,061**	**122%**	**239,298**	**93,392**	**156%**
Finance costs	(12,983)	(7,469)	74%	(25,435)	(15,474)	64%
Share of profit of associates, net of tax	659	2,158	-69%	1,338	4,690	-71%
Profit before taxation	**91,983**	**41,750**	**120%**	**215,201**	**82,608**	**161%**
Taxation	(13,989)	(2,418)	479%	(34,129)	(10,823)	215%
Profit after taxation	**77,994**	**39,332**	**98%**	**181,072**	**71,785**	**152%**

Net Profit Attributable to :

Shareholders of the Company	**32,221**	**25,764**	**25%**	**68,079**	**48,993**	**39%**
Minority Interests	45,773	13,568	237%	112,993	22,792	396%
	77,994	**39,332**	**98%**	**181,072**	**71,785**	**152%**

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

Profit from operations include the following:	Group			Group		
	2Q 2010 $'000	2Q 2009 $'000	Change %	1H 2010 $'000	1H 2009 $'000	Change %
(Loss)/gain on disposal of property, plant and equipment	(56)	(345)	-84%	2,031	(449)	NM
Reversal/(impairment loss) on property, plant and equipment, intangibles and assets held for sale	2,523	(6,254)	NM	804	(13,851)	NM
Allowance made for trade and other receivables/bad debts written off	(7,618)	(5,714)	33%	(7,045)	(8,465)	-17%
Allowance written back/(made) for stock obsolescence	2,246	(6,520)	NM	3,785	(7,725)	NM
Provisional negative goodwill on acquisition of subsidiary companies [1]	-	2,273	NM	-	19,130	NM
Depreciation and amortisation	(26,149)	(26,100)	0%	(54,250)	(49,636)	9%
Foreign exchange (loss)/gain	(199)	57	NM	(900)	1,389	NM

NM: Not meaningful

(1) Although the Group had completed its purchase price allocation within the 12-month period specified in FRS103, the amount of goodwill shown under 2Q 2009 and 1H 2009 was still provisional as at end of June 2009. The purchase price allocation exercise was completed in the fourth quarter of 2009 and the difference between the final goodwill amount and all the provisional goodwill amounts recognized prior to 31 December 2009 was reflected in the 2009 full year results of the Group.

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

The Group's tax charge for 2Q 2010 included a write-back of over provision of $2,739,000 (2Q 2009: over provision of $6,012,000) in respect of prior years. The Group's tax charge for 1H 2010 included a write-back of over provision of $3,136,000 (1H 2009: over provision of $5,867,000) in respect of prior years.

1(a)(iv) Statement of Comprehensive Income

	Group			**Group**		
	2Q 2010 $'000	**2Q 2009 $'000**	**Change %**	**1H 2010 $'000**	**1H 2009 $'000**	**Change %**
Profit for the period	77,994	39,332	98%	181,072	71,785	152%
Other comprehensive income:						
Exchange differences on translation of financial statements of foreign subsidiaries and associated corporations	(12,086)	(50,226)	-76%	(6,902)	18,714	NM
Net fair value changes	722	465	55%	617	276	124%
Share of other comprehensive income of associates	-	15,234	NM	-	9,948	NM
Total comprehensive income	**66,630**	**4,805**	**1287%**	**174,787**	**100,723**	**74%**
Attributable to:						
Shareholders of the Company	29,225	19,854	47%	67,085	66,261	1%
Minority interests	37,405	(15,049)	NM	107,702	34,462	213%
	66,630	**4,805**	**1287%**	**174,787**	**100,723**	**74%**

