HONG LEONG ASIA LTD.

ANNUAL REPORT 2016

CONTENTS

Vision

To be a market leader by creating sustainable growth through diversification, innovation and organization excellence, contributing to all our stakeholders - our customers, our people, our shareholders, our environment and our society.

Introduction

Achieving our vision will only be through the combined effort of each member of the Group, steered by our six core values. Together, these sum up our attitude towards tackling challenges in an ever-changing economic environment: "I-ACE-IT"

I - A C E - I T

Integrity
To uphold the right values through acting responsibly and honestly.

Accountability
To be responsible and take ownership of whatever we commit to do.

Customer focus
To meet customer needs, wants and expectations by providing outstanding products and services.

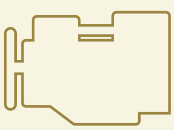
Embrace change
To accept change with an open mind and leverage on it as an opportunity to improve.

Innovation
To be creative and adopt a market leader mentality in the way we manage our products, services and processes.

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

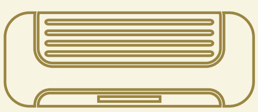
PROFILE OF HONG LEONG ASIA

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


Diesel Engines


Building Materials


Consumer Products


Air-conditioning Systems


Industrial Packaging

GROUP PROFILE


China Yuchai International Limited


Tasek Corporation Berhad and Island Concrete (Private) Limited


Henan Xinfei Electric Co., Ltd.

From being Singapore's leading integrated building materials supplier to its current standing as one of the region's major manufacturing and distribution players, Hong Leong Asia's success is intricately linked to its diversification into the manufacturing and distribution industries in China and Southeast Asia. With over 80 per cent of its market beyond the shores of Singapore, Hong Leong Asia is well placed to leverage on its current position to scale greater heights.

Hong Leong Asia has major operations in China and is well-positioned to take advantage of booming markets driven by the Asian giant. With its head office based in Singapore and its Asia management team, the Group combines the best of management practices with a deep understanding of Asia culture and local sensibilities.

Its diverse management portfolio includes key sectors in the diesel engines, white goods, air-conditioning products and industrial packaging products, as well as capabilities across the supply chain in building materials. Each portfolio is led by a seasoned team of professionals who steer the business towards continued growth and profitability.

REVENUE DISTRIBUTION

REVENUE BY BUSINESS SEGMENT
(in S$ million)

Diesel Engines
2,820

Building Materials
463

Consumer Products
371

Air-Conditioning Systems
18

Industrial Packaging
39

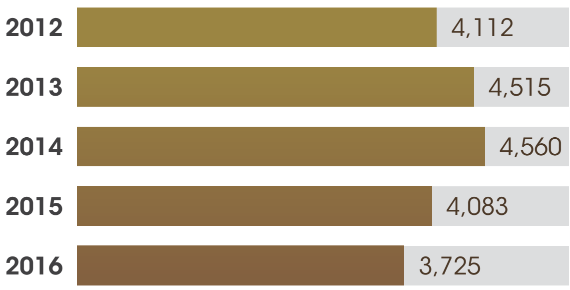
TOTAL
S$3.73
billion

Other Segments
14

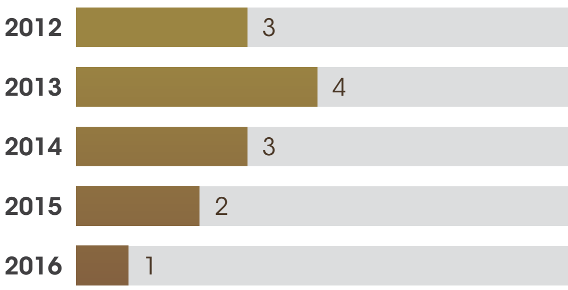
REVENUE BY COUNTRY
(in S$ million)

FINANCIAL HIGHLIGHTS

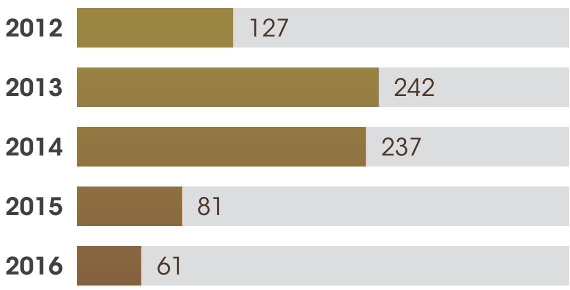
REVENUE (in S$ million)



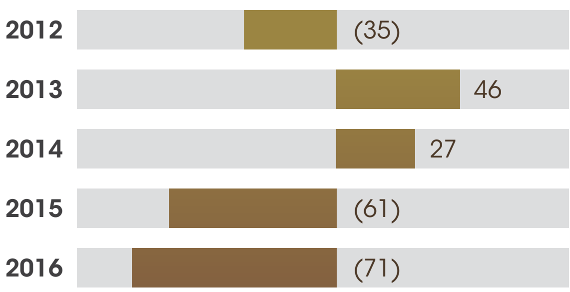
DIVIDEND PER SHARE (in cents)



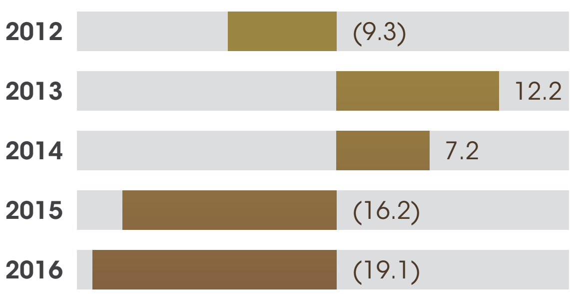
PROFIT BEFORE TAX (in S$ million)



ATTRIBUTABLE PROFIT/(LOSS) (in S$ million)



EARNINGS/(LOSS) PER SHARE (in cents)



DIVIDEND POLICY

The Group aims to maintain a strong capital position to ensure market confidence, to support its on-going business and to meet the expectations of its stakeholders. The Board of Directors aims to pay dividends to shareholders at least once a year, balancing returns to shareholders with prudent capital management and consistent with the Company's overall governing objective of maximising shareholder value over time. Before proposing any dividends, the Board of Directors will consider a range of factors, including the Group's results of operations, long-term and short-term capital requirements, current balance sheet, future investment plans and the general business conditions and other macro environment factors.

Shareholders and potential investors should note that past dividend distributions should not be taken as an indication of future dividend distributions, and this statement is a statement of our present intention and shall not constitute a legally binding commitment in respect of the Company's future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

"Three of the Group's main business units were affected by the weak business environment. In spite of these challenges, the Group managed to achieve revenue of $3.7 billion for the financial year ended 31 December ("FY") 2016 compared to the $4.1 billion revenue achieved in the previous year."

On behalf of the Board of Directors of Hong Leong Asia Ltd. ("HLA" or the "Company"), I wish to present the Annual Report for 2016.

BUSINESS REVIEW

In the year 2016, there were several significant events. On 23 June 2016, the United Kingdom held a referendum to decide its future in the European Union. The Leave European Union votes won by 52% to 48%. On 9 November 2016, the United States of America voted for their new President, who had pledged to terminate and re-negotiate various international co-operation and trade agreements. All these unexpected events have created uncertainties, presenting even more challenges to businesses in the midst of a weak global economy.

In Asia, China recorded a full year growth of 6.7% per annum which was its slowest growth rate in the past 26 years. The overall excess capacity in China continued to have an adverse impact on the Group's China operations, in particular, the Consumer Products Unit. Singapore recorded a GDP growth of 2.0% in 2016. While the local construction sector grew 0.2% for the full year of 2016, it shrank 2.8% for the fourth quarter extending a 2.2% contraction recorded in the third quarter. This slow growth had an adverse impact on the operating performance of the Group's Building Materials Unit in Singapore.

Three of the Group's main business units were affected by the weak business environment. In spite of these challenges, the Group managed to achieve revenue of $3.7 billion for the financial year ended 31 December ("FY") 2016 compared to the $4.1 billion revenue achieved in the previous year. The Group suffered a loss attributable to shareholders of $71.2 million for FY2016 as compared to the loss of $60.7 million in FY2015 (restated). The loss includes non-cash impairments for certain investments that the Group has in China.

At Group level, the net asset value per share for 2016 was $1.87 as compared to $2.07 in 2015 (restated).

Loss per share both on a weighted and on a fully diluted basis in 2016 was 19.05 cents per share as compared to 16.24 cents per share in 2015 (restated).

DIESEL ENGINES UNIT ("YUCHAI")

Yuchai sold 320,424 engines in FY2016, a 12.1% reduction or 44,143 units less than the 364,567 units sold in FY2015. Yuchai manufactures and sells engines for on-road and off-road applications. The decline in sales was mainly due to reduced sales of engines for off-road applications as a result of the transition of emission standards from Tier 2 to Tier 3 in China, which was aggravated by the different implementation dates for engine makers and application sellers. The engine makers were required to stop production of Tier 2 engines by end September 2015, whereas application sellers were able to continue selling Tier 2 applications up to 31 December 2016. Yuchai's on-road engine sales increased slightly in FY2016, derived from the increase in engine sales for truck applications, which was, however, offset by the decline in engine sales for bus applications.

According to the China Association of Automobile Manufacturers, sales of commercial vehicles, excluding gasoline-powered and electric-powered vehicles, grew 8.3% in 2016. The truck market rebounded mainly in the trailer and mini-truck segments, which are not Yuchai's main segments. The bus market remained weak with a 9.9% decline in unit sales. As a result, Yuchai recorded revenue of $2.8 billion for FY2016, a slight decline of 5.5% compared to $3.0 billion a year ago.

Yuchai maintains its position as one of China's leading independent engine makers for the commercial vehicles applications. It also recently achieved healthy growth in the marine engine applications segment.

BUILDING MATERIALS UNIT ("BMU")

BMU operates and supplies building materials in Singapore and Malaysia. BMU also provides precast building materials. In Singapore, the Ministry of Trade and Industry estimated that the construction sector grew 0.2% for FY2016. However, it registered a decline of 2.2% and 2.8% in the third and fourth quarters respectively, leading to a corresponding decline in sales volume and price. In addition, a weaker residential property segment in Singapore led to lower selling prices of cement. In Malaysia, the market faced excess capacity which was built up during the economic boom in recent years. Hence, although BMU maintained its sales, the selling price declined in a highly competitive environment. As a result, BMU recorded revenue of $463.3 million for FY2016, a decline of 20.2% as compared to $580.4 million a year ago. The price pressure had an adverse effect on operating performance.

Amid an intensely competitive environment, BMU remained one of the top precast suppliers in Singapore. Tasek Corporation Berhad, a subsidiary of the Group, also continues to be one of Malaysia's trusted suppliers of building materials.

CONSUMER PRODUCTS UNIT ("XINFEI")

Xinfei sold a total of 1.50 million units of refrigerators, freezers and other home appliances in FY2016, a small decline of less than one percent, compared to 1.51 million units sold in FY2015. Xinfei managed to halt a sharp decline in sales in a weaker market environment. Sales of refrigerators increased by 9% while the overall refrigerator market continued to decline. However, this was offset by the decline in freezer sales as the freezer market suffered double digits decline. The white goods industry in China operated in a challenging environment with intense competition and price pressure. As a result, Xinfei recorded revenue of $370.6 million for FY2016, a decline of 12.8% against $425.1 million a year ago. The price pressure had an adverse effect on Xinfei's operating performance.

In spite of these challenges, Xinfei was listed as one of the top 500 brands in China nation-wide in 2016.

OTHER BUSINESS UNITS

The Industrial Packaging Unit ("Rex") has been undergoing restructuring and its Shanghai operation was sold in FY2015. In FY2016, we continued to review our operations and business process in Malaysia, Tianjin and Dongguan. The Air-conditioning Systems Unit ("Airwell") operated mainly in China. In FY2016, Airwell's performance was adversely affected by the intense competition in a weaker market in China and lower export sales.

OUTLOOK

We expect 2017 to be another challenging year with slower economic growth in China and the region.

The World Bank maintained its forecast for China's economic growth rate of 6.5% for 2017. The Chinese economy is facing risks of capital outflow, over-capacity and higher debt-to-GDP ratio. These will weigh on the Group's China operations, particularly Yuchai and Xinfei. In Singapore, the Ministry of Trade and Industry has announced that it expects GDP to grow 1% to 3% in 2017. A slow-down in Singapore's economy will affect the construction segment and demand for building materials. In Malaysia, the outlook for the construction sector is expected to be supported by public sector projects given the expectation of lesser private sector jobs.

In view of the challenging business environment and uncertain global economy, performance of the Group's business units is expected to be weak in the first half of 2017. We will continue to monitor the market environment closely to mitigate adverse effects, and will explore strategic options and potential alliance opportunities while exercising cost discipline, including organisational restructuring involving retrenchment exercises as may be appropriate.

DIVIDENDS

The Board is recommending a first and final dividend of 1 cent per ordinary share in respect of FY2016.

SUSTAINABILITY REPORT

The Company's inaugural sustainability report for FY2016 is presented in this Annual Report Sustainable practices are already embedded in the Group's business operations, thus enabling the Company to publish its sustainability report a year ahead of the mandatory requirements set by the Singapore Exchange. In this sustainability report, targets for the material environment, social and governance issues have been established, and the Company will continue to monitor its progress.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders, customers and business associates for their continuing support. I will be retiring from the Board at the coming 2017 Annual General Meeting ("AGM"). Over the past thirty-five years, it has been a great privilege for me to lead HLA from its humble beginnings to its listing on the Singapore Exchange in 1998, and to have contributed to the Group's growth from being an integrated building materials supplier to its current standing as one of the region's major manufacturing and distribution groups. As much as I would like to remain on the Board, my current commitments and responsibilities as Chairman of other much bigger listed companies in Hong Leong Group occupy much of my time and energy. Stepping down from HLA will afford me the flexibility to concentrate on helping these companies navigate through this period of uncertainties and to seize new prospects. I am deeply honoured to have served on the Board of HLA for more than three decades. I take this opportunity to thank my fellow Directors, management, employees and stakeholders of the Group for their steadfast support.

As HLA continues on its growth journey, I am very pleased that Mr Kwek Leng Peck, as part of the Board's succession planning, has been identified to take over the Company's leadership after my retirement. Mr Kwek Leng Peck has great in-depth knowledge of the Group, having worked closely with the senior management of the Group over many years, and is the best person to lead HLA. With him at the helm, HLA will be in a strong position to scale greater heights as China and the world economy improves.

Mr Goh Kian Hwee will also be retiring from the Board at this AGM. He has recently taken on a new appointment as the Joint Group Managing Director of QAF Limited and he would like to focus more on his new executive role. On behalf of the Board, I would like to thank him for his contributions to the Board over the years.

Thank you.

KWEK LENG BENG
Chairman

NOTE OF APPRECIATION TO MR KWEK LENG BENG, CHAIRMAN OF THE BOARD

Mr Kwek Leng Beng commenced service as a Director of the Company in 1981, and was appointed as the Non-Executive Chairman in 1995. Under his leadership, Mr Kwek saw the successful listing of HLA on the Singapore Exchange in 1998 and contributed to its growth from a leading integrated building materials supplier to its current standing as one of the region's major manufacturing, trading and distribution players through its well-established businesses in China and Southeast Asia. Mr Kwek was instrumental in leading the Group in its quantum leap into the manufacturing and distribution industries in China in the early 2000s with the Group's acquisition of key companies specializing in the manufacturing of home appliances such as refrigerators and freezers, diesel engines and industrial packaging materials.

On behalf of the Board of Directors of HLA, I would like to take this opportunity to extend the Board's and my heartfelt thanks and appreciation to Mr Kwek for his strong leadership and guidance over the years.

KWEK LENG PECK
Executive Director

本集团三个主要部门的业务也受到不景气的环境影响。尽管面临重重挑战，本集团在截至2016年12月31日的财政年取得销售额为37亿新元，低于2015财政年的41亿新元。

我谨代表董事会发表2016年常年报告。

业务回顾

2016年发生了几件重大事件。在2016年6月23日，英国举行公民投票以决定其在欧洲联盟的未来。公投结果，投脱欧票以52%对48%赢得胜利。在2016年11月9日，美国举行了新总统的选举，新任总统承诺终止和重新谈判各种国际合作战略和贸易协议。这些意想不到的事件如雪上加霜，对已不明朗的全球经济增添了许多不确定性，给企业带来了更多的挑战。

在亚洲，中国的年增长率为6.7%，是过去26年来最低的。中国的整体产能过剩继续对本集团在中国的业务，特别是消费产品业务，造成负面影响。新加坡在2016年的国内生产总值增长率为2.0%。虽然建筑业在2016年全年增长率达到0.2%，但第四季度收缩了2.8%，延续了第三季度的2.2%收缩。缓慢的增长对本集团在新加坡的建筑材料业务造成负面影响。

本集团三个主要的业务也受到不景气的环境影响。尽管面临重重挑战，本集团在截至2016年12月31日的财政年取得销售额为37亿新元，低于2015财政年的41亿新元。本集团于2016财政年的股东应占亏损达7,120万新元，2015财政年（重列）的亏损则为6,070万新元。损失包括本集团在中国投资的非现金减值准备。

对集团整体而言，2016年度的每股净资产值为1.87新元，2015年（重列）则为2.07新元。在2016年，每股在加权和完全稀释后的亏损为19.05分，2015年（重列）则为16.24分。

柴油引擎业务（“玉柴”）

玉柴在2016财政年售出了320,424台发动机，比2015财政年同期售出的364,567台发动机下降了12.1%或44,143台。玉柴生产和销售用于公路和非公路应用的发动机。销售量的下降主要是受到中国排放标准由国二到国三的转换的影响。发动机制造商和卖家有不同实施日期而加剧发动机销售的下降。因为发动机制造商必须在2015年9月底停止生产国二标准的发动机，而卖家能够到2016年12月31日继续销售国二标准的商用车。在2016年玉柴的公路发动机销售量因卡车发动机销售量的回暖而略有增长。然而，此增长由于客车发动机销售量的下降而被抵消。

根据中国汽车工业协会报告，2016年中国商用车(不包括汽油车和电动车)的销售量上升了8.3%。卡车市场的回升主要归功于拖车和小型卡车市场的增长，可惜这不是玉柴的主要领域。客车市场仍然不明朗，客车的销售量下降了9.9%。综合以上因素，玉柴在2016财政年销售额为28亿新元，比一年前同期的30亿新元略有下降5.5%。

然而，玉柴仍然保持中国独立发动机领军供应商的地位。最近玉柴也在船用发动机领域取得健康进展。

建筑材料业务(“BMU”)

BMU在新加坡和马来西亚经营和提供建筑材料。BMU还提供预制建筑材料。在新加坡，贸工部统计显示建筑业在2016财政年会略增0.2%。然而，实际显示建筑业在第三季度和第四季度分别下滑了2.2%和2.8%，导致销售量和价格相应下降。此外，由于新加坡住宅市场的下滑，导致水泥销售价格下跌。在马来西亚，近几年来的经济繁荣导致目前市场面临产能过剩。因此，尽管BMU保持其销量，却因为高度竞争的环境而面临销售价格下降的趋势。综合以上因素，BMU在2016财政年的销售额为4.63亿新元，比2015财政年的5.804亿新元, 下降了20.2%。市场量的激烈价格战对业绩带来了负面影响。

尽管处在激烈的竞争环境中，BMU仍然是新加坡领先的预制建筑材料供应商。Tasek Corporation Berhad，集团的子公司，还继续是马来西亚值得信赖的建筑材料供应商之一。

消费产品业务(“新飞”)

新飞在2016财政年销售了150万台冰箱，冷柜和其他家用电器，比起2015财政年所销售的151万台, 略低1%。新飞成功遏止了销售量在疲弱市场环境下的急速下降。虽然整体冰箱市场继续保留下滑趋势, 但冰箱销售量却上升了9%。然而，冰箱销售量的增长却被冷柜销售量的双位数下降比例而抵消。中国的白色家电行业在竞争及价格战激烈的环境中经营，因此，新飞在2016财政年的销售额为3.706亿新元，比起去年同期的4.251亿新元, 下降了12.8%。市场的激烈价格战对业绩带来了负面影响。

尽管面临重重挑战，新飞仍在2016年被列入中国全球500强品牌之一。

其他业务

工业包装单位(“Rex”)正在进行重组，在2015财政年已出售上海的业务。在2016财政年，本集团继续探讨在马来西亚，天津和东莞的业务和营运。空调系统业务(“Airwell”)主要在中国市场。在2016财政年，Airwell处在激烈竞争，市场和出口销售量需求疲弱的环境，因此对业绩带来了负面影响。

展望

我们预计中国区域在2017年里的经济增长会持续放缓。2017年将会是另一个具有挑战性的一年.

世界银行估计中国2017年经济增长率会保持在6.5%。中国经济面临资本外流，产能过剩和债务与国内生产总值比率上升的风险。这些将影响集团在中国的业务，特别是玉柴和新飞的业务。在新加坡，贸工部宣布2017年国生产总值预计将增长1%至3%。新加坡经济的放缓将影响建筑市场及建筑材料的需求。在马来西亚，建筑市场将获得公共项目的支持，但是私人项目将会减少。

鉴于业务环境充满挑战及全球经济不稳定，本集团估计业绩在2017年上半年将会疲弱。我们会继续密切地监察市场环境，以减低不利因素的影响，并继续探讨策略选择及联盟机会，同时控制成本，包括实行组织重组如适当的人员裁减。

股息

董事会建议就2016财政年的每股普通股派发股息1分。

可持续发展报告

公司在今年的年报中呈现集团首次呈报2016年财政年的可持续发展报告。本集团的业务运营中已经包含了可持续的工作程序，因此, 本集团能够在新加坡交易所设定的要求提前一年公布我们的可持续发展报告。在可持续发展报告中，公司设定了对实质性环境，社会和治理议题的目标，并将持续监测我们的进展。

感言

我在此谨代表董事会感谢我们的股东，客户和商业伙伴的不断支持。我将在即将召开的2017年度股东大会(“股东大会”)上退任董事之职。在过去的三十五年里，我很荣幸能为丰隆亚洲有限公司做出共献，带领丰隆亚洲有限公司从谦逊的起步直到在1998年新加坡证券交易所上市，从一家综合性建筑材料供应商发展成现在的规模，成为本区域的主要制造和分销集团。尽管我想继续留在董事会，我

主席报告书

在其他丰隆集团大规模上市公司主席的责任占用了我大部分的时间和精力。从丰隆亚洲有限公司退任，将给予我更多空间和精力去带领这些公司在这变幻的环境中寻找新的契机。我很荣幸能在这三十多年里为丰隆亚洲有限公司董事会服务。我借此机会感谢集团的其他董事，管理层，员工和股东的踊跃支持。

我感到非常欣慰郭令栢先生在我退任后被推荐领导本公司，这也是董事会接班人计划中的安排。郭令栢先生拥有多年与集团高级管理人员合作的经验，对集团有着深厚的了解，是领导丰隆亚洲有限公司的最佳人选。在郭令栢先生的领导下丰隆亚洲有限公司将会有更坚实的基础，随着中国和世界经济的改善,朝着更高的巅峰攀越。

吴建辉先生也将于股东大会上退任董事之职。他在不久前承接了QAF有限公司联席集团董事的新任命并希望能集中精力担任联席集团董事之职。我在此感谢他多年来对董事会的贡献。

谢谢。

郭令明
主席

致郭令明公司主席的感谢函

郭令明先生于一九八一年开始担任本公司董事，并于一九九五年委任为非执行主席。在他的领导下，郭先生带领公司在一九九八年新加坡证券交易所成功上市。公司从一家综合性建筑材料供应商，凭着在中国和东南亚的良好的商业关系，发展成为区域的主要制造，贸易和分销集团，郭先生功不可没。郭先生于21世纪初带领集团进军中国的制造及分销市场，收购了冰箱及冷柜，柴油发动机及工业包装材料等大型企业。

我借此机会谨代表公司的董事会向郭先生致以衷心的感谢和赞赏，感谢郭先生多年来给予我们的带领和指导。

郭令栢
执行董事

CORPORATE STRUCTURE

HONG LEONG ASIA

DIESEL ENGINES

- **Bermuda**
  - China Yuchai International Limited
- **China**
  - Guangxi Yuchai Machinery Company Limited

BUILDING MATERIALS

Ready-Mix Concrete Division

- **Singapore**
  - Island Concrete (Private) Limited

Pre-Cast Concrete Division

- **Singapore**
  - HL Building Materials Pte. Ltd.
- **Malaysia**
  - HL-Manufacturing Industries Sdn. Bhd.

Cement Division

- **Singapore**
  - Singapore Cement Manufacturing Company (Private) Limited
- **Malaysia**
  - Tasek Corporation Berhad

Trading & Granite Division

- **Singapore**
  - HL Building Materials Pte. Ltd.
- **Malaysia**
  - Hayford Holdings Sdn. Bhd.

CONSUMER PRODUCTS

- **China**
  - Henan Xinfei Electric Co., Ltd.
  - Henan Xinfei Household Appliance Co., Ltd.
  - Henan Xinfei Refrigeration Appliances Co., Ltd.

AIR-CONDITIONING SYSTEMS AND DISTRIBUTION OF LIFESTYLE CONSUMER APPLIANCES

- **China**
  - Airwell Air-conditioning Technology (China) Co., Ltd.
- **S.E.A.**
  - Fedders International Pte. Ltd.

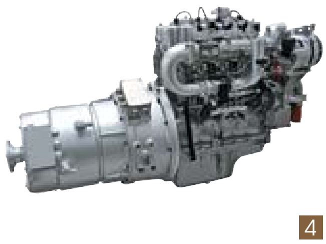
INDUSTRIAL PACKAGING

- **Singapore**
  - Hong Leong (China) Limited
- **China**
  - Tianjin Rex Packaging Co., Ltd.
  - Dongguan Rex Packaging Co. Ltd.
- **Malaysia**
  - Rex Plastics (Malaysia) Sdn. Bhd.

OTHERS

Hospitality & Property Development

- HL Global Enterprises Limited



China Yuchai: GYMCL has launched 4 new engine products in early 2016

1. **YC6K13-50** – a 13 liter diesel engine with power output from 490 to 580hp, an Euro 5 / National 5 emission compliant engine, for the heavy duty truck and bus application.
2. **YC6JN-60** – a 6.9 liter gas engine with power output up to 245hp, an Euro 6 / National 6 emission compliant engine, for MD to HD buses and coaches applications.
3. **YC4Y22-50** – a 2.2 liter diesel engine with power output from 120 to 150hp , an Euro 5 / National 5 emission compliant engine, for the light duty truck and bus application.
4. **YC4EGN Hybrid Power** – a 4.7 liter gas engine with power output of 170hp, an Euro 5 / National 5 emission compliant engine, designed for gas plug-in hybrid system for 6-8 meters buses.

Henan Xinfei: Frestec AES 5 Refrigerator Series

Frestec Xinfei has launched the AES 5 Anti-bacteria Refrigerator Series. Each refrigerator has a sterilization device that emits UV rays, ozone, negative ions, photo-catalyst and activates absorption and catalytic decomposition to eliminate bad odour and 99.2% of bacteria. It preserves the freshness of all food products stored in the refrigerator.

Fedders: MQHD H2 Residential two-in-one system and YVDR H3 Residential three-in-one system

Residential all-in-one H3 system, comprises of air-conditioning, water and floor heating system, creating a comfortable home environment. It uses the Integral Inverter Air-Cooled Heat Pump-MQHD and Split Inverter Air-Cooled Heat Pump-YVDR (Heat Recovery) units.

Diesel Engines

China Yuchai International ("CYI") is listed on the New York Stock Exchange. Its principal subsidiary, Guangxi Yuchai Machinery Company Limited (GYMCL") manufactures, assembles and sells diesel engines for trucks, buses, passenger vehicles, construction equipment, marine and agriculture applications, diesel-powered generators, engine parts and components. GYMCL evolved into the largest single diesel engine facility and has been ranked as one of the largest diesel engine manufacturers in unit sales by the China Association of Automobile Manufactures for several years. GYMCL has expanded its manufacturing facility in Xiamen and established joint ventures in Zhejiang, Shangdong, Anhui and Suzhou to manufacture diesel engines for passenger vehicles, heavy duty trucks and also remanufactured components to service Yuchai engines.

Building Materials

Hong Leong Asia Ltd.'s Building Materials unit ("BMU") is one of the largest suppliers of essential building materials to the construction industry of Singapore. BMU sells all grades of ready mixed concrete out of nine separate locations in Singapore. It is also the largest producer of precast concrete elements for public housing construction, all of which are fabricated in its factories in Singapore and Senai, Malaysia. BMU imports and distributes cement in Singapore and also operates a granite quarry in Johor, Malaysia. BMU has also played a key role in the building of many infrastructural icons in Singapore. In Malaysia, Hong Leong Asia Ltd.'s subsidiary, Tasek Corporation Berhad is the fourth largest cement producer, which is now going through a period of major growth.

