

**RESPONSE TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES REGARDING THE COMPANY'S UNAUDITED FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012 ("FY2012") DATED 1 MARCH 2013**

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In response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in its email of 21 March 2013 in connection with the Company's FY2012 financial results announcement, the Board of Directors of Hong Leong Asia Ltd. (the "**Company**") wishes to clarify as follows:

SGX-ST's Query 1

The Group recognised significant impairment losses on property, plant and equipment ("PPE") and development properties of \$59.95 million in FY2012 of which \$57 million is in respect of Xinfei's assets. Please provide details of the PPE in question and quantify the amounts included to date. To also explain the reasons for the impairment losses and the Company's plans with regards to these assets.

Company's Response

The impairment of \$57 million relates to the impairment of the factory buildings (approximately \$37 million) and plant and machinery (approximately \$20 million) in the Group's consumer products unit (Xinfei). Due to the losses incurred by Xinfei, there were indicators of impairment on the assets of Xinfei and in accordance with the requirements of Financial Reporting Standard (FRS) 36 (Impairment of Assets), Management assessed the estimated recoverable amount of Xinfei's assets taking into account the valuation performed by the independent valuer on these assets. The Management is currently focusing its efforts on improving the operations of Xinfei and has no intention to dispose the impaired assets in the near term.

SGX-ST's Query 2

With regards to paragraph 9 of the Group's financial statements on the variance between actual results and previously disclosed forecast or prospect statement, please make a comparison of the Group's current results with the commentary under paragraph 10 of the Group's previous results announcement (3Q12) and comment whether the actual results are in line with the commentary.

Company's Response

The Group's performance for FY2012 is in line with its expectations as disclosed in paragraph 10 of the Company's announcement on 14 November 2012 of its unaudited results for the third quarter and nine months ended 30 September 2012 ("**3Q12/9M12**"), as the Group continues to operate in a challenging environment due to the slowdown in China's economy.

Though the Group had expected to report a profit for the financial year, the Board had highlighted in paragraph 10 of the 3Q12/9M12 results that Xinfei's performance would continue to be challenging and on the ground of prudence having in view the losses incurred by Xinfei, an independent valuer had been engaged to perform a valuation of its fixed assets

for purpose of impairment assessment. It was also highlighted that there might be a tax exposure of up to \$8.0 million as a result of Chinese tax authority disagreeing with Xinfei on the application of the high tech incentive status granted for FY2009.

On 21 January 2013, the Company issued a profit warning announcement that the Group expected to report a loss for FY2012, which expected loss would mainly be attributable to the two matters previously highlighted in the 3Q12/9M12 results announcement, i.e. (i) the estimated loss on impairment of assets in respect of Xinfei; and (ii) the tax liability relating to the disagreement on the application of the high tech incentive status for Xinfei.

In the Company's FY2012 financial results announcement released on 1 March 2013, the Group reported net attributable loss of \$34.9 million primarily due to the impairment of assets in respect of Xinfei. Had the assets impairment been excluded, the Group would have reported a net attributable profit of \$16.8 million for FY2012.

By Order of the Board  
HONG LEONG ASIA LTD.

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

22 March 2013  
Singapore