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

	Group		Company	
$'000	30/06/10	31/12/09	30/06/10	31/12/09
Non-current assets				
Property, plant and equipment	1,131,137	1,133,128	391	495
Prepaid operating leases	126,510	117,437	-	-
Intangibles	68,544	68,733	712	844
Investment in subsidiaries	-	-	231,945	231,945
Investment in associates	34,231	33,421	14,695	14,695
Investment in jointly controlled entity	-	-	15,000	15,000
Investment properties	7,328	7,008	-	-
Other investments	2,176	2,259	-	-
Deferred tax assets	74,692	67,704	-	-
Other non-current receivables	9,260	6,790	-	-
	1,453,878	**1,436,480**	**262,743**	**262,979**
Current assets				
Other investments	1,288	1,331	36	34
Inventories	617,091	669,287	-	-
Development properties	19,575	18,879	-	-
Trade and other receivables	1,593,266	940,229	163,985	175,440
Cash and bank	989,052	1,076,233	1,523	7,859
Assets classified as held for sale	111,080	98,981	39,219	39,326
	3,331,352	**2,804,940**	**204,763**	**222,659**
Current liabilities				
Trade and other payables	2,188,129	1,851,669	42,726	55,936
Provisions	89,130	66,371	-	-
Financial liabilities	286,993	225,373	117,445	105,223
Provision for taxation	30,227	45,453	-	-
Liabilities classified as held for sale	4,284	4,586	-	-
	2,598,763	**2,193,452**	**160,171**	**161,159**
Net current assets	**732,589**	**611,488**	**44,592**	**61,500**
Non-current liabilities				
Financial liabilities	287,864	300,642	-	-
Deferred tax liabilities	32,041	32,198	457	457
Deferred grants	22,657	258	-	-
Retirement benefits	251	221	-	-
	342,813	**333,319**	**457**	**457**
Net assets	**1,843,654**	**1,714,649**	**306,878**	**324,022**
Capital and reserves				
Share capital	266,096	264,996	266,096	264,996
Reserves	481,603	443,057	40,782	59,026
	747,699	708,053	306,878	324,022
Minority interests	1,095,955	1,006,596	-	-
Total Equity	**1,843,654**	**1,714,649**	**306,878**	**324,022**

Note: Financial liabilities comprise loans and borrowings, details of which can be found in Section 1(b)(ii) of this announcement.

Explanatory Notes to Statement of Financial Position

Group

- Compared to 31 December 2009, the increase in total assets and liabilities was primarily caused by increase in working capital requirements arising from increased business activities, largely from the Group's China operations.

- There was an increase in net current assets for the two comparative dates as at 31 December 2009 and 30 June 2010 primarily due to higher trade debts arising from higher sales.

- As reported in the first quarter of the year, the higher deferred grant as at 30 June 2010 was a result of grants given by the Chinese Government to one of the Group's China subsidiaries for research and development activities.

Company

- Except for a decrease in trade and other receivables arising from settlement by customers and dividends paid during the year which lowered reserves, there were no other material variances of key balance sheet items between the two comparative dates as at 31 December 2009 and 30 June 2010.

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

Amount repayable in one year or less, or on demand

As at 30/06/2010		As at 31/12/2009	
Secured	**Unsecured**	**Secured**	**Unsecured**
$49,875,305	$237,117,940	$44,366,910	$181,006,077

Amount repayable after one year

As at 30/06/2010		As at 31/12/2009	
Secured	**Unsecured**	**Secured**	**Unsecured**
$176,456,340	$111,407,761	$169,911,582	$130,730,141

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 2010 of $303,699,000 (31 December 2009: $287,537,000).