Consumer Products

Henan Xinfei Electric Co., Ltd. ("Xinfei"), is now marketed as Frestec. It is one of the leading manufacturers of major consumer appliances in China. Through its well-established nationwide distribution network locally, Frestec offers a variety of major consumer appliances which include refrigerators, freezers, wine chillers, air-conditioners and washing machines for residential customers in China. Frestec is known for its high quality products that are innovative and energy saving, with reliable after sales services. It also exports its products to various overseas markets.

Air-Conditioning Systems and Lifestyle Consumer Appliances

Airwell Air-conditioning Technology (China) Co., Ltd. (AAT) is engaged in the research and development, manufacture and distribution of air-conditioning systems and other lifestyle consumer appliances. Range of products include the residential heat pumps, multi-split systems, variable refrigerant flow systems (VRF), central AC systems, floor heating systems, air cooled and water cooled chillers, fan coils and air handling units. Its products are used in private households, residential, commercial and industrial applications. In addition to the lifestyle appliance arm of Hong Leong Asia, the group has Fedders, an American brand which was established since 1896. Fedders will continue to build its footprints in China and South East Asia regions. It will position itself as a total solution-based company offering a comprehensive range of air-conditioning and consumer lifestyle appliances for business and end users.

Industrial Packaging

Rex Industrial Packaging unit has manufacturing operations in China and Malaysia. It is a diversified group that manufactures and distributes a wide range of rigid plastic packaging products to serve both industrial and consumer packaging markets. Rex packaging covers key markets such as personal care, household, food and beverage, lubricant and chemicals and has manufacturing operations in China and Malaysia.

Others

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

KWEK LENG BENG, 76

Non-Executive and Non-Independent Director

A Non-Executive Director since 25 November 1981, Mr Kwek was appointed Non-Executive Chairman of Hong Leong Asia Ltd. ("HLA") on 3 January 1995. He also sits on the Nominating Committee ("NC"). He was last appointed as a Director of HLA on 22 April 2016. Mr Kwek, who is due for retirement by rotation at the 2017 Annual General Meeting ("AGM"), would not be seeking re-election as a Director. Upon his cessation as Director after the AGM, he will also cease to be the Non-Executive Chairman and a member of the NC of HLA.

Mr Kwek is the Executive Chairman of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (the ultimate holding company of HLA) and City Developments Limited ("CDL"), Chairman and Managing Director of Hong Leong Finance Limited ("HLF"), and Non-Executive Chairman of Millennium & Copthorne Hotels plc ("M&C"). HLF, CDL and M&C are subsidiaries of HLIH and thus, related companies under the Hong Leong Group of companies. In the preceding 3-year period, he was the Chairman and Managing Director of City e-Solutions Limited ("CES") until he stepped down in September 2016 after CES ceased to be a subsidiary of CDL.

Under his leadership, Mr Kwek saw the successful listing of HLA on the Singapore Exchange in 1998 and contributed to its growth from a leading integrated building materials supplier to its current position as a major manufacturing and distribution player in the region, with its success intricately linked to its diversification into the manufacturing and distribution industries in China and Southeast Asia.

Mr Kwek holds a law degree, LL.B. (London) and is also a Fellow of The Institute of Chartered Secretaries and Administrators. He has extensive experience in the finance business, having grown from day one with the original Hong Leong Finance Limited which has since merged its finance business with Singapore Finance Limited (now known as HLF). He also has vast experience in the real estate business, the hotel industry as well as the trading and manufacturing business.

Mr Kwek's other appointments include being a member of the East Asia Council of INSEAD since its inception in 2003, a board member of the Singapore Hotel Association and a Fellow of the Singapore Institute of Directors. He was also conferred an Honorary Doctorate of Business Administration in Hospitality from Johnson & Wales University (Rhode Island, US) and an Honorary Doctorate from Oxford Brookes University (UK).

Mr Kwek was also presented with several awards in 2015, namely the Singapore Chinese Chamber of Commerce and Industry SG50 Outstanding Chinese Business Pioneers Award, which honours the Republic's outstanding Chinese business pioneers and their exemplary contributions to nation-building; the "Best Singaporean Investor to Italy" Award which was presented by the Italian Chamber of Commerce in Singapore to business people who have made impactful investments in Italy and helped to boost bilateral ties between Italy and Singapore; the Lifetime Achievement Award from Hotel Investment Conference Asia Pacific (HICAP), which honours exceptional individuals who have distinguished themselves through their accomplishments and contributions to expanding, enhancing and advancing the hotel industry in the Asia Pacific region and the world.

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

KWEK LENG PECK, 60
Executive Director

Appointed to the Board since 1 September 1982 and currently an Executive Director of HLA, Mr Kwek also sits on the Hong Leong Asia Share Option Scheme 2000 Committee ("SOSC"). He was last re-elected as a Director of HLA on 30 April 2015. He will be due to retire by rotation at the 2017 AGM and will be seeking re-election as Director at the 2017 AGM. As part of the succession planning for the Board, Mr Kwek Leng Peck upon his re-election at the 2017 AGM has been identified to succeed Mr Kwek Leng Beng as the Executive Chairman of the Board following the latter's retirement at the 2017 AGM. Mr Kwek has in-depth knowledge of the HLA Group's business, having worked closely with the senior management of the HLA Group and has overseen the growth of the HLA Group over the last 3 decades from an integrated building materials group in the 1980s and 1990s to being also a major player in the consumer products and diesel engines industries in China beginning in the 2000s.

Mr Kwek is the Non-Executive Chairman of Tasek Corporation Berhad ("TCB"), an Executive Director of HLIH, and a Non-Executive Director of CDL, HLF, M&C and China Yuchai International Limited ("CYI"). HLF, CDL, M&C, TCB and CYI are subsidiaries of HLIH and thus, related companies under the Hong Leong Group of companies.

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

BOARD OF DIRECTORS

PHILIP TING SII TIEN @ YAO SIK TIEN, 62
Executive Director and Chief Executive Officer

Appointed as Director and Chief Executive Officer ("CEO") of HLA since 14 January 2013, Mr Ting was re-elected as a Director on 22 April 2016. He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd ("HLCH") (the immediate holding company of HLA), Executive Director and Group CEO of TCB and a Non-Executive Director of HL Global Enterprises Limited ("HLGE"). In the preceding 3-year period, he was a Non-Executive Director of Thakral Corporation Ltd until his resignation in January 2015. HLCH and TCB are related companies under the Hong Leong Group of companies and HLGE is an associated company of HLA.

Mr Ting was previously the Group Chief Financial Officer ("CFO") of HLA and CFO of CYI. He has over 25 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft (Singapore) and Bank of Montreal, Singapore. He is an associate member of the Institute of Chartered Accountants in England and Wales.

ERNEST COLIN LEE, 76
Non-Executive and Lead Independent Director

Appointed a Non-Executive Director of HLA since 3 April 2000, Mr Lee was last re-appointed on 22 April 2016. He is also the Chairman of the NC, Remuneration Committee ("RC") and SOSC as well as a member of the Audit Committee ("AC") of HLA. He was appointed as Lead Independent Director of HLA on 26 February 2013.

Mr Lee holds a Bachelor of Civil Engineering (Honours) degree (University of Queensland, Australia). He is a professional project consultant and has extensive experience in management, engineering and business development in Singapore and Australia.

GOH KIAN HWEE, 62
Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA since 15 March 2004, Mr Goh was last re-elected on 25 April 2014. Pursuant to the Company's Constitution, Mr Goh, who will be retiring at the 2017 AGM, will not be seeking re-election as Director. Upon his cessation as Director, he will also cease to be a member of the AC, NC, RC and SOSC of HLA. He is also a Non-Executive Director of CapitaLand Commercial Trust Management Limited. In the preceding 3-year period, he was a Non-Executive Director of Hwa Hong Corporation Limited until his retirement in April 2016. He was a Non-Executive Director of QAF Limited until he recently took up his new executive appointment as Joint Group Managing Director of QAF Limited on 1 January 2017.

Mr Goh was a Senior Partner of the legal firm, Rajah & Tann Singapore LLP until 31 December 2016. He has over 30 years' experience in corporate and capital markets law. He holds a LL.B. (Honours) degree (University of Singapore) and had been a practising lawyer since 1980.

TAN HUAY LIM, 60
Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA since 1 October 2015, Mr Tan was last re-elected on 22 April 2016. He is also the chairman of the AC and a member of the NC of HLA. He is also a Non-Executive Director of Auric Pacific Group Limited, China Jinjiang Environment Holding Company Limited and Dasin Retail Trust Management Pte Ltd.

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

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

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

KWONG KA LO @ CAROLINE KWONG, 58
Non-Executive and Independent Director

Appointed a Non-Executive Director of HLA since 22 February 2016, Ms Kwong was last re-elected on 22 April 2016. She is also a member of the AC, RC and SOSC of HLA.

Ms Kwong is currently the Managing Director of The Global Value Investment Portfolio Management Pte Ltd, an investment management company based in Singapore. She is also a Director of KEV Capital Limited, Hong Kong, which provides consultancy and agency services relating to project finance, fund raising, corporate and debt restructuring for corporates.

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

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

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Board Chairman
Kwek Leng Beng(1)
– Non-Executive and Non-Independent

Executive
Kwek Leng Peck(2)
Philip Ting Sii Tien @ Yao Sik Tien
– Chief Executive Officer

Lead Independent Director*
Ernest Colin Lee

Non-Executive
Goh Kian Hwee(3) – *Independent*
Tan Huay Lim – *Independent*
Kwong Ka Lo @ Caroline Kwong – *Independent*

AUDIT COMMITTEE ("AC")
Tan Huay Lim – *Chairman*
Ernest Colin Lee
Goh Kian Hwee(3)
Kwong Ka Lo @ Caroline Kwong

NOMINATING COMMITTEE ("NC")
Ernest Colin Lee – *Chairman*
Kwek Leng Beng(1)
Goh Kian Hwee(3)
Tan Huay Lim

REMUNERATION COMMITTEE ("RC")
Ernest Colin Lee – *Chairman*
Goh Kian Hwee(3)
Kwong Ka Lo @ Caroline Kwong

HONG LEONG ASIA SHARE OPTION SCHEME 2000 COMMITTEE ("SOSC")
Ernest Colin Lee – *Chairman*
Kwek Leng Peck
Goh Kian Hwee(3)
Kwong Ka Lo @ Caroline Kwong

SECRETARIES
Yeo Swee Gim, Joanne
Ng Siew Ping, Jaslin

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Fax : (65) 6222 0087 / 6226 0502
Website : www.hlasia.com.sg

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M & C Services Private Limited
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Tel : (65) 6227 6660
Fax : (65) 6225 1452

AUDITORS
Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

(Partner-in-charge : Tan Swee Ho, appointed from commencement of audit of financial statements for the year ended 31 December 2016)

PRINCIPAL BANKERS
CIMB Bank Berhad
DBS Bank Ltd
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

* *Shareholders who wish to communicate directly with the Lead Independent Director on matters pertaining to the Board of Directors may contact him at:*

The Lead Independent Director,
c/o The Company Secretary
Hong Leong Asia Ltd.
36 Robinson Road
#03-01 City House
Singapore 068877

(1) Mr Kwek Leng Beng, who is due for retirement by rotation at the annual general meeting of the Company to be held on 28 April 2017 ("AGM"), will not be seeking re-election as a Director. Upon his stepping down as Director after the AGM, he will also cease to be the Non-Executive Chairman and a member of the NC.

(2) As part of the succession planning for the Board, Mr Kwek Leng Peck has been identified to succeed Mr Kwek Leng Beng as the Executive Chairman of the Board following the latter's retirement at the AGM. Mr Kwek Leng Peck will be seeking re-election as a Director at the AGM.

(3) Mr Goh Kian Hwee, who is due for retirement by rotation at the AGM, will not be seeking re-election as a Director. Upon his stepping down as Director after the AGM, he will also cease to be a member of the AC, NC, RC and SOSC.

Hong Leong Asia Ltd. ("**HLA**" or the "**Company**") is committed to maintaining good corporate governance and business integrity in all its business activities.

This report sets out HLA's corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). Where the Company's practices differ from the recommendations under the 2012 Code, the Company's position in respect of such differences is explained in this report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Primary Functions of the Board
The Board oversees the Company's business and its performance. Its primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial and human resources are in place for the Company to meet its objectives, review the Group's performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("**IT**") controls) and risk management for the safeguarding of shareholders' interests and the Company's assets, and assume responsibility for good corporate governance.

Noting that the Company's key stakeholders include its shareholders, customers, suppliers, business partners, employees and the community, the Board and Management have put in place a code of business and ethical conduct for its employees which sets out the Company's principles in its dealings with these key stakeholders.

In 2016, a Sustainability Committee comprising the representatives from the Group's key business units was set up. The Sustainability Committee which is responsible for identifying, evaluating, monitoring and managing environmental, social and governance factors, reports to the Audit Committee ("**AC**"). Details on the Company's sustainability practices are presented in the Sustainability Report on pages 43 to 61 of this Annual Report 2016 ("**AR**").

Independent Judgment
All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and also voluntarily abstain from deliberation on the same. The Board has established the Nominating Committee ("**NC**") which recommends to the Board, the appointments/re-appointments to the Board and Board Committees and assesses the independence of Directors. When assessing the independence of Directors, the NC takes into account the individual Director's objectivity, independent thinking and judgment.

Delegation by the Board
The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the AC, the NC, the Remuneration Committee ("**RC**"), and the Hong Leong Asia Share Option Scheme 2000 ("**SOS**") Committee ("**SOSC**"), all collectively referred to hereafter as the Board Committees. Clear written terms of reference for each of the Board Committees set out the authority and duties of the Board Committees. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance. The composition of each Board Committee can be found under the 'Corporate Directory' section in the AR.

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective terms of reference and/or limits of delegated authority, and yet without abdicating its responsibility. Please refer to the sections on Principles 4, 5, 7, 8, 11 and 12 in this report for further information on the activities of the NC, RC and AC. Information on the activities of the SOSC is set out in the Directors' Statement on pages 66 to 70 and the Financial Statements on pages 173 to 176 of the AR.

Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than four times a year. The proposed meetings for the Board and all Board Committees for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including key deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution allows for the meetings of its Board and the Board Committees to be held *via* teleconferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at the annual general meeting ("**AGM**") and at meetings of the Board and the Board Committees as well as the frequency of such meetings during the financial year ended 31 December 2016 ("**FY 2016**"), is disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at the AGM and at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice and experience with other Directors and the Company's Management, and strategic networking relationships which would further the interests of the Group.

Directors' Attendance at the AGM, Board and Board Committee Meetings in 2016

A.

	Board	**AC**	**NC**	**RC**	**SOSC**
Number of meetings held in 2016:	4	5	2	2	1
Name of Directors	**Number of meetings attended in 2016**				
Kwek Leng Beng	4	N.A.	2	N.A.	N.A.
Kwek Leng Peck	4	N.A.	N.A.	2[a]	1
Philip Ting Sii Tien @ Yao Sik Tien	4	5[a]	N.A.	2[a]	1[a]
Ernest Colin Lee	4	5	2	2	1
Goh Kian Hwee	4	5	2	2	1
Quek Shi Kui[b]	1	2	0	1	1
Tan Huay Lim[c]	4	5	1[c]	N.A.	N.A.
Kwong Ka Lo @ Caroline Kwong[d]	4	4[d]	N.A.	1[d]	0[d]

Notes:
(a) Attendance by invitation for all or part of the meeting.
(b) Mr Quek Shi Kui retired from the Board at the AGM held on 22 April 2016.
(c) Mr Tan Huay Lim was appointed a member of the NC on 1 May 2016.
(d) Ms Caroline Kwong was appointed as a Director on 22 February 2016 and a member of the AC, RC and SOSC on 1 May 2016.

B. All the Directors were present at the Company's AGM held in April 2016.

Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and this includes the setting of strategic direction or policies or financial objectives which have or may have material impact on the profitability or performance of the relevant business units, decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector, corporate or financial restructuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings, material acquisition and disposal of assets, adoption of corporate governance policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Constitution. Management is fully apprised of such matters.

Board Orientation and Training

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director, the Group's businesses, Board processes, corporate governance practices, relevant policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Group's businesses, board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access in future to the Management team. The programme also includes briefings by the Management team on key areas of the Group's operations.

Details on the induction program for Ms Caroline Kwong who was appointed to the Board on 22 February 2016 were reported in the Company's 2015 Corporate Governance Report. In addition, Ms Kwong, who was also appointed a member of the AC, RC and SOSC, and Mr Tan Huay Lim, who was appointed a member of the NC, were briefed on the scope and responsibilities of the relevant committees by the chairmen of the respective committees. Ms Kwong was also briefed by the Head of Group Human Resources ("**HR Head**") on the Company's remuneration and SOS policies.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Company Director ("**LCD**") Programme conducted by the Singapore Institute of Directors ("**SID**") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme Module 1 which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the 2012 Code. The Company Secretary will co-ordinate with such Director to endeavor to complete the LCD Programme within one year from his date of appointment subject to SID's training schedule and the Director's availability. Both Mr Tan Huay Lim and Ms Caroline Kwong, being first time Directors, had attended the LCD Programme Module 1 and other relevant LCD Programmes in 2016.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislation, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID, and the Directors are encouraged to attend such training at the Company's expense.

Three in-house seminars were conducted by invited speakers in 2016 on topics relating to financial accounting updates, Singapore budget updates for FY 2016 and the global and local trend of sustainability integration to enhance business value and long-term growth. In addition to the training courses/programs, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

Key Management Team
The Board through the NC reviews the appointments and reasons for resignations and terminations of the Executive Director ("**ED**"), Mr Kwek Leng Peck, the Chief Executive Officer ("**CEO**"), Mr Philip Ting (who is also a Director), the Chief Financial Officer ("**CFO**"), Mr Leong Kok Ho and other relevant key Management staff.

Principle 2: Board Composition and Guidance

Board Independence
The Board currently comprises seven members, two of whom are executive Directors, while the other members of the Board are non-executive Directors ("**NEDs**"). Of the five NEDs, the Board has determined four of them, being more than half of the Board, to be independent, thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. For purposes of determination of independence, the NEDs who are not related to the substantial shareholders of the Company also provided declarations regarding their independence. No alternate Directors are appointed.

Mr Goh Kian Hwee, an independent Director, was a partner of a legal firm (with less than 5% stake) which rendered professional legal services to the Group from time to time. The amount of the fees paid to this legal firm for FY 2016 was less than $200,000. Mr Goh ceased to be a partner of this legal firm on 31 December 2016. The NC has determined, and the Board has concurred, that Mr Goh's independence is not affected by this relationship of the Group with the legal firm. Mr Goh who is retiring by rotation pursuant to the Company's Constitution at the 2017 AGM is not seeking re-election as an independent non-Executive Director. Upon his cessation as Director after the AGM, he will also cease to be a member of the AC, NC, RC and SOSC of HLA.

When conducting an annual review of the independence of the four independent Directors ("**IDs**") in January 2017, two of them who have served on the Board for more than nine years, namely Mr Ernest Colin Lee and Mr Goh Kian Hwee ("**2 IDs**"), the NC has given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review. The Board members had individually provided their views on the independence of each of these 2 IDs by taking into consideration factors such as whether these IDs have expressed their individual viewpoints and debated issues constructively during meetings of the Board and Board Committees, whether they have constructively challenged and sought clarification from Management as and when necessary and whether they have avoided apparent conflicts of interest by abstaining from deliberation on matters in which they have an interest in. Having considered the feedback from the individual Board members, the 2 IDs' other directorships, annual declaration regarding their independence, and their ability to maintain objectivity in their conduct as Directors of the Company, the Board (with the 2 IDs abstaining in respect of the deliberation of each of their own independence) has determined both of them to be independent notwithstanding that they have served on the Board beyond nine years as they have continued to demonstrate independence in character and judgment in the discharge of their responsibilities as Directors of the Company. The Company has also benefitted from their years of experience in their respective fields of expertise and their extensive knowledge and familiarity with the business of the Group.

Board Composition and Size
The NC reviews the size and composition mix of the Board and Board Committees annually. The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Taking into account the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board facilitates effective decision making by the Board.

In support of gender diversity on the Board, the NC recommended and the Board approved the appointment of its first female Director, Ms Caroline Kwong in February 2016. Ms Kwong's extensive experience in corporate advisory further complements and strengthens the core competencies of the Board.

NEDs' Participation
NEDs are encouraged to participate actively in Board meetings in the development of the Group's strategic plans and direction, and in the review and monitoring of Management's performance against budgets. To facilitate this, they are kept informed of the Group's businesses and performance through monthly and quarterly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees to provide constructive input and the necessary review and monitoring of performance of the Group and Management.

Principle 3: Chairman and CEO

Role of Chairman and the CEO
The Chairman of the Board ("**Board Chairman**") is Mr Kwek Leng Beng who is a NED while the CEO is Mr Philip Ting. There is a clear division of responsibilities between the Board Chairman and the CEO. As Board Chairman, Mr Kwek bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring that sufficient time is allocated for discussion of agenda items at Board meetings, promoting an open environment within the Board room for constructive debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. As the Board Chairman, he also promotes and leads the Company in its commitment to achieve and maintain good corporate governance. At AGMs and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The CEO, Mr Ting who is a key management staff, bears executive responsibility for the performance of the Group and the achievement of the corporate goals set for the Group. The CEO is not related to the Board Chairman. Mr Kwek Leng Beng who is due for retirement by rotation at the 2017 AGM will not be seeking re-election as a Director. Upon his cessation as Director after the AGM, he will also cease to be the Non-Executive Chairman and a member of the NC of HLA. As part of the succession planning for the Board, Mr Kwek Leng Peck upon his re-election at the 2017 AGM has been identified to succeed Mr Kwek Leng Beng as the Executive Chairman of the Board following the latter's retirement at the 2017 AGM.

Lead Independent Director
In view that the Board Chairman, Mr Kwek Leng Beng is not an independent Director, the Board in line with the recommendation under the 2012 Code has appointed Mr Ernest Colin Lee as Lead Independent Director ("**Lead ID**") on 26 February 2013 to serve as a sounding board for the Board Chairman and also as an intermediary between the NEDs and the Board Chairman. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders where they have concerns and for which contact through the normal channels of the Board Chairman or the key Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2016. During the year, the Lead ID held discussions with the other independent Directors without the presence of Management or the Board Chairman.

Principle 4: Board Membership

NC Composition and Role
Three out of the four members of the NC are independent. The NC chairman is also the Lead ID. Please refer to the 'Corporate Directory' section on page 18 of the AR, for the composition of the NC. As mentioned earlier, Mr Kwek Leng Beng and Mr Goh Kian Hwee will cease to be members of the NC following their retirement from the Board at the 2017 AGM.

The NC's responsibilities as set out in its written terms of reference, approved by the Board, is to review all Board and Board Committee composition and membership, board succession plans for the Directors, determine Director's independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of key Management which includes the ED, CEO, Chief Operating Officer, CFO and other relevant key management staff and review Directors' training and continuous professional development programme. The Company Secretary maintains records of all NC meetings including records of key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**NC Self-Assessment Checklist**").

The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference, and considered also the contribution of NC members to the deliberation and decision-making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Re-nomination of Directors
The NC reviews annually the nomination of the relevant Directors for election/re-election as well as the independence of Directors. When considering the nomination of Directors for election/re-election, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple listed company board representations and/or other principal commitments, and also reviews their independence.

The Constitution of the Company provides that not less than one-third of the Directors for the time being shall retire as Directors at each AGM of the Company. All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for election at the said AGM. Excluding the new Directors who are seeking appointment at the AGM or who will be seeking election at the first AGM immediately after their initial appointment, the remaining Directors of the Company will retire about once in every two to three years.

In accordance with the Company's Constitution, Mr Kwek Leng Beng, Mr Kwek Leng Peck and Mr Goh Kian Hwee will be retiring by way of rotation at the 2017 AGM. Mr Kwek Leng Peck being eligible, has offered himself for re-election. As mentioned earlier, Mr Kwek Leng Beng and Mr Goh Kian Hwee will not be seeking re-election.

Criteria and Process for Nomination and Selection of New Directors
Searches for and selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in the related industries, finance, legal and accounting professions. Assistance may also be obtained from SID and professional executive search firms engaged to source for suitable candidates for the NC's consideration.

The NC meets with the proposed candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's age, gender, track record, experience and capabilities or such other factors as may be determined by the NC to be relevant and which would contribute to the Board's collective skills; (b) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; (c) the candidate's independence, in the case of the appointment of an independent NED; and (d) the composition requirements for the Board and Board Committees after matching the candidate's skill set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees).

The NC had recommended the appointment of Ms Caroline Kwong as a Director taking into consideration her extensive experience in corporate advisory which it felt could further complement the core competencies of the Board. The Board concurred with the NC's recommendation and also its determination of Ms Kwong's independence. As recommended by the NC and approved by the Board, Ms Kwong was appointed as an independent NED on 22 February 2016 and also as a member of the AC, RC and SOSC on 1 May 2016.

Taking into consideration the wealth of Mr Tan Huay Lim's accounting and auditing experience, the Board accepted the NC's recommendation to appoint him as the AC Chairman with effect from 1 January 2016 in place of Mr Quek Shi Kui who retired at the 2016 AGM.

Directors' Time Commitments
When considering the re-nomination of Directors for election/re-election, the NC also takes into account the competing time commitments faced by Directors with multiple listed company board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which is also evident in their level of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board. Excluding the directorship held in the Company, the number of listed company board representations currently held by the Directors ranged from nil to five and those held by the Board Chairman, Mr Kwek Leng Peck and Mr Philip Ting are for boards within the Hong Leong Investment Holdings Pte. Ltd. group of companies.

The Board has a policy where a Director should consult the Board Chairman and the chairman of the NC prior to accepting any new principal commitment or listed company board appointment. This would allow the Director to review his time commitments with the proposed new appointment and in the case of an independent Director, to also ensure that his independence would not be affected.

Key Information on Directors
Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and additional information in the notice of AGM for Directors proposed for election/re-election at the 2017 AGM.

Succession Planning for the Board
The Board believes in carrying out succession planning for itself to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board and Board Committees, which includes size and mix, annually and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Group's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

As part of the succession planning for the Board, Mr Kwek Leng Peck upon his re-election at the 2017 AGM has been identified to succeed Mr Kwek Leng Beng as the Executive Chairman of the Board following the latter's retirement at the 2017 AGM. Ms Kwong was appointed in February 2016. Mr Goh Kian Hwee would not be seeking re-election upon his retirement at the 2017 AGM.

Board Development
The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. Further training for the Directors in specific areas are also being recommended by the NC, where required, based on the NC's review of the annual evaluation checklists from the Board and the Board Committees. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2016 are set out in the paragraph above under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process
The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The NC's assessment of the performance of the Board Committees is assisted by the self-assessment checklists of the NC, RC, AC, and a report provided by the chairman of the SOSC.

The annual evaluation process for each individual Director's performance comprises three parts: (a) background information concerning the Directors including their attendance records at Board and Board Committee meetings; (b) questionnaires for completion by each individual Board member; and (c) NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of each of the Directors are also used by the NC, in its consultation with the Board Chairman (who is also a member of the NC), to review, where appropriate, the composition of the Board and Board Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the election/re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

Board Evaluation Criteria
The qualitative criteria are set out in a questionnaire covering three main areas relating to Board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprise quarterly and year-to-date performance indicators which include a comparison of the Group's performance (including segmental performance) for the financial period under review against that of the corresponding period of the previous year and the Group's budget.

Individual Director Evaluation Criteria
Factors taken into account in the assessment of a Director's performance include his or her abilities and competencies, his or her objectivity and the level of participation at Board and Board Committee meetings including his or her contribution to Board processes and the business strategies and performance of the Group.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management
Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing where possible and practicable, complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. Directors have separate and independent access to Management.

Draft agendas for Board and Board Committee meetings are circulated to the Board Chairman and the chairmen of the Board Committees, in advance, for them to review and suggest items for the agenda. The Board and the Board Committees are also furnished with routine reports, where applicable from the various departments of the Company. Each of the chairmen of the AC, NC, RC and SOSC provides an annual report of the respective committees' activities during the year under review to the Board. The minutes of meetings of the Board Committees are circulated to all Board members.

Company Secretary
The Company Secretary, whose appointment and removal are subject to the Board's approval, attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all the applicable statutory and regulatory rules. Together with Management, she also advises the Board Chairman, the Board and Board Committees on corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including ensuring good information flows within the Board and the Board Committees and between Management and the Directors, facilitating orientation for newly appointed Directors and appointments to Board Committees, and continuing training and development for the Directors.

On an ongoing basis, the Directors have separate and independent access to the Company Secretary.

Independent Professional Advice
The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

RC Composition and Role
The RC comprises three NEDs, all of whom including the chairman of the RC are independent. As mentioned earlier, Mr Goh Kian Hwee will cease to be a member of the RC following his retirement from the Board at the 2017 AGM.

The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("**KMP**").

The Company has in place a remuneration framework for the Directors and the KMP. The Company currently identifies its ED, CEO and CFO as its KMP. On an annual basis, the RC reviews the annual increments, and year-end and variable bonuses to be granted to the KMP. The KMP's contracts of service have been reviewed by the RC and it is of the view that the said contracts contain fair and reasonable termination clauses.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. As mentioned earlier, Mr Goh Kian Hwee will cease to be a member of the SOSC following his retirement from the Board at the 2017 AGM. The RC has access to appropriate advice from the HR Head, who attends all RC meetings. The Company Secretary maintains records of all RC and SOSC meetings including records of key deliberations and decisions taken.

Two meetings of the RC were convened during 2016. For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**RC Self-Assessment Checklist**").

The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision-making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

Principle 8: Level and Mix of Remuneration

Remuneration of Directors and KMP
In reviewing the remuneration packages of the KMP, the RC, with the assistance of the HR Head, considers the level of remuneration based on the Company's remuneration policy which comprises the following three distinct objectives:

- to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;
- to reward employees for achieving corporate and individual performance targets in a fair and equitable way; and
- to ensure that the remuneration reflects employees' duties and responsibilities.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between the current and longer term.

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances which the Company benchmarks with the relevant industry market median), a variable component (comprising short-term incentives in the form of year-end and variable bonuses and long-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable. The variable components take into account amongst other factors, the KMP's performance, the Group's performance, the business unit's performance and industry practices. The Company exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promote the long-term success of the Company.

The mix of fix and variable reward is considered appropriate for the Group and for each individual role. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile. The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth.

The SOS is a long-term incentive plan. KMP who have a greater ability to influence the Group's outcomes have a greater proportion of overall reward at risk. It is put in place to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key good employees to achieve superior performance and to motivate them to continue to strive for the Group's long-term shareholder value. It also aims to strengthen the Group's competitiveness in attracting and retaining talented key management employees. The Company does not require the EDs and KMP to continue to hold their shares upon exercise of the options after the vesting period. Options granted under the SOS to EDs and KMP vest progressively over a period of three years. To-date, the Company has granted only Market Price Options and Incentive Price Options (both as defined in the SOS). Information on the SOS is set out in the Directors' Statement on pages 66 to 70 and the Financial Statements on pages 173 to 176 of the AR.

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compares the Company's fee structure against industry practices. Other factors taken into consideration in the fee review includes frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review and changes. No Director is involved in deciding his or her own remuneration.

The Company does not discourage Directors from holding shares in the Company. There is however no requirement under the Company's Constitution for Directors to hold shares in order to be qualified to act as a Director. The NEDs are eligible to participate in the SOS. The grant of options under the SOS to the NEDs is subject to the SOSC's recommendation and the Board's endorsement.

Since 2014, the letter of offer of options to eligible participants (including EDs and KMP) under the SOS includes a claw-back provision which gives the Company the right to recover or cancel the options (whether in whole or in part, before they are exercised) in the event of exceptional circumstances involving a misstatement of the financial results of the Company and the Hong Leong Asia Group for the financial year on which the grant is based, or any misconduct by an employee of the Company, resulting in financial loss to the Group.

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances), a variable component (comprising short-term incentives in the form of year-end and variable bonuses and longer-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable. There were no termination, retirement and post-employment benefits granted to them for FY 2016.

The link between the remuneration paid to Directors and the KMP, and performance is as set out under Principle 8 above. Information on the SOS is set out in the Directors' Statement on pages 66 to 70 and the Financial Statements on pages 173 to 176 of the AR.

Directors' Remuneration for FY 2016

The remuneration of each Director including a breakdown (in percentage terms) earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2016 is set out below:

	Total Remuneration (nearest thousand)	Base Salary[1]	Variable Bonuses/ Allowances[1]	Board/ Board Committee Fees[2]	Share Option Grants[5]	Other Benefits	Total
	$'000	%	%	%	%	%	%
Board Chairman (Non-executive)							
Kwek Leng Beng	82	0	0	100	0	0	100
Executive Directors							
Kwek Leng Peck	784	61	13	24[4]	0	2	100
Philip Ting Sii Tien @ Yao Sik Tien (CEO)	1,119	64 [3]	22[3]	8[4]	0	6	100
Non-executive Directors							
Ernest Colin Lee	132	0	0	100	0	0	100
Goh Kian Hwee	110	0	0	100	0	0	100
Tan Huay Lim[6]	114	0	0	100	0	0	100
Kwong Ka Lo @ Caroline Kwong[7]	75	0	0	100	0	0	100
Quek Shi Kui[8]	34	0	0	100	0	0	100

Notes:

1. The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.
2. These fees comprise Board and Board Committee fees (excluding AC fees) for FY 2016, which are subject to approval by shareholders as a lump sum at the 2017 AGM as well as the proposed additional AC fees to take into consideration the additional duties undertaken by the AC to assist the Board in overseeing the Company's sustainability governance for the period from 11 August 2016 to 31 December 2016, which is also subject to shareholders' approval at the 2017 AGM, and the AC fees for FY 2016 that had already been approved by shareholders at the 2015 and 2016 AGMs.
3. Include salary and variable bonuses/allowances for FY 2015 paid or payable by subsidiary(ies) of the Company.
4. Includes Directors' fees paid or payable by subsidiaries of the Company.
5. These relate to options granted during FY 2014. The fair value of the options as at the date of grant ranges from $0.13 to $0.25 for each share under option taking into account the vesting schedule using the Black Scholes method.
6. Mr Tan Huay Lim was appointed a member of NC on 1 May 2016 and the NC fee payable to him for FY 2016 is pro-rated accordingly.
7. Ms Caroline Kwong was appointed a Director on 22 February 2016 and a member of AC, RC and SOSC on 1 May 2016 and the Board and Board Committee fees payable to her for FY 2016 are pro-rated accordingly.
8. Mr Quek Shi Kui retired from the Board following the conclusion of the AGM held on 22 April 2016. Consequent thereto, he ceased to be a member of the AC, NC, RC and SOSC. The Board and Board Committee fees payable to him for FY 2016 are pro-rated accordingly.

Each of the Directors receives a base Director's fee with the Board Chairman receiving an additional fee. The Lead ID also receives an additional fee to reflect his expanded responsibility. Directors who serve on the various Board Committees (other than the SOSC) also receive additional fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees receiving a higher fee in respect of their service as chairman of the respective committees.

The structure of fees paid or payable to Directors of the Company for FY 2016 is as follows:

Appointment	Fees per annum ($)
Director	50,000 (Basic fee)
	Additional Fees:
Board Chairman	20,000
Audit Committee (AC) - AC Chairman - AC Member	 56,172 36,172
Nominating Committee (NC) - NC Chairman - NC Member	 18,000 12,000
Remuneration Committee (RC) - RC Chairman - RC Member	 18,000 12,000
Lead Independent Director	10,000

Remuneration of Key Management Personnel (not being a Director or CEO) for FY 2016
The Board does not believe it to be in the interest of the Company to disclose the FY 2016 remuneration of its CFO, being currently identified as the Company's KMP (not being a Director), having regard to the highly competitive human resource environment.

Remuneration of Director's Immediate Family Member for FY 2016
During FY 2016, none of the Directors had immediate family members who were or are employees of the Company.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of Board and Management
The Board provides shareholders with quarterly and annual financial results. Results for the first, second and third quarter are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the CEO and the CFO provided assurance to the Board on the integrity of the quarterly and the full year unaudited financial statements. The CEO and the CFO also received similar representation letters from the various business units within the Group. The Board in turn provided a negative assurance confirmation in respect of the unaudited financial statements for the first, second and third quarter to the shareholders in accordance with the regulatory requirements.

Management provides all Directors with monthly Financial Review of the Group's performance including analysis of the same. Any material variances between the month under review as compared to the budget and the corresponding month of the previous year are disclosed and explained.

Principle 11: Risk Management and Internal Controls

Risk Management
An Enterprise Risk Management ("**ERM**") framework has been established by Management to formalise and document the internal processes to enable significant strategic, financial, operational, compliance and IT risks within the relevant Group companies to be identified, assessed, monitored, managed and evaluated. The Board determines the Group's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. Strong emphasis is placed on creating risk awareness, promoting accountability and setting the appropriate tone at the top. Risk management training is conducted to communicate and enhance the Group's risk culture.

Risk committees (consisting of cross functional personnel) have been set up at both corporate and business unit levels to implement and maintain risk management policies and initiatives across the Group. To maintain internal audit's ("**IA**") independence, the Head of IA has been involved in risk management matters in an advisory/consulting role. The risk management processes at the key business units are driven by their respective risk committees, with regular reporting to the corporate risk committee (comprising members of senior management and headed by the CEO), who in turn reports to the AC. On an ongoing basis, Management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits.

Reports on risk management issues are presented by the ERM Manager to the AC on a regular basis. The IA's role includes independent review of the Group's risk management policies and systems.

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

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
1	Strategic	Concentration risk - China	Majority of the Group's businesses are based in China.	• Regular review of performance of business units in China. • Continuously evaluate new investments opportunities in other geographical regions besides China.
2	Strategic	Market dynamics risk – Market complexity and competition	The Group's performance is affected by current economic slowdown and market overcapacity.	• Closely monitor market conditions and key external indicators which may affect the Group's businesses. • Continuously strengthen ability to respond to changes in market, customer needs, competition and market pricing.
3	Strategic, Operational and Compliance	Human capital risk - Succession planning - Recruitment and retention, leadership	Human resource continues to be a top priority for the Group. The Group minimizes the impact of loss of key employees and critical knowledge by constantly reviewing succession plans and grooming talents with needed skill sets.	• Succession planning framework is in place to ensure smooth succession for key positions. • Training and development program for employees. • Management associate program is in place to groom next generation leaders.

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
4	Strategic and Operational	Channel management and branding risk	The Group continues to develop and maintain effective sales channels and increase brand awareness in the market.	Continuously focus on the following activities: • Strengthen current sales teams; implement new channel strategies and appointment of new dealers/distributors. • Enhance corporate image through marketing media and brand promotional activities. • Enhance e-commerce capabilities to improve online retail sales.
5	Operational	Product pricing risk – Price pressure	Keen market competition resulting in increased price pressure for the Group's businesses.	• Develop new sales strategies and implement marketing activities to maintain price advantage. • Monitor competitors' pricing and continue to strengthen quality and service level to meet customers' requirements. • Regular review of product and operational costs.
6	Operational	Business interruption risk – Business continuity planning	Business operations are to be adequately prepared to handle major disruption and resume operations within the optimum timeframe and minimise losses.	• Develop and implement disaster recovery plans for business operations. • Conduct regular safety drills and audits.

Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and effectiveness of the Group's system of internal controls including financial, operational, compliance and IT controls, and risk management policies and systems. The boards of the Group's separately listed subsidiaries, namely Tasek Corporation Berhad and China Yuchai International Limited ("**CYI**"), including CYI's listed subsidiary HL Global Enterprises Limited, are responsible for the oversight of their respective groups' internal control and risk management systems and the Directors rely on the Company's nominees to the board of directors of these listed subsidiaries to provide oversight together with the other board members on the adoption and implementation of appropriate corporate governance practices, internal control and risk management systems.

The internal controls structure of the Group has been designed and put in place by management of the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

The CEO and the CFO provided written assurances to the Board that (i) the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the system of internal controls and risk management systems in place are adequate and effective to address in all material respects the financial, operational, compliance and IT risks within the current scope of the Group's business operations.

The AC reviewed the adequacy of the Group's key internal controls that address the Group's financial, operational, compliance and IT controls, and risk management systems, with the assistance of the internal and external auditors and Management, who provide regular reports during the year to the AC in addition to the briefings and updates provided at the AC meetings. The management action plans are initiated to address the deficiencies identified by internal and external auditors, especially in the Group's China operations.

Based on the work performed by IA and the risk committees during the financial year, as well as the statutory audit by the external auditors, Ernst & Young LLP ("**EY**"), and the written assurance from Management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls and risk management systems in place as at 31 December 2016 are adequate and effective to address, in all material aspects, the financial, operational, compliance and IT risks within the current scope of the Group's business operations.

The Board wishes to highlight that the majority of the Group's businesses are located in China, which is a challenging control environment to operate in.

The Board noted that CYI, a subsidiary listed on the New York Stock Exchange, had in its FY 2015 annual report filing on Form 20F on 15 April 2016, disclosed that its Independent Public Accountants, EY, had concluded in their opinion, that CYI maintained, in all material respects, effective internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As of the date of this report, CYI is still in the process of evaluating its internal controls over financial reporting. The SOX program will be subject to final review by the auditors, and is currently on-going. To date, CYI's management has not received any report on material weaknesses from its auditors. The full results will not be known until the finalization of CYI's FY 2016 annual report filing on Form 20F in mid April 2017.

As part of internal audit program for FY 2016, audit findings identified control weaknesses at some of the Group's China subsidiaries. Management action plans based on IA's recommendations were developed to address these weaknesses. EY, during the audit of the financial statements of the Group, have also identified certain deficiencies in internal controls, which have been reported to the AC and are currently in the process of being rectified by Management. Management has assessed and determined that the deficiencies do not have significant financial impact on the financial statements of the Group for FY 2016.

Management will continue to review and strengthen the Group's control environment, and further refine its internal policies and procedures. Management continues to devote resources and expertise towards improving the level of governance and internal controls, in particular for the Group's subsidiaries in China.

Principle 12: Audit Committee

Composition of AC

The AC comprises four NEDs, all of whom including the chairman of the AC are independent. Three members including the AC chairman possess the relevant accounting or related financial management expertise and experience. With the current composition, the AC believes that it has the relevant accounting or related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board. As mentioned earlier, Mr Goh Kian Hwee will cease to be a member of the AC following his retirement from the Board at the 2017 AGM.

Powers and Duties of the AC

The AC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external auditors, the internal auditors and Management. It may invite any Director, Management, officer or employee of the Group, the external auditors and internal auditors to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's financial reporting process (including reviewing the accounting policies and practices of the Company) and key internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements before their submission to the Board to ensure their completeness, consistency and fairness;

- to review the integrity of the financial statements of the Group to be announced or reported and any other formal announcements relating to the Group's financial performance;

- to assess the role and effectiveness of the IA function in the overall context of the Group's internal controls and risk management systems;

- to review and approve the annual audit plans of the external and internal auditors;

- to review, on an annual basis, the scope and results of the external audit and the independence and objectivity of the external auditors, and also to review on a periodic basis the nature and extent of any non-audit services provided by the external auditors to the Group;

- to review quarterly and/or annually, as applicable, with Management, the internal and external auditors the results of their review and evaluation of the relevant Group companies' key internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems and report to the Board annually the adequacy and effectiveness of such internal controls;

- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;

- to approve the appointment, resignation or dismissal of the Head of IA;

- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

- to review the Company's whistle-blowing policy and arrangements put in place for raising in confidence concerns about possible improprieties in matters relating to financial reporting or other matters; and

- to provide oversight of the risk management framework designed, established and implemented by Management for the identification, assessment, management and monitoring of risks, with the objective of embedding risk management processes into existing management processes.

The AC held five meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings including records of key deliberations and decisions taken. The AC meets with the internal and external auditors, each separately without the presence of Management, at least once annually.

For the financial year under review, the AC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("**AC Self-Assessment Checklist**").

The AC Self-Assessment Checklist covered, *inter alia,* the responsibilities of the AC under its terms of reference, and also considered the contribution of AC members to the AC's deliberation and decision-making process.

Based on the self-assessment, the AC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

AC's Commentary on significant financial reporting matters

The most significant matters considered by the AC and discussed with both the Management and the external auditors in relation to the Group's financial statements for FY 2016 were as follows:

Significant Matters	How did the AC address these
Impairment of property, plant and equipment and intangible assets	The AC received reports from independent international valuers and reports from Management on the valuation of the Group's property, plant and equipment and intangible assets. The AC considered the assessment for indicators of impairment of these assets and the appropriateness of the approach and methodologies applied to the valuation methods. In addition, the AC assessed the reasonableness of the key assumptions and the underlying analysis used by the valuers and Management in determining the recoverable amount of the assets or the amount of impairment losses required to be recorded. The AC noted that about 25% of the intangible assets relates to capitalized development expenditure of CYI, a subsidiary of the Company listed on the New York Stock Exchange. From discussions with Management, the AC understands that the directors of this listed subsidiary assessed the indicators of impairment, considered the appropriateness of the valuation method applied and assessed the reasonableness of the key assumptions used by Management in determining the recoverable amount of the development expenditure.

Impairment assessment of interest in joint ventures and asset held-for-sale	The interest in joint ventures relates to CYI. From discussion with Management, the AC understands that the directors of this listed subsidiary have considered the appropriateness of the valuation method and assessed the reasonableness of the key assumptions used by the Management in determining the recoverable amount of the interest in joint ventures. The asset-held-for-sale relates to a hotel asset of HL Global Enterprise Limited, a subsidiary listed on the main board of the Singapore Exchange. The AC noted that there is a plan to dispose the hotel asset and the management of this listed subsidiary obtained a valuation report from an independent international valuer. The AC understands from Management that the directors of this listed subsidiary have reviewed the key assumptions used by Management in assessing the recoverable amount of the asset.
Allowance for inventory obsolescence	The AC reviewed the significant assumptions and estimates used by Management in their assessment of the measurement and valuation of inventory including the amount of the allowance for inventory obsolescence required to be recorded. The AC noted that about 74% of the inventory relates to CYI. From discussion with Management, the AC understands that the directors of this listed subsidiary adopted similar review approach in their assessment of the measurement and valuation of inventory.
Impairment of receivables from subsidiary companies	The AC reviewed the significant assumptions, estimates of future cash flow forecasts and discount rate used by Management in determining the amount of impairment loss required to be recorded by the Company in respect of the receivables from loss making subsidiaries.

The above significant matters were also areas of focus for the external auditors who have included these as key audit matters in their audit report set out in this AR.

External Auditors

Taking cognizance that the external auditors should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of EY and gave careful consideration to the Group's relationships with them during 2016. In determining the independence of EY, the AC reviewed the Group's relationships with them and considered the nature of the provision of the non-audit services in 2016 and the corresponding fees. The AC is of the opinion that the nature and amount of such non-audit services and fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that EY is, and is perceived to be, independent for the purpose of the Group's statutory financial audit. For details of the fees paid and/or payable to EY in respect of audit and non-audit services for FY 2016, please refer to note 25 of the Notes to the Financial Statements on page 168.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2017, the AC had considered the adequacy of the resources, experience and competence of EY. Consideration was also given to the engagement partner and key team members' experience in handling the audit of multi-listed entities under different jurisdictions. The size and complexity of the audit of the Group, the level of audit fee, and the number and experience of the supervisory and professional staff assigned were taken into account. The AC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity.

EY has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 (read with Rule 716) of the SGX-ST Listing Manual in relation to the appointment of the Group's auditors.

On the basis of the above, the AC has recommended to the Board the nomination of EY for re-appointment as external auditors of the Company at the 2017 AGM.

Interested Person Transactions

On 30 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control, to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). The IPT Mandate was last renewed at the AGM held on 22 April 2016. As such Interested Person Transactions may occur at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the 2017 AGM for the renewal of the IPT Mandate.

The AC has confirmed that an independent financial adviser's opinion is not required for the renewal of the IPT Mandate as the methods and procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the IPT Mandate was obtained on 30 May 2003, and such methods and procedures continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Particulars of Interested Person Transactions required to be disclosed under Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions in FY 2016 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)		Aggregate value of all Interested Person Transactions conducted in FY 2016 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
		$'000		$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	Provision of the following services by Interested Persons to the Group:		Construction-related Transaction – Purchase of raw materials by the Group from Interested Person:	408
	(i) Legal and trademark services:	139	Industrial and Consumer-related Transaction – Sale of air-conditioning products to Interested Persons:	1,516
	(ii) Corporate secretarial services:	374		
	Total	513	Total	1,924

The above Interested Person Transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

Whistle-blowing Policy
HLA has in place a whistle-blowing policy where staff of the Group or other persons can raise in confidence concerns on possible improprieties in matters relating to financial reporting or other matters. The AC has the responsibility of overseeing this policy which is administered by the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised (where appropriate) and for appropriate follow up action to be taken. A dedicated whistle-blowing email account at hla999@hla-grp.com has been set up to receive complaints and information from all employees of the Group or other persons in order to facilitate and encourage the reporting of such matters. Details on the dedicated channels of communication have also been made available on the Company's website and intranet.

Principle 13: Internal Audit

Reporting Line and Qualifications
The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the AC chairman with an administrative line of reporting to the CEO of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the AC. The AC also provides input on the annual performance appraisal of the Head of IA and the AC chairman is consulted on all bonus payments and salary adjustments for this position. The AC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the AC, the Board and Management as well as the Group's documents, records, and properties except for those under the Group's separately listed subsidiaries.

IA operates within the framework stated in its IA Charter which is approved by the AC, and reviewed on an annual basis. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Head of IA and IA team members are members of the Institute of Internal Auditors of Singapore and/or chartered member of professional bodies.

Role and Activities of IA
The primary role of the IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group (other than the Group's separately listed subsidiaries which have their own IA functions). IA's coverage extends to the review and testing of controls in areas of key risks which include sales and channels operations, procurement, inventory management, information systems and compliance with company policies and procedures.

The AC approved the annual IA plan and received regular reports during 2016 on the progress of the audit work under the IA plan. Copies of IA reports are extended to relevant members of Management. IA reports are also provided to the external auditors. Processes are in place such that recommendations raised in IA reports are followed up to ensure that they are dealt with within a reasonable time frame, taking into account the severity and nature of the control weaknesses identified. The AC is apprised regularly on the implementation by Management of the recommendations of IA.

The Company has a well-established IA function with formal procedures for the internal auditors to report their audit findings to the AC and to Management. The IA attends outside training programmes to keep abreast of developments. As the IA team members are members of the Institute of Internal Auditors of Singapore and/or chartered member of professional bodies, the team receives regular updates on the latest development of IA policies and practices, accounting pronouncements, risk-based audit information and other audit related knowledge from time to time. The AC reviewed the effectiveness and adequacy of the IA function including its resources through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation framework modeled on the framework recommended in the ACGC Guidebook. The evaluation framework covers IA organisation, resources and continuing training, audit plans, work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, the AC is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly, and the AC has continually emphasized the importance of ensuring that the IA function is adequately staffed, especially to handle the review and testing of controls in key risk areas in the Group's operations in China.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Group and its financial performance is disclosed in an accurate and timely manner *via* SGXNET.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. Shareholders may appoint one or two proxies each to attend and vote at general meetings in their absence. In the case of shareholders who are relevant intermediaries (more than two proxies each may be appointed. In accordance with the Company's Constitution, the proxy forms must be deposited with the Company not less than forty-eight (48) hours before the time set for the general meetings.

Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. The Company notifies its investors in advance of the date of release of its financial results *via* SGXNET. The Company's quarterly and full year results are announced within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released *via* SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET.

Although the Company does not have a formal investor relations policy, shareholders and investors can contact the Company or access information on the Company at its website at www.hlasia.com.sg which provides, *inter alia*, information on the Board of Directors and Key Management team, Annual Reports, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, and contact details of its Investor Relations.

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

The Company has adopted a dividend policy, which is set out on page 3 of the AR.

Principle 16: Conduct of Shareholder Meetings

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The Board Chairman and Board members including the chairmen of all the Board Committees together with the external auditors were present at the last AGM, and they will endeavor to be present at the 2017 AGM to assist the Board in addressing queries raised by the shareholders.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the re-election or re-appointment of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the annual report. The Company also maintains minutes of AGM, which includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors. The Company will furnish the minutes of the AGM upon request of any member. Such request can be made after one month from the date of the AGM.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the 2017 AGM and at any adjournment thereof shall be put to the vote by way of poll.

To allow for a more efficient voting system, the Company had introduced electronic poll voting since its 2014 AGM and would continue to do so in respect of all resolutions proposed at the 2017 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the meeting will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced *via* SGXNET after the 2017 AGM. The rules including voting procedures that govern general meetings of shareholders are set out within the notice of 2017 AGM.

Corporate Values and Conduct of Business

The Board and key Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has in place an internal code of business and ethical conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Group's businesses in their relationships with customers, suppliers and amongst employees, including situations where there are potential conflicts of interests.

Internal Code on Dealing in Securities

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such securities, and (c) during the "closed period" which is defined as two weeks before the date of announcement of results for the first, second and third quarter of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Group are notified prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

21 March 2017

Board Statement

As we embark on our sustainability reporting journey, we are aware of how our business practices impact the environment and communities we operate in. In the long term, our focus on sustainability will place our Group in a better position to create long-term value for shareholders while taking into account the broader stakeholder community.

The Board has set a strategic direction to achieve this through good corporate governance, prudent financial management, upholding health and safety standards, limiting environmental impact, utilising resources efficiently, and engaging communities we operate in. At HLA, the Board sets the tone for all sustainability efforts, supported by the Sustainability Committee. Together, we continually identify, manage and address ESG factors material to the business. This sustainability journey takes constant effort and we look forward to your continued support in creating a sustainable future for generations to come.

CEO's Message

With the landmark agreement from the United Nations Climate Change Conference in Paris (COP21) in 2015 and the launch of Singapore Exchange (SGX)'s "Comply or Explain" rule for sustainability reporting, sustainability interest has reached new heights both globally and in the region. We are able to report ahead of SGX's timeline as sustainability is embraced at Hong Leong Asia (HLA). In our daily business operations, we have always been conscious in adopting responsible environmental, social and governance (ESG) practices, as well as extending good quality product and service offerings to our customers.

The increasing complexity of the business environment has presented us with multiple challenges. With the bulk of our businesses based in China, the continued weakness of the Chinese economy coupled with market overcapacity has taken its toll on our Group revenue. Notwithstanding these challenges, we have developed a multi-faceted sustainability strategy to guide our daily operations. Our sustainability strategy focuses on continuous reduction of our ecological footprint in our manufacturing process, ensuring fair employment practices, engaging our workforce and investing back in the community.

This year, we have stepped up our commitment towards sustainability by publishing our inaugural sustainability report which has met SGX's sustainability reporting requirements. Covering issues which are most pertinent to our business, this sustainability report serves as a tool to communicate to our stakeholders how through our ESG commitment, efforts and progress we are managing areas that pose a risk and provide opportunities for improvement. We recognise that sustainability is a continuous learning process and we seek to improve ourselves year-on-year in the various ESG aspects.

Despite the challenging business environment, we remain committed to being a responsible corporate citizen. Our goal is to exercise cost discipline, organisational restructuring and strategy repositioning to tide our businesses through the rough patch, as we continue to march on this sustainability journey ahead.