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 2010 $'000	2Q 2009 $'000	1H 2010 $'000	1H 2009 $'000
Operating Activities				
Profit before income tax	91,983	41,750	215,201	82,608
Adjustment for :				
Dividends and interest income	(4,609)	(1,785)	(8,431)	(3,272)
Finance costs	12,983	7,469	25,435	15,474
Depreciation and amortisation	26,149	26,100	54,250	49,636
Share of profit of associates	(659)	(2,158)	(1,338)	(4,690)
Loss/(gain) on disposal of property, plant and equipment	56	345	(2,031)	448
Cost of share-based payment	28	54	82	153
(Reversal)/impairment losses on property, plant and equipment and assets held for sale	(2,523)	6,254	(804)	13,850
Negative goodwill for acquisition of subsidiaries & associates	-	(2,273)	-	(2,273)
Gain on disposal of investment	6	-	6	-
Gain on liquidation of a subsidiary	(69)	(7)	(522)	(7)
Provision for warranties and other costs, net	32,674	20,176	59,947	46,076
Operating profit before working capital changes	156,019	95,925	341,795	198,003
Changes in working capital:				
Inventories	96,516	120,642	46,491	170,676
Trade and other receivables	(159,028)	(139,200)	(680,283)	(296,448)
Trade and other payables	(47,561)	196,691	356,784	550,633
Provisions utilised	(21,222)	(15,996)	(36,452)	(43,601)
	24,724	258,062	28,335	579,263
Income tax paid	(51,890)	(7,016)	(55,359)	(11,375)
Cash flows from operating activities	(27,166)	251,046	(27,024)	567,888
Investing Activities				
Interests and dividends received	4,160	2,255	8,684	3,749
Proceeds from disposal of subsidiary, net of cash disposed	(1)	464	(4)	464
Proceeds from disposal of investments	35	-	35	-
Proceeds from disposal of property, plant and equipment	205	963	8,164	1,755
Acquisition of subsidiaries and businesses, net of cash acquired	-	(2,529)	-	10,570
Purchase of additional shareholding in a subsidiary	-	-	(6,210)	-
Investments in associates and joint ventures	-	(460)	-	(460)
Purchase of property, plant and equipment	(25,196)	(33,483)	(56,303)	(77,418)
Payment of prepaid operating leases	(6,099)	(4,766)	(14,664)	(5,562)
Purchase of intangible assets	(100)	-	(282)	(80)
Purchase of other investments	-	(6)	-	(42)
Cash flows from investing activities	(26,996)	(37,562)	(60,580)	(67,024)
Financing Activities				
Proceeds from share issue	38	-	1,100	-
Grant received from government	170	-	22,601	-
Capital contribution by minority shareholders of a subsidiary	3,936	8,194	9,898	8,194
Proceeds from bank borrowings	56,551	20,272	103,898	205,907
Repayment of bank borrowings	(19,926)	(129,744)	(68,085)	(213,155)
Dividends paid to shareholders of the Company	(26,147)	(7,628)	(26,147)	(7,628)
Dividends paid to minority shareholders of subsidiaries	(15,080)	(2,645)	(24,579)	(2,645)
Fixed deposits pledged with banks	20,833	-	20,892	(1)
Interest paid	(13,812)	(8,738)	(27,418)	(18,094)
Cash flows from financing activities	6,563	(120,289)	12,160	(27,422)
Net (decrease)/increase in cash and cash equivalents	(47,599)	93,195	(75,444)	473,442
Cash and cash equivalents at beginning of the period	1,028,568	626,442	1,054,674	238,017
Effects of exchange rate changes on cash and cash equivalents	(5,266)	(16,647)	(3,527)	(8,469)
Cash and cash equivalents at end of the period	975,703	702,990	975,703	702,990
Comprising:				
Fixed deposit, bank and cash balances			989,052	714,404
Less: Bank overdraft			(13,299)	(11,129)
Fixed deposits pledged			(50)	(285)
			975,703	702,990

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

	2Q 2010 $'000	2Q 2009 $'000	1H 2010 $'000	1H 2009 $'000
Acquisitions				
Non-current assets	-	10,946	-	257,975
Net current assets	-	(3,190)	-	174,679
Non-current liabilities	-	(1,337)	-	(20,872)
Minority Interest	-	(1,605)	-	(98,889)
Amount previously accounted for as associate	-	-	-	(164,406)
Goodwill	-	(2,273)	-	5,253
Currency translation differences	-	15	-	15
Total consideration	-	2,556	-	153,755
Less: Consideration to be settled by debts set-off	-	-	-	(54,155)
Less: Cash & cash equivalents of subsidiary acquired	-	(27)	-	(110,170)
Acquisition of subsidiary, net of cash acquired	-	2,529	-	(10,570)
Disposals				
Non-current liabilities	-	460	-	460
Realisation of translation difference	(70)	-	(526)	-
Gain on liquidation of a subsidiary	69	7	522	7
Total cash consideration	(1)	467	(4)	467
Less: Cash and bank balances of subsidiary disposed	-	(3)	-	(3)
Disposal of subsidiary, net of cash disposed	(1)	464	(4)	464