Philip Ting Sii Tien @ Yao Sik Tien
Chief Executive Officer

About This Report

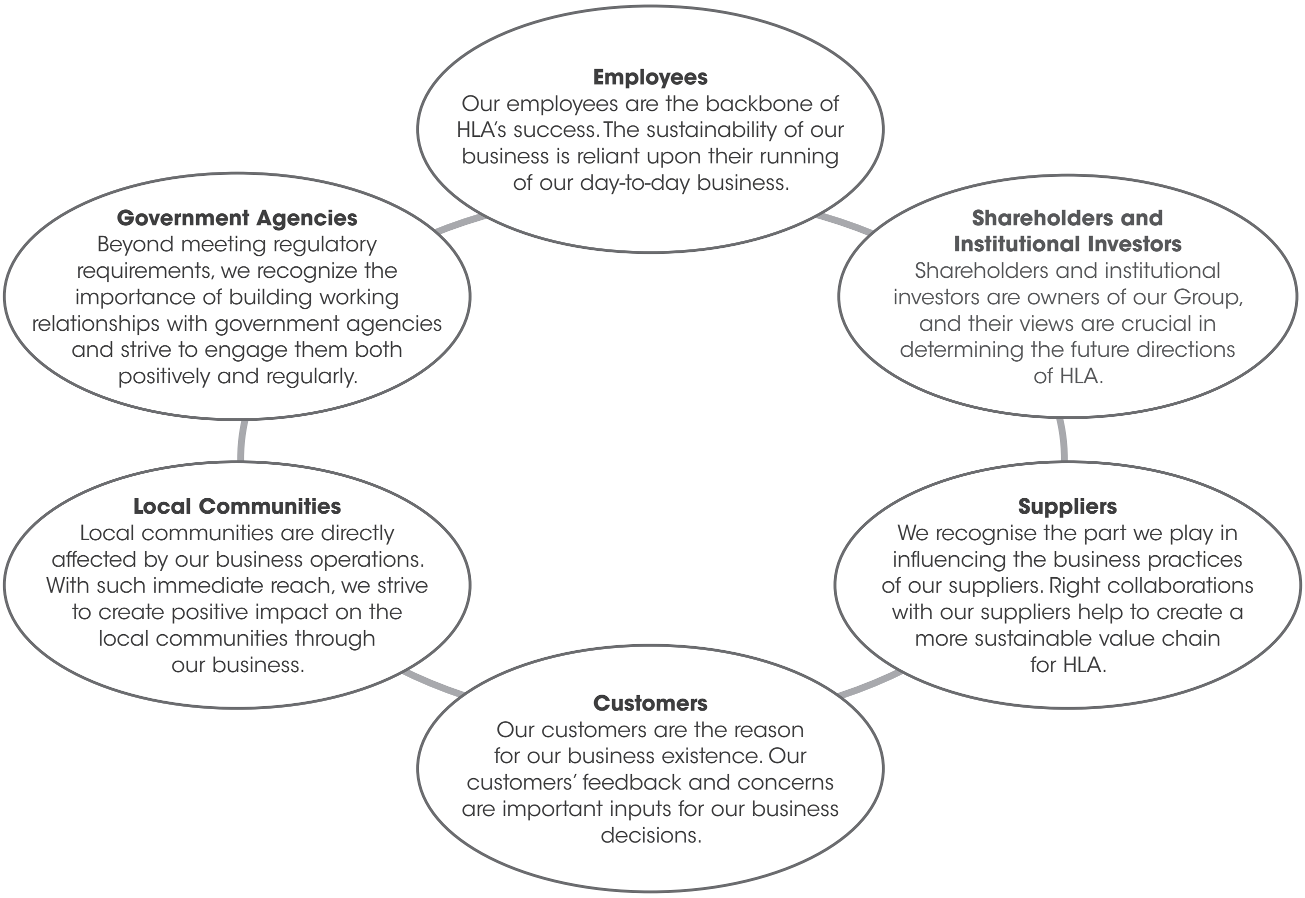
This report has been prepared in accordance to the internationally recognised Global Reporting Initiative (GRI) G4 guidelines – Core. The report focuses on the sustainability performance of our major operations across consumer products and building materials business segments from 1 January 2016 to 31 December 2016, and the diesel engines business segment from 1 January 2016 to 30 September 2016 (projected to 12 months for 2016 where applicable) unless otherwise stated. A historical comparison to the previous year has also been presented where information is available. Through this inaugural sustainability report, we will continue to assess and improve our data collection systems over time.

Engaging Our Stakeholders

Stakeholder Engagement Approach

We believe that a positive, two-way engagement with our stakeholders helps to build informed relationships which enable us to identify risks and opportunities for HLA and its business units (Figure 1). This, in turn, helps us to make better decisions, address challenges, and prioritise areas where we can make the greatest impact on sustainability. The rest of this sustainability report dictates how the Group has responded to our key stakeholders' concerns.

Figure 1: Impact & Significance of Key Stakeholders



Corporate Social Responsibility (CSR)

As a responsible corporate citizen, we aim to improve the well-being of the surrounding communities where we operate in. More than S$470,000 was channelled to CSR initiatives in 2016, with key examples listed below.

Figure 2: Key Examples of HLA's CSR Initiatives in 2016

Cash donations

Cash donation was channeled to the underprivileged in Xinxiang, China

School bursary programme

This financial assistance targets primary school students who come from lower socio-economic background

In-kind donations

In-kind donations have been extended to various organizations including the National Kidney Foundation, the Perak Palliative Care Society, Anderson School, as well as renovations of religious and government buildings in Ipoh

Materiality Assessment

Our first formal materiality assessment was conducted with our senior management in July 2016. The process followed the procedures outlined in Figure 3, with assistance from independent sustainability consultants. There were 11 issues identified as material (Table 1), and 8 additional issues (Table 2) selected for reporting due to their significance to HLA's business operations (Figure 4).

Figure 3: Materiality Assessment Process

1. Awareness session for senior management and Head of Departments, to equip them with knowledge on sustainability, SGX sustainability reporting requirements and GRI-G4 reporting framework
2. Peer benchmarking review was done to identify a broad range of potential and relevant sustainability issues as well as observing good reporting practices
3. Interviews with senior management to obtain feedback on potential sustainability issues, as well as tapping on their engagement with external stakeholders
4. Prioritization of sustainability issues by senior management, in alignment to HLA's business focus and strategy (Figure 4)

Figure 4: HLA's Materiality Matrix

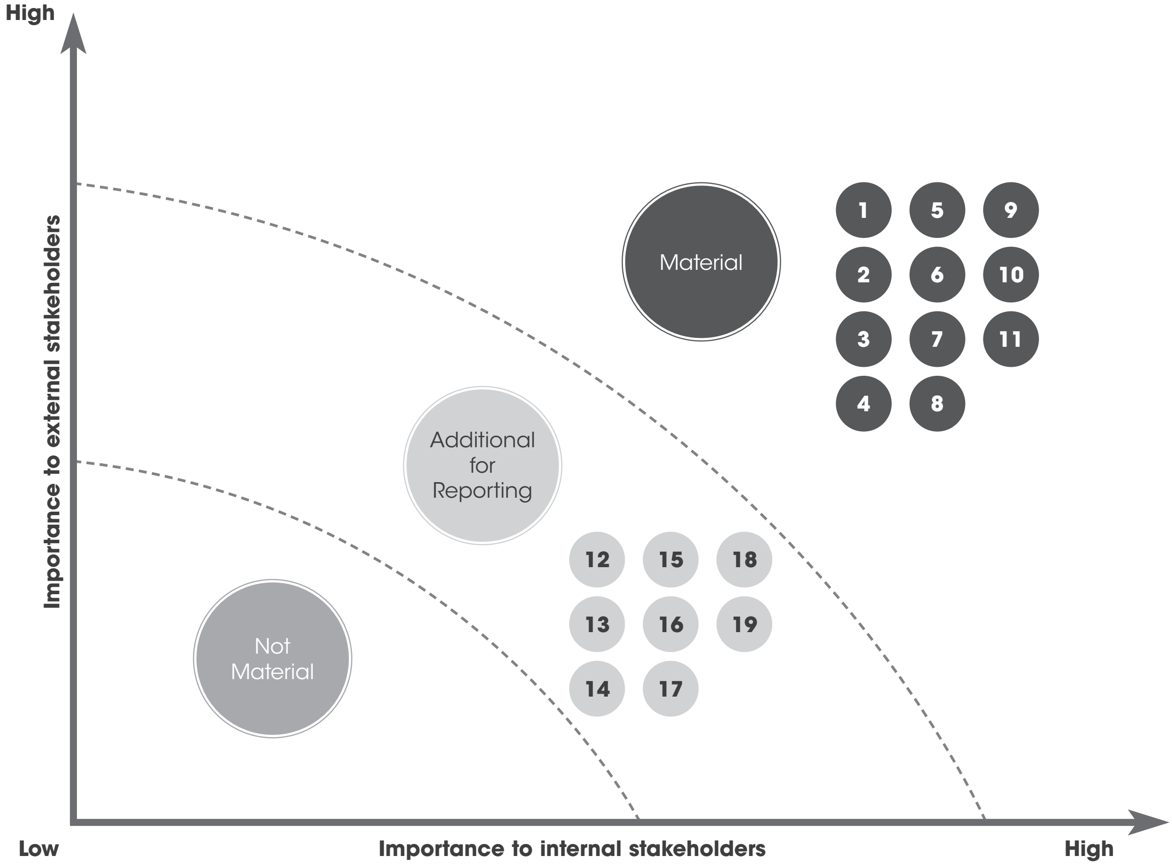


Table 1: Mapping Material Issues to GRI-G4 Aspects

S/N	Material Issues	Definition	GRI Aspects	Report Sections	Aspect Boundary
1	Economic Performance	Financial performance of the company	• Economic Performance	Financial Highlights	Within
2	Enterprise Risk Management	Management of financial, operational, investment, IT, human resource, environmental, safety and crisis risks for business continuity	• General Standard Disclosure	Corporate Governance Report	Within
3	Regulatory Compliance	Compliance to regulatory and other core operational regulations	• Compliance	Our Business Environment	Within

Table 1: Mapping Material Issues to GRI-G4 Aspects (cont'd)

S/N	Material Issues	Definition	GRI Aspects	Report Sections	Aspect Boundary
4	Ethical Business Conduct	Practicing responsible business policy such as anti-corruption, anti-competitive behaviour, anti-trust, including a clause on ethical practices in contracts	• Anti-Corruption • Anti-Competitive Behaviour	Our Business Environment	Within
5	Customer Satisfaction	Meeting customer expectations and maintaining good relationships	• Product and Service Labelling	Understanding Our Customers' Needs	Within and outside
6	Product and Service Quality	Innovate and develop high quality products/services to meet customers' needs	• Not applicable	Understanding Our Customers' Needs	Within and outside
7	Customer Health and Safety	Develop products which comply with mandatory or voluntary safety requirements	• Customer Health and Safety	Understanding Our Customers' Needs	Within and outside
8	Employment Practices	Provide equitable opportunities and treatment to all employees including proper grievance management	• Employment • Labour Practices Grievance Mechanisms	Looking After Our People	Within
9	Employee Well-being and Engagement	Creating a great place to work through welfare and benefits, and regular engagement with employees	• General Standard Disclosure	Looking After Our People	Within
10	Employee Health and Safety	Provide for and promote the health and safety of employees and contractors, as measured by recordable incidents, fatalities and lost days	• Occupational Health and Safety	Looking After Our People	Within
11	Environmental Compliance	Disclose any environmental non-compliance and efforts taken to mitigate or follow up actions	• Compliance	Caring for the Physical Environment	Within

Table 2: Mapping of Additional Issues for Reporting to GRI-G4 Aspects

S/N	Additional Issues	Definition	GRI Aspects	Report Sections	Aspect Boundary
12	Customer Distribution Management	Specific to Xinfei: Engage and work with dealers and distributors to enable them to meet customers' needs and maintain customer relationships	• Not applicable	Understanding Our Customers' Needs	Within and outside
13	Career Advancement and Succession Planning	Disclose availability of career training to promote career progression and other training for lifelong learning, which may not be career-related. Identify and develop high-potential employees to take over key positions in the organisation for leadership continuity.	• Training and Education	Looking After Our People	Within
14	Waste Management and Recycling	Minimise waste generation and reuse/recycling waste for beneficial use	• Effluents and Waste	Caring for the Physical Environment	Within and outside
15	Energy and Carbon Footprint	Efficient use of energy to minimise carbon emissions throughout the production cycle	• Energy • Emissions	Caring for the Physical Environment	Within and outside
16	Other Atmospheric Emissions	Specific to TCB: Disclose dust emissions for TCB's operations	• Emissions	Caring for the Physical Environment	Within and outside
17	Sustainable Use of Materials	Manage the use of natural resources and promote the use of environmentally friendly materials during design and production processes	• Materials	Caring for the Physical Environment	Within and outside
18	Water Management	Specific to BMU – Singapore: Manage water resources efficiently, equitably and sustainably for BMU – Singapore's operations	• Water	Caring for the Physical Environment	Within and outside
19	Stakeholder Engagement	Collaborate with stakeholders and community members through dialogues to discuss project ideas, address conflicts or voice concerns. Enrich lives in the community we operate in by various CSR activities.	• General Standard Disclosure • Economic Performance	Engaging Our Stakeholders	Within and outside

Our Business Environment

Sustainability Governance

We recognise the importance of having a robust governance structure to achieve our sustainability targets and commitments. In HLA, sustainability issues are accounted as part of strategy formulation by the Board of Directors. Together with the Sustainability Committee, the Board oversees sustainability efforts across HLA, which are managed and implemented by the Sustainability Committee and Sustainability Working Group (Figure 5).

Figure 5: HLA's Sustainability Governance Structure

Board of Directors

	Roles	Members
Audit Committee ("AC")	Assist the Board in considering sustainability issues as part of strategic formulation	Existing AC members
Sustainability Committee ("SC")	Responsible for identifying, evaluating, monitoring and managing Environmental, Social and Governance ("ESG") risks and opportunities	CEO as Chairman, Sustainability Manager, Management Representatives from Corporate Office, Consumer Products Unit ("Xinfei"), Diesel Engines Unit ("CYI"), and Building Materials Unit ("BMU")
Sustainability Working Group ("SWG")	Responsible for assisting the SC in executing and implementing necessary activities, action plans	Led by Sustainability Manager; Representatives from Corporate Office, Xinfei, CYI, and BMU

Ethical Business Conduct

We uphold the trust of our shareholders to maintain the integrity of our financial performance. On that principle, we have zero tolerance for unethical business conduct and non-compliance with governing laws. Our commitment is reiterated through our "I – ACE – IT" corporate values and Code of Business Conduct (COBC). To ensure that the same commitment is consistently applied across HLA, all employees are required to sign a declaration of compliance with the COBC annually. In addition, key personnel are required to disclose information on potential conflict of interests on a quarterly basis. For more information on our "I – ACE – IT" corporate values, please refer to the cover page of the Annual Report.

Integral to our ethical business conduct is our stringent approach towards anti-corruption. This is communicated through various channels, including the employee induction programme, annual training, awareness sessions, sharing sessions with the trade union and information display on notice boards within our premises. In addition, we enforce a strict policy where all donations and sponsorships are subject to authorised limits and Standard Operating Procedures.

There have been no cases of corruption or legal actions for non-competitive behaviour, anti-trust and monopoly practices in 2016 involving the Group. In the following year, we hope to maintain this record, as well as review the adequacy of our COBC and continually share it with our employees and significant business partners.

Regulatory and Environmental Compliance

While we did not incur any significant fines during the year, the Group received two stop-work orders to make improvements to a batching plant in Malaysia and a factory in China. The issues have been addressed and there were no significant impacts to the operations. We have since implemented measures to avoid them from happening again. In 2017, we strive to achieve full compliance with all rules and regulations.

Understanding Our Customers' Needs

Product and Service Quality

Responsible Procurement Practices

Producing the highest quality products for our customers requires stringent quality control beginning from the sourcing of raw materials. We have established a pre-qualification process for significant tenders, where our suppliers are necessarily required by us to be in compliance with local laws and preference is given to those who are ISO 9001 certified. We plan to incorporate other criteria for our pre-qualified suppliers, such as evaluating their labour practices in future. To date, we have engaged over 4,000 suppliers mainly across China, Malaysia and Singapore. Annual evaluation is conducted for selected significant suppliers. In addition, CYI has been filing conflict minerals reports to the Securities Exchange Commission (SEC), in line with the United States Dodd-Frank Act, Section 1502. Beyond meeting regulatory requirements, conflict minerals reporting has helped us to trace our chain of custody to ensure that our supplies are ethically sourced.

Delivering Highest Quality Products

Each of our business units has their own set of quality benchmarks and controls depending on the nature of the product, regulatory and industrial requirements, as well as satisfying customer specifications. We hope not only to continue meeting our customers' expectations but also to achieve the stricter standards which we demand on ourselves. For instance, our diesel engines have met China's regulatory requirements of National V emissions standards, but we are currently undertaking research and development efforts to manufacture diesel engines which will meet stricter National VI emissions standards, ahead of its regulatory implementation date.

Innovation lies at the heart of our business and is a key driver for our continued success. We constantly assess our customers' needs and offer innovative solutions in response, as outlined in Figure 6 below.

Figure 6: HLA's Approach towards Understanding Customers' Needs

Market and Product Design Research	• Market and product design research is conducted at least once a year to identify emerging customer preferences in our consumer product segment
Regular Dialogues and Site Visits to our Plants	• We regularly engage our customers through discussions and invite them for site visits to our building materials' production facilities. In addition, we explain the specifications of our diesel engines to our customers, enabling them to make an informed purchase decision and meet their requirements.
Production Trials	• Production trials are conducted before delivery of goods for the building materials segment to ensure that the end products meet the customers' specifications
Research and Development (R&D)	• We undertake R&D activities to create innovative products in response to emerging trends, such as the development of green cement, anti-bacterial refrigerators and lower emission diesel engines
Visits to Customers' Operational Sites	• For our diesel engine and building materials units, we conduct visits to our customers' sites to take note of their latest developments so that we are able to manufacture products to meet their requirements

As a testament to our commitment towards highest product quality, we have won various awards and attained certifications for our products and processes in 2016 (Figure 7).

Figure 7: HLA's Awards for Product Quality

ISO 9001 Quality Management System (BMU, CYI, Xinfei)	ISO 14000 Certification (CYI, Xinfei)	Singapore Green Labelling Scheme by Singapore Environment Council (BMU)	Precaster Accreditation Scheme (BMU - Singapore)	MS ISO/IEC 17025 Laboratory Accreditation Scheme of Malaysia (TCB)
3C Certification (Xinfei)	Bacteria Removal Certification (Xinfei)	Henan Industrial Design Competition (Gold) (Xinfei)	China Quality Award (CYI)	China Patent Excellence Award (Xinfei)

Customer Distribution Management

Our sales and distribution strategy forms an integral part of delivering high quality products to meet our customers' increasingly stringent needs. Especially for our consumer product segment, we have invested heavily in training programmes for both our front line sales personnel and distributors. The training programmes are designed to equip them with knowledge on Xinfei's latest developments, as well as new products' differentiating features and selling points. Conducted by trainers and market analysts, our line sales personnel and distributors attended more than 950 training programmes organised by Xinfei in 2016. We also update our distributors with insights during product launch meetings regularly.

Customer Satisfaction

Our customers' interest lies at the core of everything we plan, operate and deliver at HLA. We strive to deliver our promises and enhance our customers' satisfaction at all times. Due to the diversity of our business offerings, in relation to customer satisfaction, each business unit sets its own set of unique targets which are tailored to the nature of its business and customer profile instead of Group-wide targets.

We leverage on various avenues to assess the satisfaction level of our customers, including customer surveys, face-to-face dialogues, site visits, e-mails and phone calls. Every customer feedback is analysed before we devise action steps to enhance positive customer experience, as well as correct and prevent re-occurrences of negative customer experience. Upon evaluating the 2016 survey results for TCB's cement division, we noted that they did not meet its targeted customer satisfaction survey score, largely stemming from some occasions where we had insufficient supply to meet our customers' demands. To this end, we are optimising our cement plant's production and looking to upgrade our plant equipment and machinery to better satisfy our customers.

We endeavour to continue meeting our internal customer satisfaction benchmarks amidst tougher market conditions. Some of the common feedback we have received and the action steps we have taken in response are shown in Figure 8.

Figure 8: Common Feedback Received from Customers and Action Steps Taken

High quality products which meet customers' specifications	• Continue to design and deliver products according to customers' needs and specifications • Continue to engage customers in regular dialogues • Establishment of cross-functional teams to enhance product quality
Ability to provide timely solutions for customers' issues	• Continue to enhance employees' problem-solving skills through training programmes which feature cases of product defects, including the possible causes, rectification process and preventive measures
Unsatisfactory repair service for consumer products	• Conduct trainings for service staff • Regular monitoring of daily, weekly and monthly follow-up reports

Customer Health and Safety

A key component of our product responsibility is to factor in customer health and safety as our top criterion.

Figure 9: Customer Health & Safety

Building materials unit	Diesel engines unit	Consumer products unit
Our cement plant and precast concrete facilities have obtained the OHSAS 18000 certification[1]. In addition, customers who visit our cement and concrete production facilities are equipped with personal protective equipment at all times.	On top of embarking on R&D to continually improve the safety design of our diesel engines, we provide detailed user manual and after-sales service to guide our customers in safe usage. Furthermore, we conduct maintenance trainings for Original Equipment Manufacturers and large customers, so that they can prevent machine failure and other safety incidents.	We have obtained various certifications for the refrigerators that we manufacture to ensure the highest level of safety for our customers, as well as the OHSAS 18000 certification[1] for our plant sites.

There have been no cases of non-compliance with regulations or voluntary codes concerning the health and safety impacts of our products and services in 2016. In 2017, we aim to implement awareness briefings to all customers and external visitors at our various business units' visitors' centres before they can enter our plants' operational boundaries.

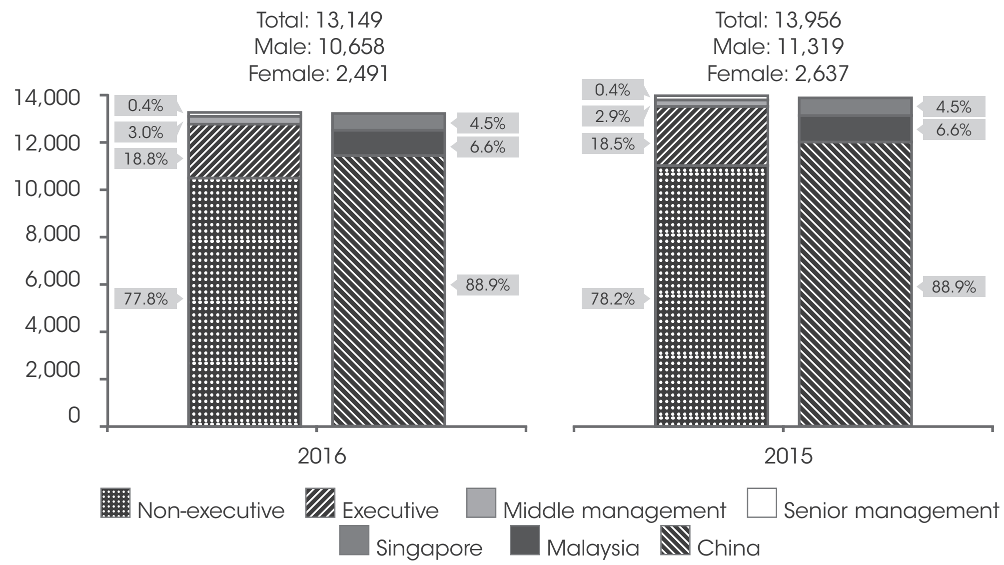
1 OHSAS 18000 is the international occupational health and safety management system which covers any person on the site, including visitors

Looking After Our People

Profile of Our Workforce

Our employees are the most valuable assets of our organisation. In 2016, our workforce was made up of 13,149 full-time employees (Figure 10). Females made up approximately 19.0% of our workforce over the past two years as some of our business units are in traditionally male-dominated sectors. Approximately 88.9% of our employees were situated in China where the bulk of our operations are located and about 91.2% of all our employees were covered by collective bargaining agreements which we have agreed as part of the remuneration packages.

Figure 10: Employee Demographics by Employment Category, Gender and Region



In 2016, the Group hired a total of 289 new employees (Figure 11) while our turnover rate stood at 5.2% in 2016 (Figure 12).

Figure 11: Employee Hires by Age Group, Gender and Region

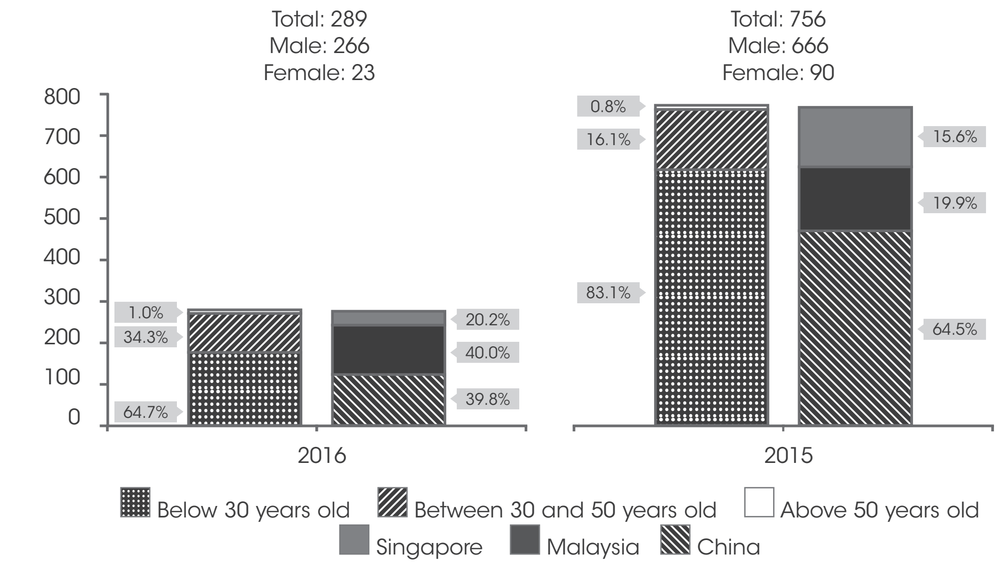
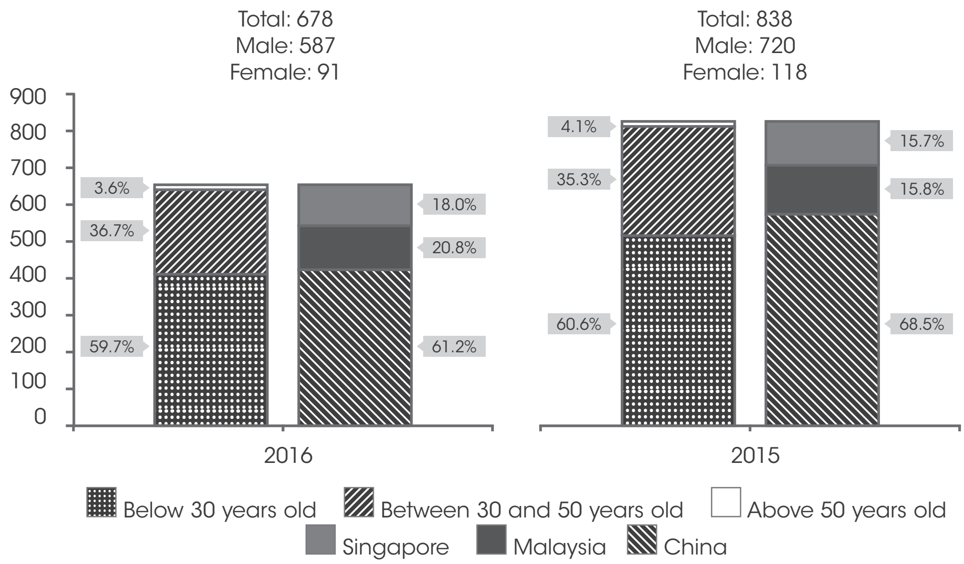


Figure 12: Employee Turnover by Age Group, Gender and Region



Employment Practices

We are committed to providing fair and equitable treatment to all our employees and in line with local employment laws across the different jurisdictions we operate in. At the same time, we continuously review our Human Resources (HR) policies and practices to stay abreast of latest industry developments and labour laws.

Due to the labour-intensive nature of our business, we engage many foreign workers and contractors in our operations. In 2016, our business was supported by more than 400 employees of our contractors. We ensure that all our foreign workers are legally sourced and employed by checking their immigration documents before enlisting their service and periodically to ensure their validity. Any illegal employment cases will be reported to the relevant authority immediately. Likewise, we have put in place a system to potentially terminate business contracts with contractors who are found to violate applicable rules and regulations.

At HLA, we encourage and provide an open environment for all employees to communicate their grievances to their superiors. Any unresolved grievances may be escalated to the HR manager or their supervisors within their chain of reporting. We had resolved all six grievance cases in 2016 internally. Also, in 2017, we seek to engage our employees and remind them of our feedback channels as well as review other platforms for employees to provide the Group with feedback.

Employee Well-Being and Engagement

Human capital is invaluable to the sustainability of HLA's business. To that end, we place great emphasis on employee well-being and engagement, both of which are necessary to develop a productive workforce with high employee morale.

We have established a dedicated wellness team within each business unit, comprising employees from various departments. The wellness team implements and manages activities which foster employee well-being and engagement at each business unit. These activities are our gesture of appreciation to our employees, as well as serve as a platform for our employees to interact with each other outside their course of work. These activities include annual dinner, employee appreciation night, health talks, and sports competitions, among others.