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

Statement of Changes in Equity	Share Capital $'000	Capital Reserve $'000	Statutory Reserve $'000	Fair Value Reserve $'000	Equity Compen-sation Reserve $'000	Translation Reserve $'000	Premium paid on Acquisition of Minority Interests $'000	Revenue Reserve $'000	Total $'000	Minority Interests $'000	Total Equity $'000
The Group											
At 1 January 2009	278,664	(34,684)	22,267	22,664	1,805	(13,135)	-	303,304	580,885	895,322	1,476,207
Total comprehensive income for the period	-	-	-	(2,838)	-	26,016	-	23,229	46,407	49,511	95,918
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Cost of share-based payment	-	-	-	-	99	-	-	-	99	-	99
Transfer to capital reserves	-	(77)	-	-	-	-	-	77	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	97,284	97,284
At 31 March 2009	278,664	(34,761)	22,267	19,826	1,904	12,881	-	326,610	627,391	1,042,117	1,669,508
At 1 April 2009	278,664	(34,761)	22,267	19,826	1,904	12,881	-	326,610	627,391	1,042,117	1,669,508
Total comprehensive income for the period	-	-	-	12,816	-	(18,728)	-	25,766	19,854	(15,049)	4,805
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Cost of share-based payment	-	-	-	-	54	-	-	-	54	-	54
Transfer from statutory reserve	-	-	3,204	-	-	-	-	-	3,204	-	3,204
Dividends paid to shareholders	-	-	-	-	-	-	-	(7,628)	(7,628)	-	(7,628)
Purchase/additional shareholding in subsidiaries	-	-	-	-	-	-	-	-	-	9,799	9,799
Dividends paid/payable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(2,645)	(2,645)
At 30 June 2009	278,664	(34,761)	25,471	32,642	1,958	(5,847)	-	344,748	642,875	1,034,222	1,677,098
At 1 January 2010	264,996	(28,672)	29,664	44,015	2,009	(18,757)	-	414,798	708,053	1,006,596	1,714,649
Total comprehensive income for the period	-	-	-	(105)	-	2,107	-	35,858	37,860	70,297	108,157
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Share issues during the period	1,062	-	-	-	-	-	-	-	1,062	-	1,062
Cost of share-based payment	-	-	-	-	54	-	-	-	54	-	54
Dividends paid/payable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(9,499)	(9,499)
Shares issued to minority shareholder of a subsidiary		-	-	-	-	-	-	-	-	5,962	5,962
Acquisition of business combination and others	-	-	-	-	-	-	-	(143)	(143)	217	74
Changes in ownership interests in subsidiaries that do not result in a loss of control											
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	(3,879)	(3,879)
Premium paid on acquisition of minority interest	-		-	-	-	-	(2,331)	-	(2,331)	-	(2,331)
At 31 March 2010	266,058	(28,672)	29,664	43,910	2,063	(16,650)	(2,331)	450,513	744,555	1,069,694	1,814,249
At 1 April 2010	266,058	(28,672)	29,664	43,910	2,063	(16,650)	(2,331)	450,513	744,555	1,069,694	1,814,249
Total comprehensive income for the period	-	-	-	722	-	(3,718)	-	32,221	29,225	37,405	66,630
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Share issues during the period	38	-	-	-	-	-	-	-	38	-	38
Cost of share-based payment	-	-	-	-	28	-	-	-	28	-	28
Dividends paid to shareholders	-	-	-	-	-	-	-	(26,147)	(26,147)	-	(26,147)
Dividends paid/payable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(15,080)	(15,080)
Shares issued to minority shareholder of a subsidiary		-	-	-	-	-	-	-	-	3,936	3,936
At 30 June 2010	266,096	(28,672)	29,664	44,632	2,091	(20,368)	(2,331)	456,587	747,699	1,095,955	1,843,654

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

Statement of Changes In Equity	Share Capital $'000	Capital Reserves $'000	Fair Value Reserves $'000	Compensation Reserves $'000	Revenue Reserves $'000	Total Equity $'000
The Company						
At 1 January 2009	278,664	9,199	-	1,289	27,100	316,252
Total comprehensive income for the period	-	-	(2)	-	(2,107)	(2,109)
Cost of share-based payment	-	-	-	99	-	99
At 31 March 2009	278,664	9,199	(2)	1,388	24,993	314,242
At 1 April 2009	278,664	9,199	(2)	1,388	24,993	314,242
Total comprehensive income for the period	-	-	5	-	(4,764)	(4,759)
Cost of share-based payment	-	-	-	54	-	54
Dividends	-	-	-	-	(7,628)	(7,628)
At 30 June 2009	278,664	9,199	3	1,442	12,601	301,909
At 1 January 2010	264,996	9,199	5	1,496	48,326	324,022
Total comprehensive income for the period	-	-	(2)	-	(3,429)	(3,431)
Share issues during the period	1,062	-	-	-	-	1,062
Cost of share-based payment	-	-	-	54	-	54
At 31 March 2010	266,058	9,199	3	1,550	44,897	321,707
At 1 April 2010	266,058	9,199	3	1,550	44,897	321,707
Total comprehensive income for the period	-	-	5	-	11,247	11,252
Share issues during the period	38	-	-	-	-	38
Cost of share-based payment	-	-	-	28	-	28
At 30 June 2010	266,096	9,199	8	1,578	29,997	306,878

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

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

	Number of Shares	Issued and Paid-Up Capital
Ordinary Shares		$'000
Balance as at 1 April 2010	373,524,459	266,058
Shares issued for cash upon the exercise of options under the Hong Leong Asia Share Option Scheme 2000 (the " Scheme")	15,900	38
Balance as at 30 June 2010	373,540,359	266,096

The Company did not hold any treasury shares as at 30 June 2010 and 30 June 2009.

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

During 2Q 2010, the following options were exercised pursuant to the terms of the Scheme:

Year of Grant	Exercise Price Per Share	2Q 2010	Cumulative To Date
2001	$0.41	-	6,107,000
2002	$1.00	-	1,153,800
2003	$1.79	-	-
2004	$1.51	-	809,000
2005	$1.28	-	247,700
2007	$1.88	-	946,400
2008	$2.36	15,900	196,800
2009	$1.42	-	-
Total		15,900	9,460,700

As at 30 June 2010, there were a total of 1,338,200 (30 June 2009: 2,583,200) unissued shares under options granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2007	$1.88	85,000
2008	$2.36	1,153,200
2009	$1.42	100,000
Total		1,338,200

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.

The Company did not hold any treasury shares as at 30 June 2010 and 31 December 2009.

The total number of issued ordinary shares as at 30 June 2010 and 31 December 2009 were 373,540,359 and 372,956,359 respectively.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the three months ended 30 June 2010.

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

The figures have not been audited nor reviewed.

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

Not Applicable

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2009.

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

The Group adopted the following revised accounting standards that are effective for annual periods beginning on or after 1 July 2009. Insofar as the Group is concerned, these revised accounting standards are effective on 1 January 2010 as 2010 is the first annual period for the Group subsequent to 1 July 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 amended FRSs that are relevant to the Group:

FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 103 (revised)	Business Combination

The amended FRS 27 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss.

FRS 103 (revised 2009) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. The amendments will mainly impact the accounting for transaction costs, step acquisitions, goodwill and non-controlling interests (previously minority interests).

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

	Group			
Earnings per ordinary share based on net profit attributable to shareholders	**2Q 2010**	**2Q 2009**	**1H 2010**	**1H 2009**
(i) Based on the weighted average number of ordinary shares in issue (cts)	8.63	6.76	18.23	12.85
(ii) On a fully diluted basis (cts)	8.62	6.76	18.20	12.85

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

	Group		Company	
	30/6/2010	**31/12/2009**	**30/6/2010**	**31/12/2009**
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)	200.17	190.73	82.15	86.88

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) – 2010 versus 2009

The economies of China, Singapore, Malaysia and Indonesia continued to perform creditably and this had a positive impact on the performance of the Group. Profit after tax of the Group improved substantially from $39.3 million in 2Q 2009 to $78.0 million in 2Q 2010. This brought about a 25 percent improvement in profit attributable to shareholders for 2Q 2010 to $32.2 million.

Revenue of the Group rose 8 percent driven largely by higher sales of the Consumer Products Unit ("Xinfei") and Industrial Packaging Unit ("Rex") and improved sales mix achieved by Diesel Engines Unit ("Yuchai"). This was partly negated by the continuing soft prices of building materials which caused the net revenue in the Building Materials Unit ("BMU") to be lower in 2Q 2010 compared to 2Q 2009.

Despite the colder than normal weather in China in 2Q 2010 as well as inclement weather which restricted movement of goods, Xinfei sold more white goods in 2Q 2010 compared to the same period last year. Sales of diesel engines rose very marginally as the cooling measures imposed by the Chinese government and high stock levels in the trade dampened demand of non-essential goods. However, a shift towards higher heavy and medium duty engine sales led to proportionately stronger revenue growth for Yuchai. Sales by Rex surged on increased orders from one of its major Chinese customers. There are signs that prices of building materials are getting firmer.

The gross profit increase was mainly affected by favourable sales mix and sales of engine spare parts in Yuchai and volume growth in Xinfei. Other contributory factors were the write-back of provision for stock obsolescence and the subsidy program extended to manufacturers by the Chinese government on sales of air conditioners.