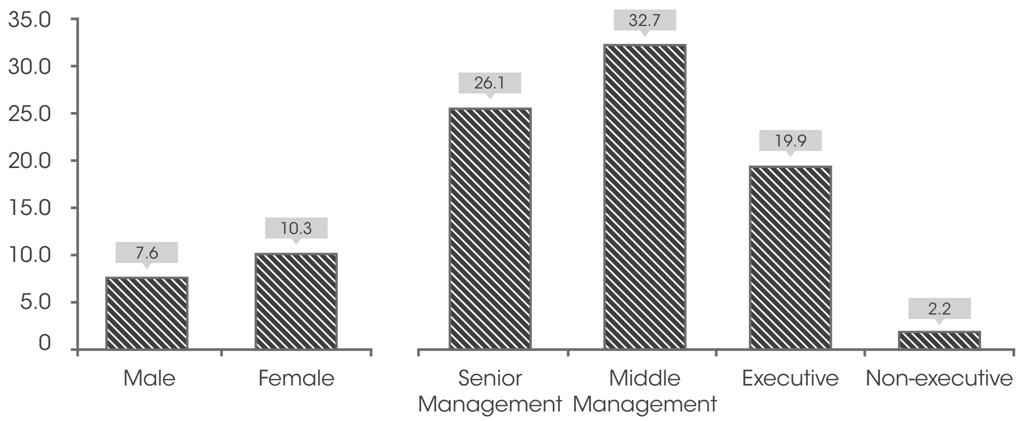
Besides these activities, we hold monthly management meetings in which our employees' concerns will be raised and communicated directly with the management. We will be reviewing our current activities throughout 2017 and engage our employees in this due process.

Career Advancement and Succession Planning

We are committed to develop our people, build on their competency, improve work productivity and cultivate innovation. This is achieved through mandatory trainings covering various topics on health, safety and product quality, as well as on-the-job trainings (OJT). Although OJT is often the most critical and useful training, it is difficult to track on an ad hoc basis and hence only official trainings are reported.

The average training hours (ATH) of our BMU employees in 2016 by gender and by employment category are shown in Figure 13. The reason for the higher ATH for females is that due to the nature of the manufacturing industry, majority of our BMU female employees are in middle management and executive levels with higher ATH as compared to almost 80% of our BMU male workforce who are in the non-executive level. The official training hours for non-executive level may seem low, however, OJT, which is not tracked, is the most important as experience and knowledge are shared on-the-go in the building materials industry. We are working towards tracking official training hours for CYI and Xinfei from 2017 onwards.

Figure 13: Average Training Hours by Gender and Employee Category for BMU



To ensure HLA's leadership sustainability, we have in place various programmes to ensure key personnel continuity within the organisation. These programmes are designed to identify and groom high potential employees to key positions in the future. Figure 14 are examples of succession programmes within the Group.

Figure 14: Showcase of HLA's Programmes for Succession Planning

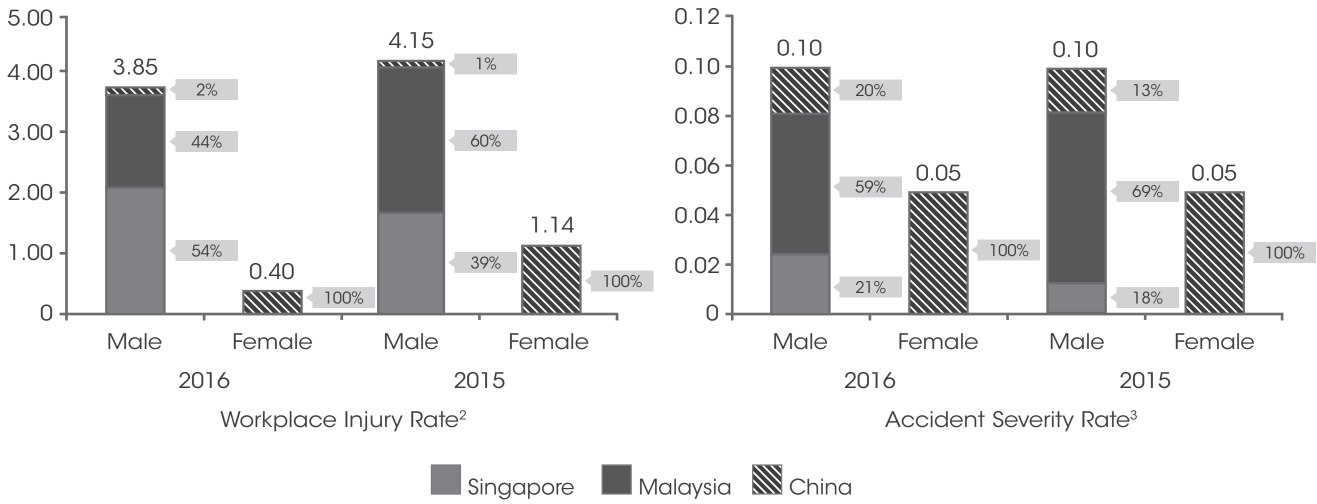
Accelerated Training Programme (TCB)	**Industrial Trainee Programme (TCB)**	**Sales Management Department Talent Pool Training (Xinfei)**
• A six-month programme for fresh graduates and engineers with less than one year of working experience. • This programme provides a comprehensive overview of TCB's operations through general induction, department familiarization, classroom training and on-the-job training.	• This apprenticeship programme is open to polytechnics and university students, exposing them to concrete technology and plant management.	• This leadership training is extended to high potential employees at branches.

Employee Health and Safety

Our business operations are highly labour-intensive, which involves working with fairly complicated machinery and working at heights. This naturally poses a higher safety risk to our operations and we take added precautionary measures to safeguard our employees' occupational health and safety. For instance, at CYI, we have adopted China's GB/T28001-2001, a standard equivalent to the internationally recognised Occupational Health and Safety Management System (OHSAS) 18001:1999. In addition, we have invested in the latest technology to enhance our safety protection in fire protection system, equipment and facilities, industrial gas cylinders and road transport facilities.

Owing to our effective workplace safety management, there was an overall improvement in our workplace injury rate[2] while our accident severity rate[3] maintained at the same level as in 2015 (Figure 15). Our business units also took action to mitigate causes of occupational disease and the occupational disease rate[4] decreased from 0.36 in 2015 to 0 in 2016. We hope to better our safety rates going forward by conducting more specific safety trainings in areas where our workers are prone to injure themselves.

Figure 15: HLA Health & Safety Statistics by Year, Gender and Region



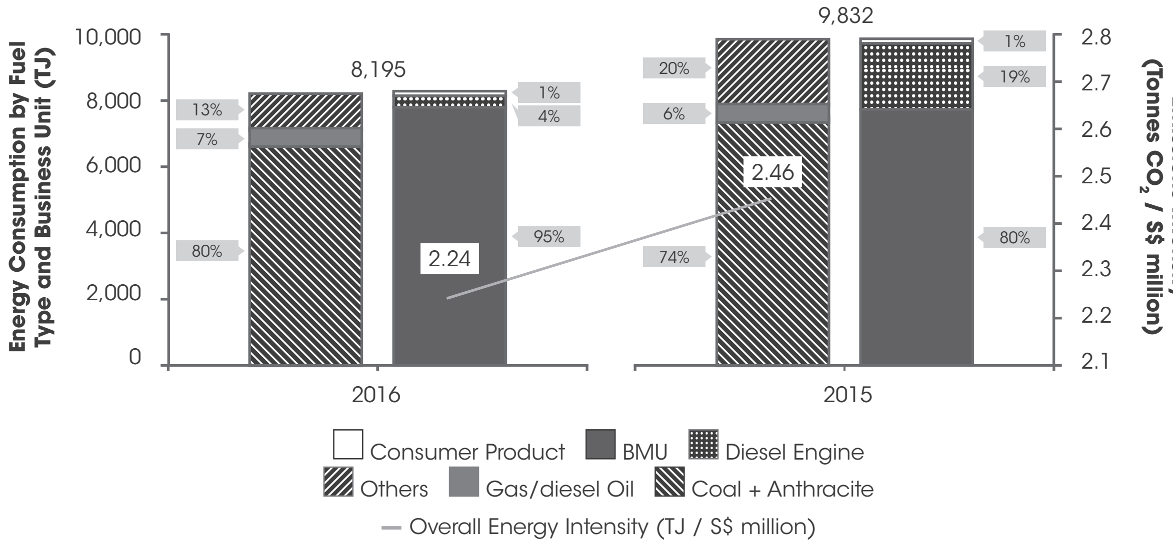
2 Workplace injury rate is defined as no. of fatal and non-fatal workplace injuries / no. of employed persons x 1,000
3 Accident severity rate is defined as no. of man days lost to workplace accidents / no. of man-hours worked x 1,000
4 Occupational disease rate is defined as no. of occupational disease cases / no. of employed persons x 1,000

Caring for the Physical Environment

Energy and Carbon Footprint[5,6,7]

Being in the manufacturing industry, we have an obligation to monitor our energy and carbon footprint closely as our business operations demand a high level of energy to operate and result in a proportional level of carbon emissions. Due to production and operations of the BMU segment, coal remains the main source of energy for the Group (Figure 16). However, in order to reduce our carbon footprint, in 2014, our Consumer Products segment converted its main fuel source from coal to natural gas, and the Group is exploring other alternative fuel sources for our other segments.

Figure 16: Direct Energy Consumption from Fuels by Fuel Types and Segment



There was an overall decrease of approximately 20% in energy consumption from fuels in 2016 as compared to 2015, along with a decrease in direct energy intensity, mostly attributed to the decrease in production volume across our segments (Figure 16). Electricity consumption and electrical energy intensity as a Group increased mainly due to increased consumption from our diesel engine segment as construction for a new foundry and 2 spray-paint lines were completed and started operations in 2016 which is powered by electricity (Figure 17). There were corresponding trends in our greenhouse gas emissions for Scope 1 and Scope 2 emissions respectively (Figure 18).

5 The default net calorific values for fuels used were referenced from 2006 IPCC Guidelines for National Greenhouse Gas Inventories
6 Scope 1 emissions factors were referenced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative database
7 Scope 2 emissions factors were referenced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Singapore Energy Statistics, and International Energy Agency's CO_2 Emissions from Fuel Combustion Highlights

Figure 17: Electricity Consumption by Segment and Overall Energy Intensity

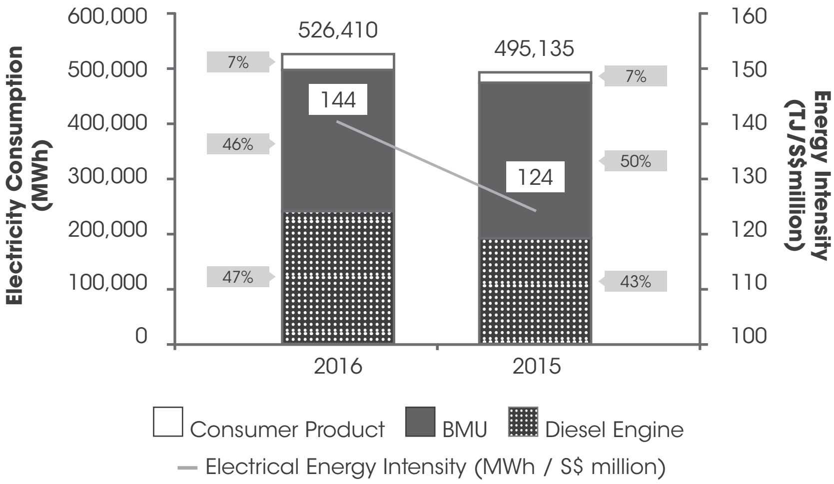
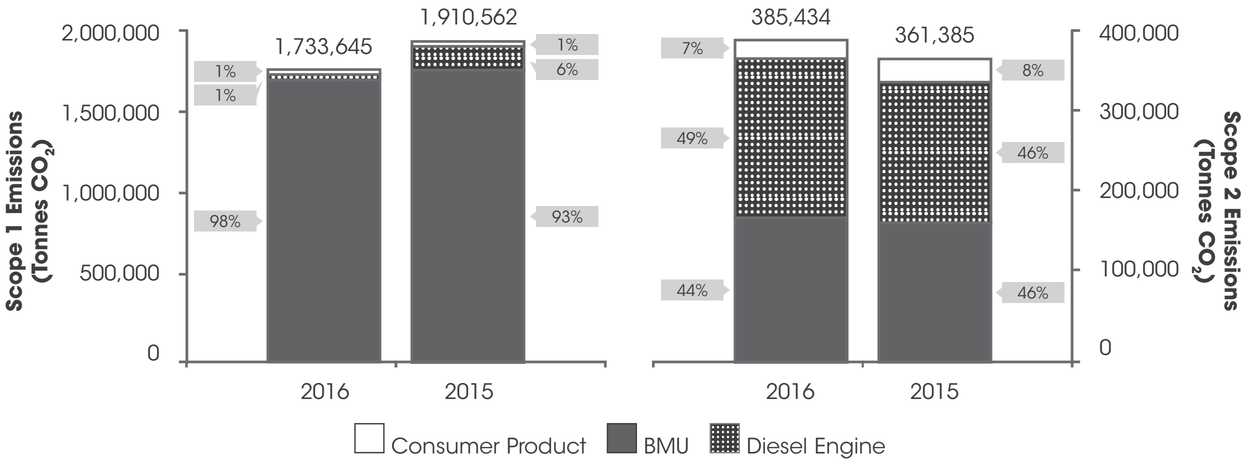


Figure 18: HLA's Greenhouse Gas Emissions by Segment



Dust Emissions

With TCB as a major cement manufacturing business unit within our Group, dust emissions is a significant concern for the Department of Environment as well as the neighbouring communities. Beyond meeting regulatory requirements, reducing dust emissions is crucial to ensure a safe and healthy environment for our employees and the surrounding communities. In 2016, our dust emissions level stood at a range of 41 to 60 mg/m^3, which is below the 100 mg/m^3 emissions limits stipulated by Malaysia's Clean Air Regulations (CAR). By June 2019, the revised CAR requires dust emissions to be below 50 mg/m^3. While we manage to operate below this benchmark most of the time, from 2017 onwards, we will be upgrading our existing electrostatic precipitator (ESP) to baghouse in stages for our main cement kiln stacks. Through this investment, TCB aims to be well below the national requirements before 2019.

Sustainable Use of Materials and Waste Management

As part of our commitment towards responsible supply chain, we have made it a preference to source for raw materials with recycled content, low-carbon sources or certified by recognised environmental organisations. We have established the Alternative Raw Materials and Fuels department in our BMU to facilitate this process, as well as to increase the use of renewable materials and fuels within our manufacturing process, so as to better optimise the resources at hand.

To reduce our environmental impact, we strive to engage in the 3Rs – Reduce, Reuse and Recycle, throughout our operations. We periodically evaluate the effectiveness of our waste management through monitoring and benchmarking against our peers. We strive to use our raw materials in the most effective way by reusing, recycling and recovering them, where permissible.

Out of approximately 14.6 million tonnes of raw materials[8] used in 2016, an estimated 6.6% were recycled input materials. In 2016, a total of approximately 460.8 kilotonnes of waste[8] was produced and over 67.9% of it was reused, recycled or recovered by our waste contractors. All hazardous waste are collected and labelled clearly on our site, then removed by licensed-waste disposers.

We have put in considerable efforts toward promoting a circular economy by remanufacturing damaged or scrapped parts into new diesel engines through performance failure analysis, life-cycle assessment and design re-engineering. Our diesel engine segment has estimated that remanufacturing process has the potential to achieve 80% reduction in air pollution, 70% reduction of raw materials usage, 60% reduction in energy consumption and 50% reduction in cost savings as compared to manufacturing new products.

Water Management

Being one of the most water-stressed countries in the world, water is a very precious resource for Singapore. It is treated with utmost respect and all parties have a role to ensure that water is being consumed efficiently and effectively. At BMU – Singapore, we mirror Singapore's approach to optimise water usage and to conserve where possible. In 2016, the water consumption at BMU – Singapore was 604,534 m^3, approximately 11.2% lower as compared to the water consumption level in 2015 mainly due to the decrease in production volume. We will continue to monitor our water consumption closely and mitigate any significant increase in water consumption intensity.

Moving Forward

At HLA, we recognise that our sustainability journey is an on-going one, and will continually seek to improve ourselves through feedback received from internal and external parties. Targets have been set for our material items and we look forward to reporting on them in the following year.

All sustainability related queries and feedback can be sent to: sustainability@hla-grp.com.

8 Only the most significant raw materials and waste for each segment in the sustainability reporting scope have been included.

GRI Content Index for 'In Accordance' – Core

General standard disclosures		
Profile Disclosure	**Description**	**Page**
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	43
Organizational profile		
G4-3	Name of the organization.	Cover page
G4-4	Primary brands, products, and services.	11-13
G4-5	Location of organization's headquarters.	Back page
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	2, 44
G4-7	Nature of ownership and legal form.	Cover page
G4-8	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	2
G4-9	Scale of the organisation	3, 53-54
G4-10	Total workforce by employment type, gender, employment contract and region	53-54
G4-11	Percentage of total employees covered by collective bargaining agreements.	53-54
G4-12	Describe the organization's supply chain.	50
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Not applicable
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	45-48, 57-59
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.	NIL
G4-16	Memberships in associations (such as industry associations)	The Cement & Concrete Association of Malaysia
Identified material aspects and boundaries		
G4-17	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (List all entities in the consolidated financial statements)	128-145
G4-18	Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented	45-48
G4-19	List all the material Aspects identified	45-48
G4-20	The Aspect Boundary within the organization: Whether the Aspect is material within the organization; The list of entities included in G4-17 for which the Aspect is or is not material; Specific limitation regarding the Aspect Boundary within the organization	45-48
G4-21	The Aspect Boundary outside the organization: Whether the Aspect is material outside the organization; The list of entities for which the Aspect is material, relate to geographical location; Specific limitation regarding the Aspect Boundary outside the organization	45-48
G4-22	Explanation of the effect of any restatements	Not applicable, as this is our inaugural sustainability report
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Not applicable, as this is our inaugural sustainability report
Stakeholder engagement		
G4-24	List of stakeholder groups engaged by the organization.	44
G4-25	Basis for identification and selection of stakeholders with whom to engage.	44
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	44
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting; Report the stakeholder groups that raised each of the key topics and concerns	44

Report profile		
G4-28	Reporting period	44
G4-29	Date of most recent previous report	Not applicable, as this is our inaugural sustainability report
G4-30	Reporting cycle	44
G4-31	Contact point for questions regarding the report or its contents.	59
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option	44
G4-33	Policy and current practice with regard to seeking external assurance for the report	We have not sought external assurance for our inaugural sustainability report
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	49
Ethics and integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	49

Specific Standard Disclosures		
Profile Disclosure	**Description**	**Page**
Business operations		
EC1	Direct economic value generated and distributed	45, 82
Environmental		
EN1	Materials used by weight or volume	59
EN2	Percentage of materials used that are recycled input materials	59
EN3	Energy consumption within the organization	57-58
EN5	Energy intensity	57-58
EN8	Total water withdrawal by source	59
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	57-58
EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	57-58
EN18	Greenhouse Gas (GHG) emissions intensity	57-58
EN23	Total weight of waste by type and disposal method	59
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	49
Social		
Sub-category: Labour practices and decent work		
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FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members of Hong Leong Asia Ltd. (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

In our opinion:

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 80 to 200 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Directors' interests

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

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

Directors' interests (cont'd)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year or date of appointment	At end of the year
The Company		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,913,300	1,913,300
Ting Sii Tien @ Yao Sik Tien, Philip	280,000	280,000
Ernest Colin Lee	40,000	40,000
Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000		
Kwek Leng Peck	470,000	470,000
Ting Sii Tien @ Yao Sik Tien, Philip	500,000	500,000
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. **Ordinary Shares**		
Kwek Leng Beng	2,320	2,320
Kwek Leng Peck	10,921	10,921
Subsidiary		
Tasek Corporation Berhad **Ordinary Shares of RM1 each**		
Ting Sii Tien @ Yao Sik Tien, Philip	51,200	51,200
Related Corporations		
Hong Leong Finance Limited **Ordinary Shares**		
Kwek Leng Beng	5,603,567	5,603,567
Kwek Leng Peck	517,359	517,359
Options to subscribe for ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	2,920,000	2,740,000

Directors' interests (cont'd)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year or date of appointment	At end of the year
Related Corporations (cont'd)		
Hong Leong Holdings Limited		
Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Peck	381,428	381,428
Hong Realty (Private) Limited		
Ordinary Shares		
Kwek Leng Beng	1,110	1,110
Kwek Leng Peck	150	150
City Developments Limited		
Ordinary Shares		
Kwek Leng Beng	397,226	397,226
Kwek Leng Peck	43,758	43,758
Preference Shares		
Kwek Leng Beng	144,445	144,445
Millennium & Copthorne Hotels New Zealand Limited		
Ordinary Shares		
Kwek Leng Beng	906,000	906,000
Redeemable non-voting Preference Shares		
Kwek Leng Beng	453,000	453,000
Sun Yuan Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	15,000,000	15,000,000

Directors' interests (cont'd)

	Other holdings in which the director is deemed to have an interest	
	At beginning of the year or date of appointment	At end of the year
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	40,744	40,744

The directors' interests in the Company as at 31 December 2016 disclosed above remained unchanged as at 21 January 2017.

Except as disclosed under the section on "Share options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

By the Company

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

The HLA Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 30 December 2000 for an initial duration of 10 years (from 30 December 2000 to 29 December 2010). At the annual general meeting ("AGM") of the Company held on 29 April 2010, the shareholders approved the extension of the duration of the HLA Share Option Scheme for a further period of 10 years from 30 December 2010 to 29 December 2020. Other than the extension of the duration of the HLA Share Option Scheme, all other rules of the HLA Share Option Scheme remain unchanged.

The HLA Share Option Scheme is administered by a committee comprising the following members:

Ernest Colin Lee – Chairman
Kwek Leng Peck
Goh Kian Hwee
Kwong Ka Lo @ Caroline Kwong

The HLA Share Option Scheme provides the Company with the flexibility of granting options to participants at Market Price (as defined in the HLA Share Option Scheme) and/or with a discount (either up-front or on a deferred basis) to the Market Price. All options granted to date are Market Price Options and Incentive Price Options which are at Market Price under the HLA Share Option Scheme.

Share options (cont'd)

By the Company (cont'd)

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

Under the HLA Share Option Scheme,

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

(i) Group Employees and Parent Group Employees (both as defined in the HLA Share Option Scheme) may be exercised one year after the date of the grant and will have a term of ten years from the date of the grant; and

(ii) Group Non-Executive Directors, Parent Group Non-Executive Directors and Associated Company Employees (all three as defined in the HLA Share Option Scheme) may be exercised one year after the date of the grant and will have a term of five years from the date of the grant.

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

(i) Group Employees and Parent Group Employees may be exercised two years after the date of the grant and will have a term of ten years from the date of the grant; and

(ii) Group Non-Executive Directors, Parent Group Non-Executive Directors and Associated Company Employees may be exercised two years after the date of the grant and will have a term of five years from the date of the grant.

The aggregate number of ordinary shares in the capital of the Company ("Shares") over which options may be granted under the HLA Share Option Scheme on any date, when added to the number of Shares issued and issuable in respect of all options granted under the HLA Share Option Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares, if any, on the day preceding the relevant date of grant. The aggregate number of Shares which may be offered by way of grant of options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the HLA Share Option Scheme shall not exceed 20% of the total number of Shares available under the HLA Share Option Scheme.

Share options (cont'd)

By the Company (cont'd)

(b) Options granted under the HLA Share Option Scheme

(i) No options were granted under the HLA Share Option Scheme during the financial year under review.

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

Name of director	Aggregate Shares under option granted since commencement of the HLA Share Option Scheme to end of financial year	Aggregate Shares under option exercised since commencement of the HLA Share Option Scheme to end of financial year	Aggregate Shares under option outstanding as at end of financial year
Kwek Leng Beng	660,000	660,000	–
Kwek Leng Peck	2,150,000	1,680,000	470,000
Ting Sii Tien @ Yao Sik Tien, Philip	960,000	460,000	500,000
Ernest Colin Lee	150,000	150,000	–

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

(iii) None of the participants were regarded by the directors as controlling shareholders of the Company.

(iv) None of the participants were granted options representing 5% or more of the total number of Shares under option available under the HLA Share Option Scheme.

(v) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the HLA Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 1,080,000 Shares under option were granted to Parent Group Employees since the commencement of the HLA Share Option Scheme to the end of the financial year under review.

(vi) Except for options granted to persons in their capacity as Group Employees or Group Non-Executive Directors or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the HLA Share Option Scheme.

Share options (cont'd)

By the Company (cont'd)

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

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

Market Price Options:

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

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

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

Incentive Price Options:

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

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

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

(viii) The persons to whom these options have been granted do not have the right to participate by virtue of the options in any share issue of any other company.

Share options (cont'd)

By the Company (cont'd)

(c) Unissued Shares under option

There were a total of 1,340,000 unissued Shares under option granted pursuant to the HLA Share Option Scheme at the end of the financial year. Details of the options to subscribe for Shares including those granted to the directors of the Company are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2016	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 December 2016	Number of option holders at 31 December 2016	Exercise period
15/5/2008	$2.36	470,000*	–	–	–	470,000*	2	15/5/2009 to 14/5/2018
5/1/2011	$3.17	380,000	–	–	–	380,000	3	5/1/2012 to 4/1/2021
28/1/2014	$1.31	540,000	–	–	(50,000)	490,000	7	28/1/2015 to 27/1/2024
3/2/2015	$1.45	200,000	–	–	(200,000)	–	–	3/2/2017 to 2/2/2025
Total		1,590,000	–	–	(250,000)	1,340,000		

* Includes 300,000 options granted to a Group Non-Executive Director who became an Executive Director of the Company in year 2013. The said Executive Director was granted an extension of time up till 14 May 2018 to exercise his outstanding 300,000 options, which would have lapsed on 14 May 2013.

Share options (cont'd)

By Subsidiary

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

The CYI Equity Plan was approved by the shareholders at the annual general meeting of CYI held on 4 July 2014. It is administered by CYI's Compensation Committee comprising the following members:

Kwek Leng Peck – Chairman
Neo Poh Kiat
Raymond Ho Chi-Keung

The CYI Equity Plan contains the following key terms:

(i) only awards of share options, restricted stock and stock payments (the "Awards") may be granted to employees of CYI or a subsidiary of CYI ("CYI Group Employees");

(ii) the maximum aggregate number of shares that may be issued under the CYI Equity Plan shall not exceed 1,800,000 ordinary shares of US$0.10 each ("Ordinary Shares") subject to adjustment under the CYI Equity Plan;

(iii) the maximum aggregate number of Ordinary Shares with respect to one or more Awards that may be granted to any one eligible person during any calendar year is 300,000;

(iv) CYI's Compensation Committee shall administer the CYI Equity Plan and it has full power and authority to (a) select grantees from eligible individuals to receive the Awards and determine the time when Awards will be granted; (b) determine the number of Awards and the number of Ordinary Shares covered by each Award; (c) determine the terms and conditions of each Award; (d) approve the forms of agreement for use under the CYI Equity Plan; (e) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the CYI Equity Plan; and (f) take any and all other action as it deems necessary or advisable for the operation or administration of the CYI Equity Plan and the Awards;

(v) the price per Ordinary Share at which a holder may subscribe for the Ordinary Shares issuable upon the exercise of the option granted pursuant to the CYI Equity Plan shall be determined by CYI's Compensation Committee and shall not be less than:

- the Fair Market Value of the Ordinary Shares on the date the option is granted; and

- the par value of the Ordinary Shares;

(vi) Options granted under the CYI Equity Plan shall become exercisable ("vest") in the manner and subject to such conditions provided by CYI's Compensation Committee and set forth in the written Award agreement with respect to such options; and

(vii) the CYI Equity Plan shall terminate automatically ten years after its effective date unless terminated earlier. Awards outstanding at the time of the CYI Equity Plan's termination may continue to be exercised in accordance with their terms and shall continue to be governed by and interpreted consistent with the terms of the CYI Equity Plan.

Share options (cont'd)

By Subsidiary (cont'd)

(b) Options granted under the CYI Equity Plan

No option was granted under the CYI Equity Plan during the financial year under review. As at the end of the year, there were a total of 530,000 unissued Ordinary Shares under option granted pursuant to the CYI Equity Plan. Details of the options to subscribe for Ordinary Shares in CYI are as follows:

Date of grant	Exercise price per Ordinary Share	Balance At 1 January 2016	Options granted	Options exercised	Options cancelled/ lapsed	Balance At 31 December 2016	Exercise Period
29/7/2014	US$21.11	570,000	–	–	(40,000)	530,000	29/7/2015 to 28/7/2024

The above options are subject to a vesting period of three years from the date of grant with one-third of the options vesting on each 12-month anniversary of the date of grant.