Other income grew on account of higher interest income earned by Yuchai. This was partly compensated by the absence of negative goodwill from an acquisition of a subsidiary company by Yuchai.

The increase in selling and distribution ("S&D") expenses was attributed primarily to (1) proportionately higher trade discounts to counter price-undercutting strategy adopted by several industry players in the Chinese electrical appliance industry; (2) increased warranty expenses from the higher value sales of higher capacity engines; and (3) higher volume-related expenses such as sales commissions and delivery costs.

Research and development ("R&D") costs rose by 13 percent as a result of increases in mold costs, certification fees, consultants' fees as well as staff costs.

General and administrative ("G&A") expenses fell primarily on account of 2Q 2009's increased expenses amounting to about $27 million incurred by Yuchai from (1) an impairment charge on two real estate properties and plant and machinery owned by Yuchai; (2) additional accrual for performance-related staff costs and (3) provision for stock obsolescence. Additionally, in 2Q 2010, there was a reversal on impairment made previously in respect of 'investments held for sale' which further reduced G&A expenses. Finance costs increased from two main factors, viz., higher interest rate incurred on Malaysian Ringgit borrowings to fund investments in Tasek Corporation Berhad (“Tasek”) and increase in rates and in the quantum of bills discounted by Yuchai.

Share of profits of associates declined due to the reclassification of investments in three companies from associates to investments ‘held for sale’.

The effective tax rate for the Group, at 15.2 percent, was higher than 5.8 percent registered in 2Q 2009 as the latter reflected an adjustment of $6.0 million for over provision of tax of prior years (2Q 2010: $2.7 million).

First Half Year (1H) – 2009 versus 2010

Strong revenue growth coupled with an improved gross margin and reduction in G&A expenses contributed largely to a 152 percent rise in profit after tax. This, in turn, led to a 39 percent increase in profit attributable to shareholders to $68.1 million for 1H 2010 compared to $49.0 million achieved in 1H 2009.

Revenue grew by a robust 22 percent due to the relatively stronger impact of the Chinese government economic stimulus program in 1H 2010 compared to the same period of last year, when those measures were just implemented. Xinfei sold about 15 percent more units of white goods in the Chinese domestic market and Yuchai boosted its sales by about 30 percent. Rex also registered stronger sales on the back of higher orders. Prices of building materials remained soft during 1H 2010 and delays in several government projects dampened revenue of BMU.

Driven by volume growth in Yuchai and Xinfei, favourable sales mix and sales of engine spare parts in Yuchai, absence of impairment losses in BMU and write-back of provision for stock obsolescence (in contrast to 1H 2009 which reflected a charge to income), gross profit improved from $494.4 million in 1H 2009 to $665.2 million in 1H 2010, an increase of 35 percent.

As reported in 1Q 2010 on Other Income, the results of the 1Q 2009 reflected an amount of $16.9 million of provisional negative goodwill arising from the acquisition of additional shares in Tasek. A further provisional negative goodwill of $2.3 million was recognized in 2Q 2009 on an acquisition of a subsidiary company by Yuchai. No negative goodwill was reported in 1H 2010. During the period under review, the Group made a gain on the sale of a factory building, earned higher interest income and amortized grant from the Chinese government for R&D projects. These factors largely accounted for the variance in the Other Income between the two comparative periods.

S&D expenses rose from volume-related expense items incurred by Xinfei, Yuchai and Rex. In addition, higher delivery charges caused an increase in S&D expenses to be incurred by BMU.

R&D expenses rose on account of higher mold costs on new models of white goods under development, higher performance-related staff costs, certification fees and fees paid to outside consultants.

Factors accounting for the variances in G&A expenses, finance costs and share of profits of associates were largely similar to the reasons given in the 2Q 2009 versus 2Q 2010 comparative analysis.

With the increase in pre-tax profits, taxation was accordingly higher. The change in effective tax rate of the Group resulted from different amounts of adjustments for over-provision to tax provisions in the two periods under review, differing magnitude of profit contributions of the various business units at different corporate income tax rates as well as permanent and timing differences in accounting and taxable profits.

Working Capital and Cash Flow

Cash and cash equivalents of the Group improved to $975.7 million as at the end of 2Q 2010 compared to $703.0 million as at the end of 2Q 2009 largely as a result of an improved cashflow position as at the end of 2009. Nonetheless, the Group improved on its level of operating profit in 2Q 2010 compared to the same period last year and had lower outlays on investing activities. There was an increase in net bank borrowings in 2Q 2010, in contrast to a net loan repayment in 2Q 2009 and this resulted in a net cash inflow from financing activities. Arising from higher profits, both Xinfei and Yuchai paid more taxes. Working capital requirements rose substantially in 2Q 2010.

Even though operating profit before working capital changes rose by $60.1 million in 2Q 2010, the Group had a net cash outflow from operating activities of $27.2 million. This was caused principally by settlement of trade payable, higher trade debts from increased revenue flows despite lower inventory balances, and increase in tax payments by both Yuchai and Xinfei also reduced cash generated from operating activities.

Capital expenditure rose by $8.3 million in 2Q 2010 which relates largely to recurring capital items. In 2Q 2009, Yuchai acquired a subsidiary company for a net cash consideration of $2.5 million. These were the two main factors which caused a decline in cash flows from investing activities.

The Group has a net cash inflow from financing activities in 2Q 2010 in contrast to a net cash outflow in 2Q 2009 primarily due to a net increase in bank borrowings and the release of a deposit pledged to a bank to secure trade finance facilities. However, this was partly compensated by higher dividends paid to the shareholders of the Company and to the minority shareholders of its subsidiaries and higher interest paid, from higher rates and quantum of bills discounted.

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.

There are already signs that credit tightening by the Chinese government have begun to have an effect not just on the real estate sector but also on other investments. The Chinese central government's initiative for banks to curb its borrowings will also moderate economic growth. Continued stagnant global demand will limit growth in Chinese exports. This is exacerbated by recent Renminbi revaluation against the US Dollar and the Euro as well as spiraling wage costs. Auto sales have already declined and dealers continue to have excessive stocks. Inclement weather, which led to widespread flooding in China, and increasingly unpredictable weather patterns, may be a sales dampener. The ten-year extended warranty period on sales of consumer goods required under the rural subsidy program will have an impact on warranty costs expected to be incurred by Xinfei. On the other hand, higher wages will translate to higher disposal income which is likely to have the positive effect of increasing consumption, particularly given the very large population base in China. The continued emphasis of the Chinese government on stimulating growth in the inner regions should provide impetus in consumer spending. Thus, while there is expectation of an economic slowdown, the Group believes that there is still some growth potential in the demand of white goods and diesel engines in the second half of this year when compared to the same period of last year. However, it is expected to be lower than the first half of this year as a result of seasonality factor.

Demand for industrial packaging products has been resilient so far this year and is not likely to be severely hampered by the expected slowdown in Chinese exports, given the still large Chinese consumer market. However some downside can be expected from the Rex Malaysian operations if the export market remains stagnant.

The Group expects a stronger performance from BMU in the second half of this year on the basis that several delayed infrastructure and housing projects would have taken off by then.

Sales of green technology pallets have improved but as reported in the first quarter, even with the improved economic climate, GPac is unlikely to breakeven by the end of 2010.

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

As part of the Group's efforts to grow its businesses and enhance shareholders' value, the Group continues to explore investment and divestment opportunities. As and when these opportunities materialize, appropriate announcements will be made. In connection to this and further to an announcement made by the Company in February this year on the appointment of Merrill Lynch (Singapore) Pte. Ltd. to assist the Company to conduct a review and execution of strategic alternatives (the "Strategic Review") with respect to the Group's interest in Xinfei Group, the Board wishes to announce that it has decided not to proceed further with the Strategic Review. However, the Group intends to expand the range of products currently being manufactured and distributed by Xinfei.

Negotiations are continuing to dispose the Group's interest in the quarry on Karimun Island.

11. Dividend

(a) Current Financial Period Reported On

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

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

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

(c) Date payable

24 September 2010.

(d) Books closure date

5.00 p.m. on 7 September 2010.

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

Not applicable

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

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

Not applicable.

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

Not applicable.

15. A breakdown of sales.

Not applicable.

16. Interested persons transactions

No interested persons transactions ('IPT') were concluded under the Company's IPT Mandate for the quarter ended 30 June 2010.

BY ORDER OF THE BOARD

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

13 August 2010

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the second quarter and six-month period ended 30 June 2010 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Beng
Chairman

Teo Tong Kooi
Director & CEO

13 August 2010