The persons to whom these options have been granted have not been granted any right to participate by virtue of the options, in any share issue of any other company.

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

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

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

Audit committee

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

Tan Huay Lim – Chairman
Ernest Colin Lee
Goh Kian Hwee
Kwong Ka Lo @ Caroline Kwong

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

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

The AC also reviewed the following:

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

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

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

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

Auditor

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

On behalf of the Board of Directors

Kwek Leng Peck
Director

Ting Sii Tien @ Yao Sik Tien, Philip
Director

21 March 2017

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Hong Leong Asia Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

Impairment of property, plant and equipment and intangible assets

As at 31 December 2016, the carrying amount of property, plant and equipment and intangible assets are $1,111.3 million and $68.2 million respectively. The performance of the Group is dependent in large part on the performance of the Chinese economy. The slowdown in the Chinese economy had affected the financial performance of its consumer products segment and air-conditioning systems segment, and resulted in delays in the development of new engine technology development in its diesel engines segment. Accordingly, the management identified impairment indicators in the following:

- Consumer products segment – property, plant and equipment, trademarks
- Air-conditioning systems segment – property, plant and equipment, trademarks
- Diesel engines segment – certain development expenditure

Management used external specialists to support the recoverable amounts of its property, plant and equipment and trademarks based on fair value less cost to sell, and internal specialists to support the recoverable amount of its development expenditure based on value-in-use computation.

We carried out procedures to understand management's process for identifying impairment triggers, and considered management's assessment of impairment in the above mentioned areas. Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the valuation methods used.

For impairment assessment relating to property, plant and equipment and trademarks using the fair value less cost to sell model, we evaluated the objectivity, competence and capabilities of the external specialists engaged and reviewed their valuation reports, including the reasonableness of the key assumptions used in determining the fair value of the property, plant and equipment and trademarks. The key assumptions used by management in the fair value computation include economic conditions, projections of sales growth rates and discount rates. We also involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology and the reasonableness of certain key assumptions used in the valuation.

For impairment assessment relating to the property, plant and equipment under the air-conditioning systems segment and development expenditure using the value-in-use computation, we evaluated the key assumptions used by management such as timing of the expected commercialisation of the new diesel engine, forecast sales, sales growth rates, sustainability of the working capital improvement in coming years, expected profit margins of the launched products and the discount rate. We involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate.

We further assessed the adequacy of the disclosures on the key assumptions and their sensitivity analysis in Note 6 to the financial statements.

Impairment assessment of interest in joint venture and assets held for sale

As at 31 December 2016, the value of interest in joint venture, Y&C Engine Co., Ltd ("Y&C") and Copthorne Hotel Qingdao Co., Ltd ("CHQ") (currently classified as assets held for sale) is carried at $36.6 million and $18.4 million respectively. A slowdown in the diesel engines business has affected the commercialisation of new diesel engines for Y&C and the history of recent losses in CHQ indicates a risk of impairment for these investments.

We carried out procedures to understand management's process for identifying impairment triggers, and considered management's assessment of impairment in the above mentioned areas. Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the valuation methods used.

Key Audit Matters (cont'd)

Impairment assessment of interest in joint venture and assets held for sale (cont'd)

For impairment assessment relating to the interest in Y&C, we evaluated the reasonableness of the key assumptions used by management in determining the value-in-use computation such as projections of sales volume and selling prices, gross margin and discount rates. We involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate used in the computation.

In determining the recoverable value of CHQ, management took into consideration the planned disposal of CHQ, as disclosed under Note 18, and valuation of the underlying hotel building in CHQ. The valuation of the hotel building was determined by an external real estate valuer and involved estimates of future market and economic conditions that might have an impact on the valuation. Our audit procedures included, amongst others, discussing with management on the status of the memorandum of understanding relating to the planned disposal of CHQ (the "MOU") and understand its terms and conditions, enquiring with management the progress in meeting those terms and conditions, and checking that the purchaser is not a related party. We evaluated the competence, capabilities and objectivity of the external real estate valuer engaged by management in determining the valuation, tested the reasonableness of the key assumptions used in the valuation such as room occupancy rates, room rates, discount rates, terminal rate and gross margins of operating hotel by comparing to available trade published data and benchmark market data. Our internal valuation specialist also assisted us in evaluating the reasonableness of the key assumptions used in the valuation.

We further assessed the adequacy of the Group's disclosures concerning this in Note 9 to the financial statements.

Allowance for inventory obsolescence

As at 31 December 2016, the carrying amount of inventories amounted to $465.0 million, after considering allowance for inventory obsolescence of $37.1 million.

The assessment process in determining allowance for inventory obsolescence was complex and involved significant estimates of expected future market and economic conditions that might have an impact on the sales projections. These estimates include estimated selling prices of the products, estimated costs to sell based on the costs and effectiveness of the sales promotion and marketing programs when applicable. Accordingly, we have identified this as a key audit matter.

We observed the inventory count performed by management and assessed the physical condition of the finished goods inventories at balance sheet date. We also assessed reasonableness of the allowance policy based on historical sales performance of the products in their life cycle, the outlook of the industries and the costs incurred historically and anticipated to sell aged inventories. We further tested the ageing of the inventories and the computation of the obsolescence level.

We also assessed the adequacy of the Group's disclosures concerning this in Note 39 on significant accounting estimates and judgements and Note 14 Inventories to the financial statements.

Key Audit Matters (cont'd)

Impairment of receivables from subsidiary companies

As at 31 December 2016, the carrying amount of receivables due from subsidiary companies amounted to $396.8 million. This amount represents 64.4% of the total assets of the Company. Management has considered that the continued losses suffered by the subsidiaries, in particular those in the consumer products and air-conditioning systems segments, provide indication that the loans extended to such subsidiaries may not be recoverable. Management has undertaken an impairment assessment and estimated the recoverable amount of the loans using the value-in-use method based on cash flow forecast. The impairment assessment is complex and involved the use of significant management's estimates and assumptions that are dependent on projections of sales volume, selling prices and sales growth rates, economic conditions and discount rates. Management's assessment had resulted in the recognition of an impairment charge of $56.0 million in the Company's income statement during the year.

Our audit procedures included, amongst others, assessing the valuation method used and evaluating the key assumptions used by management such as revenue growth rate, gross margins and the discount rates. The key assumptions were evaluated by assessing the reasonableness of management's forecasts and comparing them against external data such as the economy's growth forecast. We have also reviewed other financial information such as operating expenses and tax that were used in the forecast.

Further, we considered the adequacy of the disclosures in respect of impairment assessment of receivables due from subsidiary companies in Note 12 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Swee Ho.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

21 March 2017

BALANCE SHEETS

As at 31 December 2016

		Group			Company	
	Note	2016	2015	2014	2016	2015
		$'000	$'000	$'000	$'000	$'000
			(Restated)	(Restated)		
Non-current assets						
Property, plant and equipment	3	1,111,296	1,219,741	1,276,373	126	325
Land use rights	4	133,640	141,129	146,699	–	–
Intangible assets	5	68,177	84,789	99,543	152	192
Investment in subsidiaries	7	–	–	–	202,955	204,455
Interests in associates	8	48,339	53,210	62,055	13,726	13,726
Interests in joint ventures	9	36,646	57,282	57,692	–	–
Investment property	10	1,516	1,602	–	–	–
Other investments	11	1,434	1,425	1,766	–	–
Non-current receivables	12	6,645	10,205	7,741	171,118	103,184
Deferred tax assets	13	62,363	75,987	101,683	–	15
Long-term deposits	17	–	12,924	–	–	–
		1,470,056	1,658,294	1,753,552	388,077	321,897
Current assets						
Inventories	14	464,979	524,799	583,908	–	–
Development properties	15	4,858	4,870	7,108	–	–
Other investments	11	2,543	2,592	4,878	–	–
Trade and other receivables	16	1,780,587	1,919,677	2,115,359	225,841	226,153
Cash and short-term deposits	17	1,033,698	1,013,189	796,775	2,482	11,199
Derivatives		–	3,340	12	–	–
Assets of disposal group classified as held for sale	18	18,397	–	–	–	–
		3,305,062	3,468,467	3,508,040	228,323	237,352
Total assets		4,775,118	5,126,761	5,261,592	616,400	559,249

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016	Group 2015	Group 2014	Company 2016	Company 2015
		$'000	$'000 (Restated)	$'000 (Restated)	$'000	$'000
Current liabilities						
Trade and other payables	22	1,736,182	1,681,031	1,741,378	5,201	5,562
Provisions	23	69,659	70,063	80,102	–	–
Loans and borrowings	21	533,434	921,533	577,998	182,142	202,006
Current tax payable		10,817	13,554	17,599	8	40
Derivatives		29	–	1,426	–	–
		2,350,121	2,686,181	2,418,503	187,351	207,608
Net current assets		954,941	782,286	1,089,537	40,972	29,744
Non-current liabilities						
Loans and borrowings	21	167,010	62,373	371,709	140,000	–
Deferred tax liabilities	13	43,369	54,136	56,563	2,037	1,937
Deferred grants		68,585	75,153	69,675	–	–
Other non-current payables	22	28,420	24,844	28,042	–	–
Retirement benefit obligations		259	256	283	–	–
		307,643	216,762	526,272	142,037	1,937
Total liabilities		2,657,764	2,902,943	2,944,775	329,388	209,545
Net assets		2,117,354	2,223,818	2,316,817	287,012	349,704
Equity attributable to owners of the Company						
Share capital	19	266,830	266,830	266,830	266,830	266,830
Reserves	20	426,921	508,068	592,081	20,182	82,874
Reserve of disposal group classified as held for sale	18	4,685	–	–	–	–
		698,436	774,898	858,911	287,012	349,704
Non-controlling interests		1,418,918	1,448,920	1,457,906	–	–
Total equity		2,117,354	2,223,818	2,316,817	287,012	349,704
Total equity and liabilities		4,775,118	5,126,761	5,261,592	616,400	559,249

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000 (Restated)
Revenue	24	3,724,759	4,082,728
Cost of sales		(2,959,812)	(3,229,428)
Gross profit		764,947	853,300
Other item of income			
Other income		32,955	36,293
Other items of expense			
Selling and distribution expenses		(360,165)	(423,200)
Research and development expenses		(132,894)	(123,108)
General and administrative expenses		(193,250)	(201,992)
Finance costs	26	(34,740)	(43,387)
Other expenses		(17,409)	(18,338)
Share of profit of associates and joint ventures, net of income tax		1,907	1,673
Profit before income tax	25	61,351	81,241
Income tax expense	28	(38,522)	(72,191)
Profit for the year		22,829	9,050
Attributable to:			
Owners of the Company		(71,246)	(60,731)
Non-controlling interests		94,075	69,781
		22,829	9,050
Loss per share (cents per share)			
- Basic	29	(19.05)	(16.24)
- Diluted	29	(19.05)	(16.24)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Group	
	2016	**2015**
	$'000	$'000
		(Restated)
Profit for the year	22,829	9,050
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Realisation of translation reserves upon liquidation of a foreign operation	–	(64)
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	(70,481)	1,918
Net fair value changes of available-for-sale financial assets	16	(349)
Exchange differences on monetary items forming part of net investment in foreign entities	(4,416)	–
Other comprehensive income for the year, net of income tax	(74,881)	1,505
Total comprehensive income for the year	(52,052)	10,555
Attributable to:		
Owners of the Company	(97,694)	(72,469)
Non-controlling interests	45,642	83,024
Total comprehensive income for the year	(52,052)	10,555

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Note	Share capital	Capital reserve	Statutory reserve	Fair value reserve	Share option reserve
		$'000	$'000	$'000	$'000	$'000
Closing balance as at 31 December 2015 (as previously stated)		266,830	4,442	33,178	45,230	3,788
Adjustment arising from change of accounting policy		–	–	–	–	–
At 1 January 2016 (restated)		266,830	4,442	33,178	45,230	3,788
(Loss)/profit for the year		–	–	–	–	–
Other comprehensive income						
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–	–
Net fair value changes of available-for-sale financial assets		–	–	–	16	–
Exchange differences on monetary items forming part of net investment in foreign entities		–	–	–	–	–
Other comprehensive income for the year, net of tax		–	–	–	16	–
Total comprehensive income for the year		–	–	–	16	–
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	27	–	–	–	–	443
Shares issued to non-controlling interests of subsidiaries		–	–	–	–	–
Dividends paid to shareholders	30	–	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries		–	–	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–
Others						
Transfer to statutory reserve		–	–	191	–	–
Reserve attributable to disposal group classified as held for sale		–	–	–	–	–
At 31 December 2016		266,830	4,442	33,369	45,246	4,231

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

Translation reserve $'000	Discount/ (premium) on acquisition of non-controlling interests $'000	Reserve of disposal group classified as held for sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
(20,592)	10,247	–	439,617	782,740	1,449,791	2,232,531
–	–	–	(7,842)	(7,842)	(871)	(8,713)
(20,592)	10,247	–	431,775	774,898	1,448,920	2,223,818
–	–	–	(71,246)	(71,246)	94,075	22,829
(22,048)	–	–	–	(22,048)	(48,433)	(70,481)
–	–	–	–	16	–	16
(4,416)	–	–	–	(4,416)	–	(4,416)
(26,464)	–	–	–	(26,448)	(48,433)	(74,881)
(26,464)	–	–	(71,246)	(97,694)	45,642	(52,052)
–	–	–	–	443	664	1,107
–	24,164	–	–	24,164	(20,479)	3,685
–	–	–	(3,739)	(3,739)	–	(3,739)
–	–	–	–	–	(54,028)	(54,028)
–	–	–	–	–	449	449
–	364	–	–	364	(2,250)	(1,886)
–	–	–	(191)	–	–	–
(4,685)	–	4,685	–	–	–	–
(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share option reserve $'000
Closing balance as at 31 December 2014 (as previously stated)		266,830	293	35,321	45,579	2,872
Adjustment arising from change of accounting policy		–	–	–	–	–
At 1 January 2015 (restated)		266,830	293	35,321	45,579	2,872
(Loss)/profit for the year		–	–	–	–	–
Other comprehensive income						
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–	–
Net fair value changes of available-for-sale financial assets		–	–	–	(349)	–
Realisation of foreign currency translation reserve upon liquidation of a foreign operation		–	–	–	–	–
Realisation of statutory reserve upon disposal of a foreign operation		–	–	(1,287)	–	–
Other comprehensive income for the year, net of tax		–	–	(1,287)	(349)	–
Total comprehensive income for the year		–	–	(1,287)	(349)	–
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments	27	–	–	–	–	916
Shares issued to non-controlling interests of subsidiaries		–	–	–	–	–
Dividends paid to shareholders	30	–	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests		–	4,149	(1,147)	–	–
Others						
Transfer to statutory reserve		–	–	291	–	–
At 31 December 2015		266,830	4,442	33,178	45,230	3,788

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

Translation reserve $'000	Discount/ (premium) on acquisition of non-controlling interests $'000	Reserve of disposal group classified as held for sale $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
(11,915)	17,204	–	511,191	867,375	1,458,846	2,326,221
–	–	–	(8,464)	(8,464)	(940)	(9,404)
(11,915)	17,204	–	502,727	858,911	1,457,906	2,316,817
–	–	–	(60,731)	(60,731)	69,781	9,050
(11,357)	–	–	–	(11,357)	13,275	1,918
–	–	–	–	(349)	–	(349)
(32)	–	–	–	(32)	(32)	(64)
–	–	–	1,287	–	–	–
(11,389)	–	–	1,287	(11,738)	13,243	1,505
(11,389)	–	–	(59,444)	(72,469)	83,024	10,555
–	–	–	–	916	1,428	2,344
–	(2,933)	–	–	(2,933)	7,055	4,122
–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	(74,747)	(74,747)
2,712	(4,024)	–	–	1,690	(25,746)	(24,056)
–	–	–	(291)	–	–	–
(20,592)	10,247	–	431,775	774,898	1,448,920	2,223,818

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Company	Note	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Accumulated profits $'000	Total equity $'000
At 1 January 2016		266,830	9,199	2,453	71,222	349,704
Total comprehensive income for the year		–	–	–	(58,967)	(58,967)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments		–	–	14	–	14
Dividends paid to shareholders	30	–	–	–	(3,739)	(3,739)
At 31 December 2016		266,830	9,199	2,467	8,516	287,012
At 1 January 2015		266,830	9,199	2,397	48,058	326,484
Total comprehensive income for the year		–	–	–	34,381	34,381
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Cost of share-based payments		–	–	56	–	56
Dividends paid to shareholders	30	–	–	–	(11,217)	(11,217)
At 31 December 2015		266,830	9,199	2,453	71,222	349,704

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Operating activities			
Profit before income tax		61,351	81,241
Adjustments for:			
Share of profit of associates and joint ventures, net of income tax		(1,907)	(1,673)
Cost of share-based payments	27	1,107	2,344
Depreciation and amortisation	25	136,373	144,690
Allowance recognised for inventory obsolescence, net	25	390	12,557
Impairment losses recognised for trade and other receivables	25	842	10,626
Impairment losses on property, plant and equipment and intangible assets	25	17,758	16,201
Write-back of allowance for anticipated losses on development properties	25	–	(650)
Property, plant and equipment written off	25	339	1,245
Finance costs	26	34,740	43,387
Dividend income from other investments	25	(240)	(44)
Interest income	25	(16,071)	(14,069)
Loss/(gain) on disposal of:			
- subsidiaries	25	–	2,981
- joint venture	25	–	(76)
- property, plant and equipment	25	3,292	3,190
- land use rights	25	–	(548)
Fair value loss on investments	25	51	2,375
Fair value loss/(gain) on derivatives	25	95	(3,689)
Goodwill arising from acquisition of subsidiaries, written off	7	234	–
Provisions for warranties and other costs, net	25	86,954	84,652
Operating cash flows before changes in working capital		325,308	384,740
Changes in working capital:			
Inventories		41,842	45,588
Trade and other receivables		73,134	181,352
Trade and other payables		139,518	(73,743)
Provisions utilised	23	(85,257)	(95,770)
Cash flows from operations		494,545	442,167
Income taxes paid		(40,419)	(45,091)
Net cash flows generated from operating activities		454,126	397,076

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Investing activities			
Acquisition of non-controlling interests in subsidiaries (including share swap transaction)		(1,886)	(24,056)
Investment in associates and joint ventures		(260)	(566)
Dividends received from:			
- associates and joint ventures		7,141	6,290
- other investments	25	240	44
Interest received		17,656	17,814
Net placement of deposits with banks		(3,749)	(30,924)
Purchase of:			
- property, plant and equipment	3	(88,431)	(131,687)
- intangible assets	5	(257)	(1,285)
Proceeds from disposal of:			
- subsidiaries, net of cash disposed	7(g)	–	37,286
- joint ventures		–	385
- property, plant and equipment		558	17,212
- land use rights		–	983
- other investments		–	1
Net cash flows used in investing activities		(68,988)	(108,503)
Financing activities			
Dividends paid to:			
- non-controlling interests of subsidiaries		(54,028)	(74,747)
- shareholders of the Company	30	(3,739)	(11,217)
Interest paid		(41,435)	(43,242)
Proceeds from borrowings		545,639	810,131
Proceeds from issuance of bonds		–	87,106
Capital contribution by non-controlling interests of subsidiaries		3,685	4,122
Grant received from government		2,812	10,902
Repayments of borrowings		(799,619)	(860,440)
Repayment of obligation under finance leases		(2,002)	(1,770)
Net cash flows used in financing activities		(348,687)	(79,155)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Net increase in cash and cash equivalents		36,451	209,418
Cash and cash equivalents at the beginning of the financial year	17	938,620	740,542
Effect of exchange rate changes on balances held in foreign currencies		(29,900)	(11,340)
Cash and cash equivalents at the end of the financial year	17	945,171	938,620

Note:

Cash and cash equivalents totalling $780,801,000 (2015: $784,694,000) are held in countries which have foreign exchange controls.

The value of assets and liabilities of a joint venture liquidated in 2015, and the cash flow effect of the liquidation was:

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

The cash flow effect of acquisitions and disposals of subsidiaries in 2016 and 2015 are shown in Note 7.

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

1. Corporate information

Hong Leong Asia Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on Singapore Exchange Securities Trading Limited (SGX-ST). The registered office of the Company is located at 16 Raffles Quay, #26-00 Hong Leong Building, Singapore 048581.

The principal activities of the Company have been those relating to investment holding.

The principal activities of the subsidiaries are those relating to the manufacturing and distribution of consumer products, air-conditioning systems, diesel engines and related products, industrial packaging products, building materials, and of investment holding and dealing.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interests in associates and joint venture entities.

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

Related corporations relate to companies within the Hong Leong Investment Holdings Pte. Ltd. group.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016, and changed its accounting policy relating to *Determination of expected manner of recovery of indefinite life intangible assets when measuring deferred tax*. Other than the effect of the change in accounting policy as described in the next page, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

Determination of expected manner of recovery of indefinite life intangible assets when measuring deferred tax

The Group previously recognised deferred tax on indefinite life intangible assets on the presumption that the carrying amount of the indefinite life intangible assets are recovered through sale as the indefinite life intangible assets are not amortised.

In 2016, the IFRS Interpretations Committee (IFRIC) issued an agenda decision which observe that the reason for not amortising an indefinite life intangible asset is not because there is no consumption of the future economic benefits embodied in the asset. Therefore, the determination of tax consequences of an indefinite life intangible assets shall reflect the expected manner of recovery of the carrying amount of the assets either through use or through sale.

Based on the IFRIC agenda decision, the Group has reassessed and determined that the carrying amount of the indefinite life intangible assets are to be recovered through use. As a result, the Group recomputed the effect on the corresponding deferred tax liabilities accordingly. The change in accounting policy has been applied retrospectively. The effects of the change are as follows:

		Group	
	As at 31 December 2016	**As at 31 December 2015**	**As at 1 January 2015**
		(Restated)	(Restated)
Increase/(decrease) in:	$'000	$'000	$'000
Consolidated balance sheet			
Deferred tax liabilities	6,982	8,713	9,404
Non-controlling interests	(698)	(871)	(940)
Reserves	(6,284)	(7,842)	(8,464)

	FY2015	**Restatement**	**FY2015**
	(As previously stated)		(Restated)
	$'000	$'000	$'000
Consolidated income statement			
Profit before income tax	81,241	–	81,241
Income tax expense	(72,882)	691	(72,191)
Profit for the year	8,359	691	9,050
Attributable to:			
Owners of the Company	(61,353)	622	(60,731)
Non-controlling interests	69,712	69	69,781
	8,359	691	9,050
Comprehensive income			
Owners of the Company	(73,091)	622	(72,469)
Non-controlling interests	82,955	69	83,024
Total comprehensive income for the year	9,864	691	10,555

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 112: *Disclosure of Interests in Other Entities*	1 January 2017
(b) Amendments to FRS 28: *Investments in Associates and Joint Ventures*	1 January 2018
(c) Amendments to FRS 101: *First-time Adoption of Financial Reporting Standards*	1 January 2018
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

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

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in the business of manufacturing and distribution of consumer products, air-conditioning systems, diesel engines and related products, industrial packaging products and building materials.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers* (cont'd)

The Group expects the following impact upon adoption of FRS 115:

(a) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current FRS.

(b) Right of return

Under FRS 115, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Group expects to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under FRS 115.

(c) Warranty obligations

The Group provides warranties for both general repairs and extended warranties or maintenance services in its contracts with customers. For general repairs, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current practice. For extended warranties or maintenance services, the Group expects that such warranties will be service-type warranties. FRS 115 requires the Group to defer an allocated amount, based on a relative stand-alone selling price allocation, which, in most cases, will increase judgement and complexity. The Group continues to assess individual warranty contracts to determine the allocated amount to be deferred.

(d) Presentation and disclosure requirements

FRS 115 provides presentation and disclosure requirements, which are more detailed than under current FRS. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in the Group's financial statements.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers* (cont'd)

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

  o identifying the satisfied and unsatisfied performance obligations;

  o determining the transaction price; and

  o allocating the transaction price to the satisfied and unsatisfied performance obligations.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

During 2016, the Group performed a preliminary assessment of FRS 109 which is subject to changes arising from a more detailed ongoing analysis.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 109 *Financial Instruments* (cont'd)

The Group's initial assessment of the elements of FRS 109 is as described below.

(a) Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. The expected classification and measurement of these financial assets under FRS 109 is summarised below:

- A significant portion of the available-for-sale equity securities are held as long-term investments. The Group expects to elect to measure these available-for-sale equity securities at fair value through other comprehensive income.

- The remaining portion of the available-for-sale equity securities may be sold from time to time. The Group expects to elect to measure these available-for-sale equity securities at fair value through profit or loss.

- Equity securities that are currently classified as held for trading will continue to be measured at fair value through profit or loss.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects an increase in the impairment loss allowance due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 116 *Leases* (cont'd)

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

(b) Business combinations

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contract by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.13(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

The Group has not entered into any joint operation arrangement.

2.8 Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

2. Summary of significant accounting policies (cont'd)

2.8 Associates and joint ventures (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss. The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.9 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 Foreign currency (cont'd)

(b) Consolidated financial statements (cont'd)

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly-controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.26. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Buildings and leasehold land	:	Over the period of the lease ranging from 3 to a maximum of 70 years
Leasehold improvements	:	3 to 50 years
Plant and machinery	:	3 to 30 years
Office furniture, fittings and equipment	:	3 to 20 years
Motor and transport vehicles	:	3.5 to 15 years

Construction-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2. Summary of significant accounting policies (cont'd)

2.11 Investment property

Investment property is a property owned by the Group that is held to lease to third parties and earn rentals rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

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

Investment property is de-recognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

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

2.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Deferred grants

Grants received for investment in machinery and equipment used for the development of diesel engines are recorded as deferred income and taken to income over the same period over which the machinery and equipment are being depreciated.

2.13 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.13 Intangible assets (cont'd)

(a) Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.9.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2. Summary of significant accounting policies (cont'd)

2.13 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(i) Trademarks

Trademarks acquired are assessed as either finite or indefinite. Trademark with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that trademark may be impaired. The amortisation expense is recognised in profit or loss in the expenses category consistent with the function of the trademarks.

Trademarks with indefinite useful lives are tested for impairment annually, if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

(ii) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of the intangible asset begins when development is complete and the asset is available for use. It is amortised over the estimated useful lives of 1 to 10 years or the period of expected pattern of future economic benefits embodied in the development. Amortisation is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

(iii) Club membership

Club membership was acquired separately and is amortised on a straight-line basis over its finite useful life of 10 years.

(iv) Computer softwares

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

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments to hedge its foreign currency risks. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. Summary of significant accounting policies (cont'd)

2.15 Share capital and share issuance expenses

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

2.16 Financial guarantee

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

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

2.17 Inventories

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

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Development properties

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

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.19 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.19 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.20 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2. Summary of significant accounting policies (cont'd)

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.21 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore and Malaysia companies in the Group make contributions to the Central Provident Fund scheme in Singapore and the Employee Provident Fund in Malaysia respectively, a defined contribution pension scheme. The companies in the People's Republic of China ("PRC") participate in and make contributions to the national pension schemes at a fixed proportion of the basic salary of the employee. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Employment benefits are classified as short term or non-current based on expected timing of settlement.

(c) Share-based payments

The share option programme allows Group employees to acquire shares of the Group companies. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense with a corresponding adjustment to equity over the remaining vesting period.

2. Summary of significant accounting policies (cont'd)

2.22 Provisions

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

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

(a) Claims

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

(b) Warranties

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

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

(c) Onerous contracts

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

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and the possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

2. Summary of significant accounting policies (cont'd)

2.23 Revenue recognition (cont'd)

(b) Rendering of services

Revenue from rendering services relates to project management contracts, hotel room and restaurant operations.

Revenue is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(c) Development properties for sale

A development property is regarded as sold when the significant risks and rewards have been transferred to the buyer.

(d) Rental income

Rental income arising from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

(e) Dividend income

Dividend income from unquoted investments is recognised when the Group's right to receive payment is established.

Dividend income from quoted investments is recognised when dividends are received.

(f) Interest income

Interest income is recognised using the effective interest method.

2.24 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 to 50 years.

2.25 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

2. Summary of significant accounting policies (cont'd)

2.25 Leases (cont'd)

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.23 (d). Contingent rents are recognised as revenue in the period in which they are earned.

2.26 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.27 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.27 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (cont'd)

2.27 Taxes (cont'd)

(b) Deferred tax (cont'd)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.28 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2. Summary of significant accounting policies (cont'd)

2.31 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

2.32 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

 (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

 (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Property, plant and equipment

Group	Freehold land $'000	Buildings and leasehold land $'000
Cost		
At 1 January 2015	61,729	631,699
Translation differences	(2,770)	(1,035)
Additions	–	7,270
Transfers	–	50,693
Reclassification to land use rights (Note 4)	–	(1,379)
Transfer from development properties (Note 15)	–	54
Disposals	–	(3,490)
Disposal of subsidiaries (Note 7(g) and 7(h))	–	(26,248)
Write-off	–	(46)
At 31 December 2015 and 1 January 2016	58,959	657,518
Translation differences	(414)	(24,522)
Additions	–	5,184
Acquisition of a subsidiary (Note 7(e))	–	–
Transfers	–	8,884
Transfer to development properties (Note 15)	–	(79)
Disposals	–	(3,886)
Write-off	–	(25)
At 31 December 2016	58,545	643,074
Accumulated depreciation and impairment losses		
At 1 January 2015	1,569	179,738
Translation differences	(14)	(1,327)
Charge for the year	–	22,590
Impairment losses made	–	1,122
Reclassification to land use rights (Note 4)	–	(433)
Disposals	–	(1,035)
Disposal of subsidiaries (Note 7(g) and 7(h))	–	(7,716)
Write-off	–	(24)
At 31 December 2015 and 1 January 2016	1,555	192,915
Translation differences	(2)	(6,837)
Charge for the year	–	21,367
Impairment losses made	–	2,903
Transfer to development properties (Note 15)	–	(5)
Disposals	–	(2,274)
Write-off	–	(13)
At 31 December 2016	1,553	208,056
Net book value		
At 31 December 2015	57,404	464,603
At 31 December 2016	56,992	435,018

Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
7,279	1,045,753	64,552	50,040	134,107	1,995,159
129	(4,670)	(732)	(550)	1,568	(8,060)
142	10,429	4,616	2,893	106,337	131,687
–	101,423	575	54	(152,745)	–
–	–	–	–	–	(1,379)
–	–	–	–	–	54
–	(95,287)	(4,470)	(3,084)	–	(106,331)
–	(16,924)	(590)	(315)	(5)	(44,082)
–	(1,823)	(795)	–	(1,051)	(3,715)
7,550	1,038,901	63,156	49,038	88,211	1,963,333
(261)	(43,404)	(1,736)	(1,270)	(3,038)	(74,645)
136	4,992	4,752	2,953	56,923	74,940
–	–	6	–	–	6
–	53,465	247	152	(62,748)	–
–	–	–	–	–	(79)
–	(23,060)	(2,256)	(6,328)	(465)	(35,995)
(75)	(3,979)	(308)	–	–	(4,387)
7,350	1,026,915	63,861	44,545	78,883	1,923,173
1,163	457,813	42,603	35,845	55	718,786
12	(4,136)	(43)	(62)	–	(5,570)
719	103,113	7,703	4,660	–	138,785
–	534	–	–	–	1,656
–	–	–	–	–	(433)
–	(78,567)	(3,914)	(2,413)	–	(85,929)
–	(12,741)	(518)	(258)	–	(21,233)
–	(1,666)	(780)	–	–	(2,470)
1,894	464,350	45,051	37,772	55	743,592
(30)	(23,694)	(1,418)	(1,017)	–	(32,998)
405	99,470	6,873	3,927	–	132,042
–	1,489	–	–	–	4,392
–	–	–	–	–	(5)
–	(21,239)	(2,071)	(5,514)	–	(31,098)
(75)	(3,672)	(288)	–	–	(4,048)
2,194	516,704	48,147	35,168	55	811,877
5,656	574,551	18,105	11,266	88,156	1,219,741
5,156	510,211	15,714	9,377	78,828	1,111,296

3. Property, plant and equipment (cont'd)

Company	Leasehold improvements	Office furniture, fittings and equipment	Motor and transport vehicles	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2015	458	1,059	–	1,517
Additions	–	36	221	257
At 31 December 2015 and 1 January 2016	458	1,095	221	1,774
Additions	136	8	–	144
Disposals	–	–	(221)	(221)
At 31 December 2016	594	1,103	–	1,697
Accumulated depreciation				
At 1 January 2015	325	932	–	1,257
Charge for the year	108	51	33	192
At 31 December 2015 and 1 January 2016	433	983	33	1,449
Charge for the year	115	40	30	185
Disposals	–	–	(63)	(63)
At 31 December 2016	548	1,023	–	1,571
Net book value				
At 31 December 2015	25	112	188	325
At 31 December 2016	46	80	–	126

Assets held under finance lease

The carrying amount of plant and equipment held under finance leases at the end of the reporting period was $28,000 (2015: $35,000).

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

Assets pledged as security

The Group's assets with a carrying amount of $17,560,000 (2015: $19,431,000) are mortgaged to secure the Group's bank loans (Note 21).

4. Land use rights

	Group	
	2016	**2015**
	$'000	$'000
Cost		
At 1 January	176,341	179,758
Disposals	–	(1,164)
Disposal of subsidiaries (Note 7(g) and 7(h))	–	(5,633)
Reclassification from property, plant and equipment (Note 3)	–	1,379
Translation differences	(5,071)	2,001
At 31 December	171,270	176,341
Accumulated amortisation		
At 1 January	35,212	33,059
Amortisation for the year	3,538	3,833
Disposals	–	(729)
Disposal of subsidiaries (Note 7(g) and 7(h))	–	(1,738)
Reclassification from property, plant and equipment (Note 3)	–	433
Translation differences	(1,120)	354
At 31 December	37,630	35,212
Net carrying amount	133,640	141,129
Amount to be amortised:		
- Not later than one year	3,487	3,451
- Later than one year but not later than five years	14,083	13,746
- Later than five years	116,070	123,932
	133,640	141,129

The Group has land use rights over 52 (2015: 52) plots of land in the PRC, Singapore and Malaysia where the Group's manufacturing and storage facilities reside. The transferable land use rights have a remaining tenure of 24 to 48 years (2015: 25 to 49 years) and the non-transferable land use rights have a remaining tenure of 9 to 15 years (2015: 10 to 16 years).

Land use rights with carrying amount of $14,758,000 (2015: $16,020,000) are mortgaged to secure the Group's bank loans (Note 21).

5. Intangible assets

Group	Patents and development expenditure and computer software with finite useful lives	Trade-marks with indefinite useful lives	Trade-marks with finite useful lives	Club Membership	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2015	52,159	66,276	7,662	313	11,590	138,000
Additions	1,285	–	–	–	–	1,285
Disposal of subsidiary (Note 7(h))	(83)	–	–	–	–	(83)
Translation differences	(100)	256	93	–	(18)	231
At 31 December 2015 and 1 January 2016	53,261	66,532	7,755	313	11,572	139,433
Additions	257	–	–	–	–	257
Translation differences	(1,487)	(2,132)	(252)	–	(5)	(3,876)
At 31 December 2016	52,031	64,400	7,503	313	11,567	135,814
Accumulated amortisation and impairment losses						
At 1 January 2015	26,692	–	1,428	101	10,236	38,457
Amortisation charge for the year	1,619	–	423	30	–	2,072
Disposal of subsidiary (Note 7(h))	(58)	–	–	–	–	(58)
Impairment losses	5,832	5,893	2,820	–	–	14,545
Translation differences	(350)	–	(22)	–	–	(372)
At 31 December 2015 and 1 January 2016	33,735	5,893	4,649	131	10,236	54,644
Amortisation charge for the year	518	–	194	30	–	742
Impairment losses	–	13,092	274	–	–	13,366
Translation differences	(833)	(139)	(143)	–	–	(1,115)
At 31 December 2016	33,420	18,846	4,974	161	10,236	67,637
Net carrying amount						
At 31 December 2015	19,526	60,639	3,106	182	1,336	84,789
At 31 December 2016	18,611	45,554	2,529	152	1,331	68,177

5. Intangible assets (cont'd)

Patents and development expenditure

Patents and development expenditure relate to costs incurred for the following:

- exploration and evaluation expenditure of quarries.
- removal of waste to enable access to the mineral core.
- design, construction and testing of new diesel engines.

The patents and development expenditure have remaining amortisation periods ranging from 1 to 2 years (2015: 1 to 3 years). Development expenditure amounting to $17,003,000 (2015: $17,625,000) was not amortised as the development has not been completed and is not available for use.

Trademarks

Trademarks belonging to the Group's consumer product segment and lifestyle appliances unit are estimated to have an indefinite useful life because management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group. Trademarks acquired in respect of the Group's air-conditioning systems segment are estimated to have remaining useful life of 16 years (2015: 17 years).

Company	**Computer software and related costs**	**Club Membership**	**Total**
	$'000	$'000	$'000
Cost			
At 1 January 2015, 31 December 2015 and 31 December 2016	1,477	313	1,790
Accumulated amortisation and impairment losses			
At 1 January 2015	1,449	101	1,550
Amortisation charge for the year	18	30	48
At 31 December 2015 and 1 January 2016	1,467	131	1,598
Amortisation charge for the year	10	30	40
At 31 December 2016	1,477	161	1,638
Net carrying amount			
At 31 December 2015	10	182	192
At 31 December 2016	–	152	152

Amortisation expense

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

6. Impairment assessment of intangible assets and property, plant and equipment

Diesel engines segment

The Group has an intangible asset representing technology development costs held by Jining Yuchai Engine Company Limited ("Jining Yuchai") with carrying amount of $10,415,000 (net of accumulated impairment losses and exchange difference) as at 31 December 2016 (2015: $10,796,000).

The impairment test was triggered in 2015 and 2016 as the technology is still under development and modification has to be made to the existing technology that may delay the commercial deployment of this technology. Management performed the impairment assessment based on the updated business plan, which takes into consideration the slowdown in the PRC economy and the diesel engines industry performance.

The recoverable amount was determined based on their value in use using the discounted cashflow approach. Cash flows were projected based on historical growth and past experience, and did not exceed the estimated long-term average growth rate of the business in the PRC market.

In 2015, management performed the impairment assessment, and an impairment loss of $5,832,000 was charged to the income statement under the line item "General and administrative expenses" in respect of the development costs held by Jining Yuchai. The Group used a 15 year forecast, using pre-tax discount rate of 12.34% and revenue growth rate of 11.1% from 2021 to 2026, 6 years after the expected commercial deployment of the technology. Thereafter, management assumed no revenue growth from 2026 to 2030.

In 2016, management performed an impairment assessment based on the updated business plan, which takes into consideration the business outlook of diesel engines industry in the PRC. No further impairment was identified. The Group used a 15 year forecast, using pre-tax discount rate of 12.98%. The revised business plan projected for commercial deployment of the technology to be reached in 5 years, in 2021. The revenue growth rate is estimated at 6.7% in 2022, and thereafter, management assumed no revenue growth from 2023 to 2031.

If the pre-tax discount rate increases by 1% (2015: 1%) from management's estimate, the Group's impairment loss on intangible asset in Jining Yuchai will increase by $506,500 (2015: $4,029,000).

Separately, the Group recognised an impairment loss of $684,000 (2015: $628,000) in the income statement under the line item "Cost of sales" in respect of specific plant and equipment which are no longer in use.

Consumer products segment

Trademarks relate to the Group's consumer products segment which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $44,474,000 (net of impairment and exchange differences) (2015: $58,088,000) as at 31 December 2016.

The management updated its business plans and projections as a result of the slowdown in the PRC economy, overcapacity in the industry and competitors slashing selling prices, which affected the segment's performance. As a result, in 2016, the Group recognised an impairment loss of $11,541,000 (2015: $4,609,000) in the income statement under the line item "General and administrative expenses" in respect of the trademarks held. The recoverable amount of trademarks was determined based on their fair value less cost to sell using the relief-from-royalty method (income approach). Management used an external valuation specialist to support the determination of the recoverable amount of the trademarks based on fair value less cost to sell.

6. Impairment assessment of intangible assets and property, plant and equipment (cont'd)

Consumer products segment (cont'd)

The assumptions used in the assessment for the trademarks in 2016 are:

- Royalty rate of 2% (2015: 2%) based on assessment of royalty rates of similar trademarks.
- Discount rate of 18.0% (2015: 15.5%) which reflects the current market assessment of the risks specific to the CGU.
- Revenue growth rate of 3% (2015: 2%) per annum perpetually.

If the royalty rate decreases by 5% from management's estimate, the Group's impairment loss on trademarks will increase by $2,221,000 (2015: $3,213,000).

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on trademarks will increase by $1,008,000 (2015: $631,000).

In 2015, the Group recognised impairment loss of $1,122,000 in the income statement under the line item "Cost of sales" in respect of industrial buildings which are no longer in use.

Air-conditioning systems segment

Trademark relates to the Group's air-conditioning systems unit which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $2,529,000 (net of impairment, amortisation and exchange differences) (2015: $3,106,000) as at 31 December 2016. The impairment test was triggered during the year in view of losses incurred and slowdown in the Chinese economy.

The management updated its business plans and projections as a result of the economic slowdown in the PRC and Europe, coupled with competitors slashing selling prices, which affected the segment's performance. As a result, in 2016, the Group recognised an impairment loss of $274,000 (2015: $2,820,000) in the income statement under the line item "General and administrative expenses" in respect of the trademarks held. The recoverable amount of trademark was determined based on the fair value less cost to sell using the relief-from-royalty method (income approach). Management used an external valuation specialist to support the determination of the recoverable amount of the trademark based on fair value less costs to sell.

The assumptions used in the assessment for the trademark in 2016 are:

- Royalty rate of 2.5% (2015: 2.5%) based on assessment of royalty rates of similar trademarks.
- Discount rate of 18.5% (2015: 16.5%) which reflects the current market assessment of the risks specific to the CGU.
- Revenue growth rate of 3% (2015: 2%) per annum perpetually.

If the royalty rate decreases by 5% from management's estimate, the Group's impairment loss on trademarks will increase by $112,000 (2015: $158,000).

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on trademark will increase by $56,000 (2015: $33,000).

6. Impairment assessment of intangible assets and property, plant and equipment (cont'd)

Air-conditioning systems segment (cont'd)

During the year ended 31 December 2016, the Group carried out a review of the recoverable amount of its property, plant and equipment. An impairment loss of $3,654,000 was recognised in the income statement under the line item "General and administrative expenses", representing the write-down of these property, plant and equipment to the recoverable amount. The recoverable amount was based on its value-in-use using the discounted cashflow approach. The Group used a 12 year forecast, using discount rate of 17%. The revenue growth rate was estimated at between 20% to 60% per annum in the first 5 years, and thereafter, management assumed stable revenue growth of 3% per annum from 2022 to 2028.

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on property, plant and equipment will increase by $336,000.

Separately, the Group recognised impairment loss of $54,000 in the income statement under the line item "Cost of sales" in respect of plant and machineries, which are no longer in use.

Trademark relates to the Group's lifestyle appliances unit which has been identified as a separate cash-generating unit ("CGU") for impairment testing purposes. The attributable trademark to this CGU was $1,080,000 (net of impairment and exchange differences) (2015: $2,551,000) as at 31 December 2016.

The management updated its business plans and projections as a result of the economic slowdown in the markets. As a result, in 2016, the Group recognised an impairment loss of $1,551,000 (2015: $1,284,000) in the income statement under the line item "General and administrative expenses" in respect of the trademark held. The recoverable amount of the trademark was determined based on the value in use using the relief-from-royalty method. The Group used a revenue perpetual growth rate of 2% (2015: 2%) per annum from 2018 onwards. A royalty rate of 3% (2015: 3%) and a discount rate of 13% (2015: 13%) was used.

If the royalty rate decreases by 5% from management's estimate, the Group's impairment loss on trademarks will increase by $46,000 (2015: $128,000).

If the discount rate increases by 1% from management's estimate, the Group's impairment loss on trademark will increase by $11,000 (2015: $30,000).

7. Investment in subsidiaries

	Company	
	2016	**2015**
	$'000	$'000
Shares, at cost	232,387	232,387
Impairment losses	(29,432)	(27,932)
	202,955	204,455

7. Investment in subsidiaries (cont'd)

Impairment of investment in subsidiary

During the financial year ended 31 December 2016, management performed an impairment review of its investment in a subsidiary, which has been incurring operating losses. As a result of the review, the Company recognised an impairment loss of $1,500,000 in the income statement under the line item "General and administrative expenses" in respect of the investment held.

The Company assessed the recoverable amount of its investment in the subsidiary based on the amounts estimated to be recoverable from the assets and liabilities of the subsidiary.

With regard to the valuation of the recoverable amount of the investment in the subsidiary, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the investment to materially exceed its recoverable amount.

Transactions with non-controlling interests

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

		2016		**2015**	
	Note	**Discount on acquisition of NCI $'000**	**Increase/ (decrease) in total equity $'000**	**Discount/ (premium) on acquisition of NCI $'000**	**Decrease in total equity $'000**
Group					
YC Europe Co., Limited	7(e)	–	449	–	–
China Yuchai International Limited	7(f)	–	–	1,584	(2,663)
Shanghai Rex Packaging Co., Ltd and Tianjin Rex Packaging Co., Ltd (including effect of share swap)	7(h)	–	–	(6,101)	(16,719)
Airwell Air-conditioning (Asia) Company Limited	7(i)	–	–	(654)	–*
Others		364	(1,886)	1,147	(4,674)
		364	(1,437)	(4,024)	(24,056)

**Less than $1,000.*

7. Investment in subsidiaries (cont'd)

(a) Composition of the Group

The Group has the following significant investment in subsidiaries:

Names of subsidiaries	Country of incorporation	Effective equity interest 2016 %	2015 %
Held by the Company			
Fedders Hong Kong Company Limited (1)	Hong Kong	100	100
Fedders Investment Holdings Pte. Ltd.	Singapore	100	100
Hayford Holdings Sdn. Bhd.	Malaysia	100	100
HL Building Materials Pte. Ltd.	Singapore	100	100
HL-Manufacturing Industries Sdn. Bhd.	Malaysia	100	100
Hong Leong (China) Limited	Singapore	100	100
Hong Leong Asia Investments Pte. Ltd.	Singapore	100	100
Island Concrete (Private) Limited	Singapore	100	100
Held by the Group			
Airwell Air-conditioning (Asia) Company Limited (1) (7)	Hong Kong	100	100
Airwell Air-conditioning (Hong Kong) Company Limited (1)	Hong Kong	67	67
Airwell Air-conditioning Technology (China) Co., Ltd.	The People's Republic of China	67	67
China Yuchai International Limited ("CYI") (2)	Bermuda	40.19	38.65
Fedders International Pte. Ltd.	Singapore	100	100
Guangxi Yuchai Accessories Manufacturing Company Limited (3)	The People's Republic of China	30.71	29.53
Guangxi Yuchai Machinery Company Limited (3)	The People's Republic of China	30.71	29.53
Guangxi Yuchai Machinery Monopoly Development Co., Ltd (3)	The People's Republic of China	22.06	21.21
Guangxi Yulin Hotel Company Limited (3)	The People's Republic of China	30.71	29.53

7. Investment in subsidiaries (cont'd)

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

The Group has the following significant investment in subsidiaries (cont'd):

Names of subsidiaries	Country of incorporation	Effective equity interest 2016 %	2015 %
Held by the Group (cont'd)			
Guangxi Yulin Yuchai Accessories Manufacturing Company Limited [3]	The People's Republic of China	30.71	29.53
Henan Xinfei Electric Co., Ltd.	The People's Republic of China	90	90
Henan Xinfei Household Appliance Co., Ltd.	The People's Republic of China	90	90
Henan Xinfei Refrigeration Appliances Co., Ltd.	The People's Republic of China	90	90
HL Cement (Malaysia) Sdn. Bhd.	Malaysia	100	100
HL Global Enterprises Limited ("HLGE") [3] [4]	Singapore	20.16	19.39
Hong Leong Electric Pte Ltd	Singapore	100	100
HL Technology Systems Pte Ltd	Singapore	100	100
Jining Yuchai Engine Company Limited [3] [5]	The People's Republic of China	–	–
LKN Investment International Pte Ltd ("LKNII") [3] [8]	Singapore	20.16	19.39
Qian Hong Packaging Company Limited [1]	Hong Kong	100	100
Rex Holdings Pte Ltd	Singapore	100	100
Tasek Corporation Berhad [6]	Malaysia	74.28	74.28
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. [3]	The People's Republic of China	30.71	29.53

7. Investment in subsidiaries (cont'd)

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

Ernst & Young LLP, Singapore, is the auditor of all significant Singapore-incorporated subsidiaries while other member firms of Ernst & Young Global are auditors of significant foreign incorporated subsidiaries except for those companies marked with footnote (1).

(1) Audited by Mark K. Lam & Co.

(2) The directors consider CYI as a subsidiary of the Company as the Group owns 16,360,845 (2015: 15,189,528) or 40.19% (2015: 38.65%) of the ordinary shares and a special share of CYI that entitles the Group to elect a majority of directors in CYI. Accordingly, the Group is exposed to, and has rights, to variable returns from its involvement with CYI, and has the ability to affect those returns through its power over CYI.

(3) These companies are subsidiaries of CYI.

(4) The Group considers HLGE a subsidiary as it has the power to exercise effective control and direct the activities of HLGE that most significantly affect its economic performance and has the exposure or rights to receive benefits from HLGE from its involvement. CYI Group has effective equity interest in HLGE of 50.17% (2015: 50.17%), excluding the ordinary shares held by Amicorp Trustees (Singapore) Limited under the HL Global Enterprises Share Option Scheme 2006 Trust as of 31 December 2016.

(5) Jining Yuchai Engine Company Limited ("Jining Yuchai") was disposed on 28 September 2014. Guangxi Yuchai Machinery Company Limited ("GYMCL") through various contractual arrangements, has the power to exercise effective control and is able to direct the activities of Jining Yuchai that most significantly affect its economic performance and has the exposure or rights to receive benefits from Jining Yuchai from its involvement. Accordingly, GYMCL considers Jining Yuchai a subsidiary and consolidates its financial results. Please refer to Note 7(d) for details.

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

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

(8) LKNII is a wholly-owned subsidiary of HLGE.

7. Investment in subsidiaries (cont'd)

(b) Interest in subsidiaries with material non-controlling interests (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interests	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2016:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	69.29%	109,380	1,256,315	17,388
Tasek Corporation Berhad	Malaysia	25.72%	4,785	55,415	8,367
31 December 2015:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	70.47%	89,171	1,267,956	21,629
Tasek Corporation Berhad	Malaysia	25.72%	8,262	60,221	15,419

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of $679,544,000 (2015: $630,851,000) held in the PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

7. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad	
	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2015 $'000
Current				
Assets	2,584,123	2,693,999	140,676	148,121
Liabilities	(1,653,528)	(1,879,723)	(32,107)	(37,270)
Net current assets	930,595	814,276	108,569	110,851
Non-current				
Assets	1,064,078	1,171,464	113,003	131,182
Liabilities	(95,944)	(104,013)	(7,253)	(9,031)
Net non-current assets	968,134	1,067,451	105,750	122,151
Net assets	1,898,729	1,881,727	214,319	233,002

Summarised income statement and statement of comprehensive income

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue	2,819,986	2,986,401	218,830	247,307
Profit before income tax	187,154	161,864	24,347	42,176
Income tax expense	(29,296)	(35,327)	(5,741)	(10,052)
Profit after tax	157,858	126,537	18,606	32,124
Other comprehensive income	(66,070)	21,750	(5,961)	(40,114)
Total comprehensive income	91,788	148,287	12,645	(7,990)

7. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI (cont'd)

Other summarised information

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Net cash flows from operations	495,550	372,599	28,021	42,336
Net cash flows used in investing activities	(5,996)	(64,850)	(226)	(6,605)
Net cash flows used in financing activities	(418,387)	(78,455)	(34,148)	(56,033)
Acquisition of significant property, plant and equipment	(72,338)	(86,436)	(6,533)	(11,799)

(d) Consolidation of subsidiary, Jining Yuchai Engine Company Limited

On 28 September 2014, the Group's subsidiary company, Guangxi Yuchai Machinery Company Limited ("GYMCL") transferred its entire 70% equity interests in Jining Yuchai Engine Company Limited ("Jining Yuchai") to an independent third party (the "Purchaser") for a consideration of RMB1. GYMCL also entered into contractual agreements (being the Loan Agreement and the Management Agreement mentioned below) with the Purchaser and Jining Yuchai, as part of the equity transfer transaction.

Through these contractual arrangements, GYMCL has the power to exercise effective control and is able to direct the activities of Jining Yuchai that most significantly affect its economic performance, and has the exposure or rights to receive benefits from Jining Yuchai from its involvement. Accordingly, GYMCL continues to consolidate the financial results of Jining Yuchai.

1. Loan Agreement

Under the terms of the loan agreement, GYMCL and its wholly-owned subsidiary, Guangxi Yulin Hotel Company Limited ("Yulin Hotel") ("Lenders") agreed to provide loans, of amounts not exceeding RMB70 million (equivalent to $14,882,000) with tenure of two years, to Jining Yuchai, by way of entrusted loans, and such loans are solely to be utilised for Jining Yuchai's working capital purpose. In 2016, Lenders further extended the loans to Jining Yuchai and provided financial support to its operation.

In addition, in consideration of the Lenders' financial support to Jining Yuchai, as long as the Purchaser remains a shareholder in Jining Yuchai, irrespective of whether the loans remain outstanding or not, the Purchaser is prohibited from transferring all or part of its equity interests in Jining Yuchai to another party without the prior written consent of the Lenders.

The Purchaser has also granted the Lenders an irrevocable option to acquire all of its shareholding in Jining Yuchai at any time at a consideration amount not exceeding RMB250,000 (equivalent to $53,150). These two provisions are also contained in a separate undertaking letter issued and signed by the Purchaser to the Lenders.

7. Investment in subsidiaries (cont'd)

(d) Consolidation of subsidiary, Jining Yuchai Engine Company Limited (cont'd)

The Purchaser as long as it remains a shareholder in Jining Yuchai, will consult with the Lenders prior to the exercise of any of its powers in relation to Jining Yuchai. The Lenders have the right to recommend for appointment Jining Yuchai's legal representative and executive director.

2. Management Agreement

Under the management agreement entered into between GYMCL and the Purchaser, GYMCL has been appointed by the Purchaser to manage Jining Yuchai in all matters relating to the running of its operations. The term of the agreement is for one year which may be extended upon mutual agreement and the management fee is RMB240,000 (equivalent to $51,024) per annum. On 13 October 2016, the agreement was renewed and extended for one more year.

(e) Acquisition of additional equity interest in a joint venture

On 20 December 2016 (the "acquisition date"), the Group's subsidiary company, GYMCL acquired an additional 32.5% equity interest in its joint venture, YC Europe Co., Limited ("YC Europe"), through share allotment transfer, and the injection of share capital will be completed in phases. Upon the full injection of capital, GYMCL's equity interest in YC Europe will increase from 35% to 67.5%.

The Group has elected to measure the non-contolling interest at the non-controlling interest's proportionate share of YC Europe's net identifiable assets. There was no gain or loss on remeasuring previously held equity interest in YC Europe to fair value at the acquisition date.

YC Europe was newly incorporated in April 2015 to market off-road engines (excluding marine engines) in Europe. As at 31 December 2016, YC Europe became a subsidiary of the Group. The contribution from the acquisition to the Group's financial performance for the year ended 31 December 2016, and net assets as at 31 December 2016 is not material.

Goodwill arising from the acquisition of $234,000 was fully written off and recognised in the income statement under the line item "Other expenses".

(f) Acquisition of ownership in subsidiaries, without loss of control

In 2015, the Group acquired additional equity interests in its subsidiary, CYI for a total cash consideration of $2,663,000. The difference of $1,584,000 between the consideration and the carrying value of the additional interest acquired has been recognised as discount on acquisition of non-controlling interests within equity.

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

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

7. Investment in subsidiaries (cont'd)

(f) Acquisition of ownership in subsidiaries, without loss of control (cont'd)

In addition, the Group elected to receive dividends from CYI in the form of CYI shares in lieu of cash in both 2016 and 2015. This resulted in an overall 1.54% (2015: 1.63%) increase in effective equity interest held in CYI by the Group.

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

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

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

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

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

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

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

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

7. Investment in subsidiaries (cont'd)

(h) Transaction with non-controlling interest in 2015 – Share swap (cont'd)

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

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

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

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

Effect of the transactions on cash flows and equity

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

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

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

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

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

7. Investment in subsidiaries (cont'd)

(i) Acquisition of additional equity interest in subsidiary in 2015 (cont'd)

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

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

**Less than $1,000.*

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

8. Interests in associates

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Singapore Cement Manufacturing Company (Private) Limited	19,914	19,412	13,726	13,726
Cement Industries (Sabah) Sdn. Bhd.	24,177	29,380	–	–
Other associates	4,248	4,418	–	–
	48,339	53,210	13,726	13,726

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest 2016	Effective equity interest 2015
			%	%
Held by the Company				
Singapore Cement Manufacturing Company (Private) Limited [(1)]	Singapore	Storage, packaging and distribution of cement	50	50
Held by the Group				
Cement Industries (Sabah) Sdn. Bhd. [(2)] [(3)]	Malaysia	Manufacture and sale of cement	22.28	22.28

(1) Audited by Ernst & Young LLP, Singapore.

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

(3) Proportion of ownership interest held by the Group in Cement Industries (Sabah) Sdn. Bhd. is 30% (2015: 30%).

8. Interests in associates (cont'd)

The summarised financial information in respect of Singapore Cement Manufacturing Company (Private) Limited and Cement Industries (Sabah) Sdn. Bhd., based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.		Total	
	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2015 $'000
Current assets	28,988	23,666	47,887	61,986		
Non-current assets	18,381	19,451	44,837	46,628		
Total assets	47,369	43,117	92,724	108,614		
Current liabilities	(7,366)	(4,278)	(8,724)	(6,563)		
Non-current liabilities	(175)	(15)	(3,411)	(4,119)		
Total liabilities	(7,541)	(4,293)	(12,135)	(10,682)		
Net assets	39,828	38,824	80,589	97,932		
Proportion of the Group's ownership	50%	50%	30%	30%		
Carrying amount of significant associates	19,914	19,412	24,177	29,380	44,091	48,792
Carrying amount of other associates					4,248	4,418
Carrying amount of the investment in associates					48,339	53,210

8. Interests in associates (cont'd)

Summarised income statement and statement of comprehensive income

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.		Total	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	70,470	91,675	117,879	136,700		
Profit after tax	2,004	1,082	6,049	6,076		
Group's share of profit of significant associates	1,002	541	1,815	1,823	2,817	2,364
Group's share of loss of other associates					(67)	(50)
Group's share of profit of associates for the year					2,750	2,314
Other comprehensive income of significant associates	–	–	(733)	(5,502)	(733)	(5,502)
Other comprehensive income of other associates					(103)	(707)
Group's share of profit/(loss) for the year representing the Group's share of total comprehensive income for the year					1,914	(3,895)

9. Interests in joint ventures

	Group	
	2016	**2015**
	$'000	$'000
Y&C Engine Co., Ltd.	35,132	36,052
Copthorne Hotel Qingdao Co., Ltd. [(3)]	–	20,034
Other joint ventures	1,514	1,196
	36,646	57,282

9. Interests in joint ventures (cont'd)

Particulars of the joint venture entities are as follows:

Names of significant joint venture entity	Country of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
***Joint venture entity of HL Global Enterprises Limited* ("HLGE")**				
Copthorne Hotel Qingdao Co., Ltd. ("CHQ") [(1) (2) (3)]	The People's Republic of China	Owns and operates a hotel in Qingdao	12.10	11.63
***Joint venture entity of China Yuchai International Limited* ("CYI")**				
Y&C Engine Co., Ltd. [(1) (2)]	The People's Republic of China	Manufacture and sale of heavy duty diesel engines, spare parts and after-sales services	13.82	13.29

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

(2) Proportion of ownership interest held by the Group in CHQ and Y&C Engine Co., Ltd. is 60% and 45% respectively as at 31 December 2016 and 2015.

(3) During the year ended 31 December 2016, the investment in CHQ has been reclassified as asset held for sale in view of the proposed disposal of the Group's equity interest in CHQ. Please refer to Note 18 for details.

As at 31 December 2016, the Group's share of joint ventures' capital commitment that are contracted but not paid for, and contingent liabilities, was $2,282,000 (2015: $8,179,000) and $2,699,000 (2015: $2,798,000) respectively.

As at 31 December 2016, the Group's share of outstanding bills receivables endorsed to suppliers for which a joint venture retained a recourse obligation were $1,063,000 (2015: $1,054,000).

As at 31 December 2016, the Group's share of outstanding bills receivables discounted during the year with banks for which a joint venture retained a recourse obligation amounted to $299,000 (2015: $20,288,000).

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of joint ventures are:

The Group's share of cash and cash equivalents of $5,494,000 (2015: $1,823,000) held in the PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

9. Interests in joint ventures (cont'd)

Summarised financial information, in respect of Y&C Engine Co., Ltd. and Copthorne Hotel Qingdao Co., Ltd., based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Y&C Engine Co., Ltd.		Copthorne Hotel Qingdao Co., Ltd.		Total	
	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 23 February 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2015 $'000
Cash and short-term deposits	20,575	11,122	3,023	1,957		
Other current assets	44,728	24,504	584	614		
Total current assets	65,303	35,626	3,607	2,571		
Non-current assets	128,087	137,582	63,743	67,090		
Total assets	193,390	173,208	67,350	69,661		
Current financial liabilities (excluding trade and other payables and provisions)	(14,297)	(6,462)	–	(31,272)		
Other current liabilities	(88,476)	(73,927)	(36,688)	(4,999)		
Non-current liabilities	(12,547)	(12,731)	–	–		
Total liabilities	(115,320)	(93,120)	(36,688)	(36,271)		
Net assets	78,070	80,088	30,662	33,390		
Proportion of the Group's ownership	45%	45%	60%	60%		
Group's share of net assets	35,132	36,040	18,397	20,034		
Cumulative impairment loss	–	–	–	(2,794)		
Reversal of cumulative impairment loss	–	–	–	2,794		
Other adjustments	–	12	–	–		
Reclassified as asset held for sale (refer to note 18)	–	–	(18,397)	–		
Carrying amount of significant joint ventures	35,132	36,052	–	20,034	35,132	56,086
Carrying amount of other joint ventures					1,514	1,196
Carrying amount of the investment in joint ventures					36,646	57,282

9. Interests in joint ventures (cont'd)

Summarised income statement and statement of comprehensive income

	Y&C Engine Co., Ltd		Copthorne Hotel Qingdao Co., Ltd.		Total	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	114,860	77,914	762	11,134		
Depreciation and amortisation	(4,580)	(5,123)	(580)	(2,638)		
Interest expense	(2,906)	(4,284)	(277)	(1,878)		
Profit/(loss) after tax	940	(4,358)	(1,543)	(2,132)		
Group's share of profit/(loss)	423	(1,961)	(926)	(1,279)		
Reversal of cumulative impairment loss	–	–	–	2,794		
Group's share of profit/(loss) of significant joint ventures	423	(1,961)	(926)	1,515	(503)	(446)
Group's share of loss of other joint ventures					(340)	(195)
Group's share of loss of joint ventures for the year					(843)	(641)
Other comprehensive income of significant joint ventures	(1,271)	521	(784)	220	(2,055)	741
Other comprehensive income of other joint ventures					(147)	31
Group's share of (loss)/ profit for the year representing the Group's share of total comprehensive income for the year					(3,045)	131

On 23 February 2016, the investment in Copthorne Hotel Qingdao Co., Ltd. was reclassified as asset held for sale. Accordingly, the information presented in the table above includes the results of Copthorne Hotel Qingdao Co., Ltd. only for the period from 1 January 2016 to 23 February 2016.

The Group recognised a reversal of impairment loss of $2,794,000 in "Share of profit of associates and joint ventures" line item in the Group's profit or loss for the year ended 31 December 2015 for the investment in Copthorne Hotel Qingdao Co., Ltd.. The reversal in 2015 was made because the fair value less cost to sell estimated in the latest independent valuation report was higher than the carrying amount, had no impairment loss been recognised in prior year, and on the basis that management had obtained the consent of its joint venture partner to sell the joint venture.

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

9. Interests in joint ventures (cont'd)

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

10. Investment property

	Group	
	2016	**2015**
	$'000	$'000
Cost		
At 1 January	6,747	–
Transfer from development properties (Note 15)	–	6,747
Translation differences	(144)	–
At 31 December	6,603	6,747
Accumulated depreciation		
At 1 January	5,145	–
Charge for the year	51	–
Transfer from development properties (Note 15)	–	5,145
Translation differences	(109)	–
At 31 December	5,087	5,145
Net carrying amount	1,516	1,602
Fair value	2,109	1,602
Income statement:		
Direct operating expenses (including repairs, maintenance and depreciation expense) arising from rental generating property	(118)	(45)

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

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

The fair value is determined by independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. In valuing the investment property, due consideration is given to factors such as location and size of building, building infrastructure, market knowledge, historical transactions and other relevant factors to arrive at their opinion of value.

10. Investment property (cont'd)

The following table shows information about fair value measurement of the investment property using significant unobservable inputs (Level 3):

	Valuation techniques	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
2016	Market comparison and cost method	Comparable price: - Land: $5 to $7 per square foot - Retail: $70 to $176 per square foot	The estimated fair value increases with higher comparable price
2015	Market comparable and investment method	Rental yield of approximately 3% based on valuer's assessment	The estimated fair value increases with higher rental yield

11. Other investments

	Group	
	2016	**2015**
	$'000	$'000
Non-current		
Available-for-sale financial assets		
Quoted equity securities		
- related corporations	1,434	1,425
	1,434	1,425
Current		
Held for trading		
Quoted equity securities		
- other company	2,531	2,581
Available-for-sale financial assets		
Quoted equity securities		
- other companies	12	11
	2,543	2,592

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

12. Non-current receivables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Amounts due from subsidiaries	–	–	252,118	128,184
Amounts due from joint venture partners	330	327	–	–
Lease receivables	2,021	3,610	–	–
Retention sums	3,909	5,541	–	–
Others	385	727	–	–
Less: Impairment losses	–	–	(81,000)	(25,000)
	6,645	10,205	171,118	103,184

Group

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

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

	2016		2015	
	Gross lease receivables	Present value of minimum lease payments receivables	Gross lease receivables	Present value of minimum lease payments receivables
	$'000	$'000	$'000	$'000
Within 1 year (Note 16)	1,761	1,699	2,238	2,099
After 1 year but within 5 years	2,157	2,021	3,857	3,610
Total gross lease receivables	3,918	3,720	6,095	5,709
Less: Amounts representing unearned finance income	(198)	–	(386)	–
Present value of minimum lease payments receivables	3,720	3,720	5,709	5,709

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

12. Non-current receivables (cont'd)

Company

As at 31 December 2016, the amounts due from subsidiaries are non-trade in nature, unsecured and non-interest bearing. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Company's net investment in subsidiaries, they are stated at cost less accumulated impairment losses.

As at 31 December 2015, the non-trade amounts due from subsidiaries bear interest at rates ranging from 0.70% to 2.36% per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances was 1.17% per annum. Interest rates repriced within 12 months.

During the financial year ended 31 December 2016, management performed an impairment review of non-current amounts due from certain subsidiaries in view of continued operating losses incurred by these business units in the PRC. As a result of the review, the Company recognised an impairment loss on amounts due from subsidiaries of $56,000,000 (2015: $25,000,000) for the financial year ended 31 December 2016.

The impairment assessment process is complex and involved significant judgements and estimates of expected future market and economic conditions that may have an impact on the valuation of the business.

In 2016, the Company assessed the recoverable amount of the non-current amounts due from subsidiaries based on the value in use calculation of the relevant cash generating units ("CGUs"), using the discounted cash flow approach covering a five year period. Cash flow projections prepared by management have taken into consideration factors such as historical growth and industry outlook in the PRC.

The key assumptions used in the assessment are:

	Consumer products segment	**Air-conditioning systems segment**
Discount rate - which reflects the current market assessment of the risks specific to the CGU	15.5%	15.0%
Revenue growth rate per annum	22% - 35% in the first four years; 9% in fifth year	20% - 60%

If the discount rate increases by 1% from management's estimate, the Company's impairment loss on receivables will increase by $3,480,000.

13. Deferred tax

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

Group	At 1 January 2016	Recognised in income statement	Withholding taxes paid on remittance of dividends	Translation differences	At 31 December 2016
	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities					
Property, plant and equipment	(14,460)	2,099	–	279	(12,082)
Unremitted income	(3,922)	(106)	–	9	(4,019)
Withholding tax on dividend income	(22,650)	(3,453)	5,621	869	(19,613)
Indefinite life intangible assets	(8,713)	1,731	–	–	(6,982)
Other items	(4,391)	3,579	–	139	(673)
Total	(54,136)	3,850	5,621	1,296	(43,369)
Deferred tax assets					
Property, plant and equipment	2,143	(718)	–	(54)	1,371
Inventories	5,958	(1,275)	–	(206)	4,477
Intangible assets	1,344	(505)	–	(50)	789
Trade and other receivables	2,704	(649)	–	(96)	1,959
Provisions	57,539	(21,504)	–	(2,242)	33,793
Deferred grants	4,705	4,904	–	(272)	9,337
Other items	1,594	8,901	–	142	10,637
Total	75,987	(10,846)	–	(2,778)	62,363

13. Deferred tax (cont'd)

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

Group	At 1 January 2015	Recognised in income statement	Withholding taxes paid on remittance of dividends	Translation differences	At 31 December 2015
	$'000	$'000	$'000	$'000	$'000
	(Restated)	(Restated)			(Restated)
Deferred tax liabilities					
Property, plant and equipment	(14,137)	(1,726)	–	1,403	(14,460)
Unremitted income	(3,831)	(90)	–	(1)	(3,922)
Withholding tax on dividend income	(28,443)	(877)	7,105	(435)	(22,650)
Indefinite life intangible assets	(9,404)	691	–	–	(8,713)
Other items	(748)	(3,702)	–	59	(4,391)
Total	(56,563)	(5,704)	7,105	1,026	(54,136)
Deferred tax assets					
Property, plant and equipment	1,633	475	–	35	2,143
Inventories	6,304	(434)	–	88	5,958
Intangible assets	1,273	55	–	16	1,344
Trade and other receivables	3,384	(734)	–	54	2,704
Provisions	69,779	(13,058)	–	818	57,539
Deferred grants	14,049	(9,662)	–	318	4,705
Other items	5,261	(3,720)	–	53	1,594
Total	101,683	(27,078)	–	1,382	75,987

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

	Company 2016	Company 2015
	$'000	$'000
Deferred tax liabilities		
Property, plant and equipment	(15)	(6)
Unremitted income	(2,034)	(1,931)
	(2,049)	(1,937)
Deferred tax assets		
Provisions	12	15

13. Deferred tax (cont'd)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000 (Restated)	$'000	$'000
Deferred tax assets	62,363	75,987	12	15
Deferred tax liabilities	(43,369)	(54,136)	(2,049)	(1,937)
	18,994	21,851	(2,037)	(1,922)

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

	Group	
	2016	**2015**
	$'000	$'000
Unutilised tax losses	619,215	554,005
Unutilised capital allowances and investment allowances	22,189	24,192
Other unrecognised temporary differences relating to provisions and deferred grants	104,884	131,451
	746,288	709,648

Unutilised tax losses and unabsorbed capital allowances for the Group are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which the Group operates. The unabsorbed capital allowances do not expire under current tax legislation. The unutilised tax losses will expire within the next 5 years, except for an amount of $21,302,000 (2015: $19,478,000) with no expiry date. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

14. Inventories

	Group	
	2016	**2015**
	$'000	$'000
Raw materials and consumables	239,777	270,688
Manufacturing work-in-progress	11,864	13,811
Finished goods	213,338	240,300
Total inventories at the lower of cost and net realisable value	464,979	524,799
Inventories recognised as an expense in cost of sales (Note 25)	2,409,291	2,606,366
Inclusive of the following charge/(credit):		
- Inventory obsolescence	12,179	18,252
- Reversal of inventory obsolescence	(11,789)	(5,695)

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

15. Development properties

	Group 2016 $'000	Group 2015 $'000
Freehold land	3,720	3,783
Development costs	10,887	11,038
Overhead expenditure capitalised	–	9
Allowance for anticipated losses	(9,749)	(9,960)
	4,858	4,870

Movements in the carrying amounts of development properties are as follows:

	Group 2016 $'000	Group 2015 $'000
At 1 January	4,870	6,640
Transfer from/(to) property, plant and equipment (Note 3)	74	(54)
Transfer to investment property (Note 10)	–	(1,602)
Write-back of allowance for anticipated losses	–	650
Development costs incurred	–	29
Translation adjustment	(86)	(793)
At 31 December	4,858	4,870

No borrowing cost has been capitalised in 2016 and 2015.

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

	Group 2016 $'000	Group 2015 $'000
At 1 January	9,960	18,058
Translation differences	(211)	(2,299)
Written back	–	(650)
Transfer to investment property (Note 10)	–	(5,145)
Transfer to property, plant and equipment (Note 3)	–	(4)
At 31 December	9,749	9,960

16. Trade and other receivables

	Group 2016 $'000	Group 2015 $'000
Trade receivables	227,083	299,510
Bill receivables	1,441,785	1,503,953
Less: Impairment losses	(12,561)	(17,181)
Net trade receivables	1,656,307	1,786,282
Amounts receivable from:		
- ultimate holding company (non-trade)	43	39
- immediate holding company (non-trade)	15	–
- associates and joint ventures (trade)	33,810	36,862
- associates and joint ventures (non-trade)	4,189	1,259
- other related corporations (trade)	1,924	546
- other related corporations (non-trade)	59	682
Advances paid to suppliers	11,715	11,115
Prepaid expenses	4,458	5,314
Refundable deposits	3,236	3,803
Tax recoverable	34,329	43,797
Lease receivables (Note 12)	1,699	2,099
Other receivables	30,069	30,237
Less: Impairment losses - other receivables	(1,266)	(2,358)
Net other receivables	124,280	133,395
Total trade and other receivables	1,780,587	1,919,677

	Company 2016 $'000	Company 2015 $'000
Trade receivables	–	16
Amounts receivable from:		
- ultimate holding company (non-trade)	43	39
- immediate holding company (non-trade)	8	28
- subsidiaries (non-trade)	225,707	225,862
- associates (non-trade)	–	1
- other related corporations (non-trade)	6	3
Prepaid expenses	49	44
Refundable deposits	28	160
Total trade and other receivables	225,841	226,153

16. Trade and other receivables (cont'd)

Group

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

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

Other receivables include an amount of approximately $4,566,000 (2015: $4,822,300) which is currently the subject of litigation, instituted by a PRC based subsidiary of the Group, against a major bank in the PRC. The legal advice obtained by the subsidiary, from its legal advisors, in the PRC, is that this subsidiary has a good legal case against the bank and should be able to recover the entire amount which has been claimed.

Company

The non-trade balances due from subsidiaries include loans and advances of $104,456,000 (2015: $208,742,000) which bear interest at rates ranging from 1.00% to 2.91% (2015: 0.70% to 2.36%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 1.43% (2015: 1.19%) per annum. Interest rates will be repriced within 12 months. These balances are repayable on demand and are to be settled in cash.

The remaining non-trade balances are unsecured, interest-free, repayable on demand and are to be settled in cash.

The maximum exposure to credit risk for trade and other receivables (excluding advances paid to suppliers, prepaid expenses, refundable deposits and tax recoverable), non-current receivables (Note 12) and amounts due from subsidiaries at the reporting date (by business activities) is as follows:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Diesel engines	1,517,968	1,592,314	1	2
Consumer products	107,347	138,718	147,455	75,661
Building materials	95,430	122,642	–	–
Industrial packaging	8,991	8,124	–	–
Air-conditioning systems	3,755	4,029	38,628	45,729
Others	3	26	210,798	207,741
	1,733,494	1,865,853	396,882	329,133

16. Trade and other receivables (cont'd)

Impairment losses

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

	2016 Gross $'000	2015 Gross $'000
Group		
Not past due	1,654,075	1,728,546
Past due 0 to 30 days	30,543	45,289
Past due 31 to 120 days	30,141	61,849
Past due 121 days to one year	6,641	18,574
More than one year	25,921	31,134
	1,747,321	1,885,392

	Impairment losses $'000	Impairment losses $'000
Past due 0 to 30 days	(34)	(998)
Past due 31 to 120 days	(185)	(3,731)
Past due 121 days to one year	(1,889)	(6,376)
More than one year	(11,719)	(8,434)
	(13,827)	(19,539)

	2016 Gross $'000	2015 Gross $'000
Company		
Not past due	22,459	583
Past due 0 to 30 days	139	5,943
Past due 31 to 120 days	31,322	4,480
Past due 121 days to one year	68,337	59,047
More than one year	355,625	284,080
	477,882	354,133

	Impairment losses $'000	Impairment losses $'000
More than one year	(81,000)	(25,000)

16. Trade and other receivables (cont'd)

Impairment losses (cont'd)

The Group's movement in allowances for trade and other receivables and non-current receivables at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	$'000	$'000
At 1 January	19,539	9,401
Impairment losses made	842	10,626
Amounts written off	(5,911)	(394)
Translation differences	(643)	(94)
At 31 December	13,827	19,539

The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond the amount provided for collection losses are inherent in the Group's trade and other receivables.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the reporting date, financial guarantees received by the Group up to a limit of $23,258,000 (2015: $27,812,000) from certain trade receivables. These guarantees included cash collateral held from certain customers of $4,609,000 (2015: $3,849,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

As at 31 December 2016, outstanding bills receivables endorsed to suppliers with recourse obligation were $215,724,000 (2015: $239,524,000).

As at 31 December 2016, outstanding bills receivables discounted during the year with banks for which the Group retained a recourse obligation amounted to $179,733,000 (2015: $384,000).

16. Trade and other receivables (cont'd)

Receivables subject to offsetting arrangements

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

	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
	$'000	$'000	$'000
Company			
2016			
Current			
Amounts due from subsidiaries	145	(33)	112
Amounts due to subsidiaries	(1,132)	33	(1,099)
2015			
Current			
Amounts due from subsidiaries	90	(45)	45
Amounts due to subsidiaries	(55)	45	(10)

Receivables subject to an enforceable master netting arrangement that are not otherwise set-off

The Group had certain counterparties with receivables and payables subject to an enforceable master netting arrangement that are not otherwise set-off as follows:

	Gross carrying amounts	Related amounts not set off in the balance sheet	Net amounts
	$'000	$'000	$'000
Group			
2016			
Trade and other receivables	17,394	(5,414)	11,980
Trade and other payables	(5,818)	5,414	(404)
2015			
Trade and other receivables	32,152	(11,376)	20,776
Trade and other payables	(12,403)	11,376	(1,027)

17. Cash, short-term deposits and long-term deposits

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Short-term fixed deposits	314,334	260,159	1,500	9,875
Cash at banks and in hand	719,364	753,030	982	1,324
	1,033,698	1,013,189	2,482	11,199
Long-term fixed deposits	–	12,924	–	–
	1,033,698	1,026,113	2,482	11,199
Long-term fixed deposits	–	(12,924)		
Bank overdraft	(387)	(25)		
Short-term deposits*	(75,571)	(1,567)		
Restricted deposits	(12,569)	(72,977)		
Cash and cash equivalents in the cash flow statement	945,171	938,620		

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

Restricted deposits represent bank balances of certain subsidiaries placed with banks to obtain credit facilities and loans. Long-term deposits are placed with banks with tenure above 12 months and earn interest at the respective long-term deposit rates.

The weighted average effective interest rates per annum of the fixed deposits and bank overdrafts at the balance sheet date are as follows:

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Fixed deposits	2.15	2.24	0.60	0.95

Interest rates will be repriced within 12 months.

18. Assets of disposal group classified as held for sale

On 23 February 2016, LKNII, together with its joint venture partner of CHQ, CAAC East China Regional Administration Authority Service Centre, listed the entire equity interest in CHQ on the Shanghai United Assets and Equity Exchange ("SUAEE") for sale.

As a result, the investment in CHQ was reclassified as asset held for sale and the Group discontinued the use of equity method to recognise the interest in CHQ. Consequently, the Group only shared the loss incurred by CHQ up to 23 February 2016. As at 31 December 2016, the Group remains committed to the sale of the equity interest in CHQ.

18. Assets of disposal group classified as held for sale (cont'd)

The asset classified as held for sale and the related reserves as at 31 December are as follows:

	2016
	$'000
Assets:	
Interests in joint ventures, representing assets of disposal group classified as held for sale	18,397
Reserve:	
Translation reserve	4,685

19. Share capital

	Group and Company			
	2016		2015	
	No. of shares	Amount	No. of shares	Amount
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	373,908	266,830	373,908	266,830

During the year, there was no option exercised under its Hong Leong Asia Share Option Scheme 2000 (the "HLA Share Option Scheme") (Note 31).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

20. Reserves

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000 (Restated)	$'000	$'000
Capital reserve	4,442	4,442	9,199	9,199
Statutory reserve	33,369	33,178	–	–
Translation reserve	(51,741)	(20,592)	–	–
Fair value reserve	45,246	45,230	–	–
Share option reserve	4,231	3,788	2,467	2,453
Accumulated profits	356,599	431,775	8,516	71,222
Discount on acquisition of non-controlling interests	34,775	10,247	–	–
	426,921	508,068	20,182	82,874

20. Reserves (cont'd)

(a) Capital reserve comprises:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Merger reserve	392	392	–	–
Business participation fee and realised capital gain on disposal of investments	3,046	3,046	9,199	9,199
Adjustment relating to shares of the Company issued to an associate for assets transferred to the Company	(11,380)	(11,380)	–	–
Others	12,384	12,384	–	–
	4,442	4,442	9,199	9,199

The merger reserve relates to reserve arising from certain acquisitions accounted for under the pooling of interests method.

(b) Statutory reserve comprises the Group's share of general reserves of its subsidiaries in the PRC which are not available for dividends or other payments. The transfers are required to be made at the rate of 10% (2015: 10%) of profit after tax of subsidiaries arrived at under generally accepted accounting principles applicable in the PRC. The transfer to the statutory reserve is mandatory until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to the approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The statutory reserve is not available for dividend distribution to shareholders.

(c) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the translation of monetary items used to form part of the Group's net investments in foreign entities.

(d) The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is de-recognised and the Group's share of the post-acquisition fair value adjustments arising from the allocation of purchase price to the identifiable net assets and contingent liabilities of subsidiaries.

(e) The share option reserve comprises the cumulative value of employee services received for the issue of share options. The amount in the reserve is retained when the option is exercised or expired.

21. Loans and borrowings

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current liabilities				
Unsecured bank overdraft	387	25	–	–
Unsecured bank loans	519,361	553,389	182,142	202,006
Secured bank loans	11,979	64,729	–	–
Obligations under finance leases (Note 32)	1,707	2,112	–	–
Short-term bonds	–	301,278	–	–
	533,434	921,533	182,142	202,006
Non-current liabilities				
Unsecured bank loans	140,000	7,000	140,000	–
Secured bank loans	24,974	51,751	–	–
Obligations under finance leases (Note 32)	2,036	3,622	–	–
	167,010	62,373	140,000	–
Total loans and borrowings	700,444	983,906	322,142	202,006

The obligations under finance leases are secured by a charge over the leased assets (Note 3). The average discount rate implicit in the leases is 1.33% (2015: 1.34%) per annum.

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

	Group	
	2016	**2015**
	$'000	$'000
Property, plant and equipment	17,560	19,431
Land use rights	14,758	16,020
Investment in a subsidiary	33,456	59,910
Cash at bank	–	64,742

These loans and borrowings have externally imposed capital requirements on certain subsidiaries of the Group which have been complied with or waiver of compliance obtained by the respective subsidiaries before reporting dates for the financial years ended 31 December 2016 and 2015.

21. Loans and borrowings (cont'd)

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

Group	2016 Weighted average interest rate	Year of maturity	Carrying amount
	%		$'000
Secured bank loans:			
- RMB floating rate loans	8.3	2017	779
- MYR floating rate loans	5.1	2017	11,200
- MYR floating rate loans	5.1	2019	21,594
- MYR floating rate loans	5.9	2020	3,380
			36,953
Unsecured bank loans:			
- RMB floating rate loans	4.5	2017	218,967
- USD floating rate loans	2.4	2017	63,527
- HKD floating rate loans	2.2	2017	279
- MYR floating rate loans	5.4	2017	3,600
- SGD floating rate loans	2.0	2017	151,818
- SGD floating rate loans	1.7	2018	80,000
- SGD floating rate loans	2.0	2019	60,000
- RMB fixed rate loans	5.0	2017	31,170
- SGD fixed rate loans	4.6	2017	50,000
- Bank overdraft	7.8	2017	387
			659,748
Obligations under finance leases:			
- MYR fixed rate loans	2.6	2017	5
- MYR fixed rate loans	2.6	2018	3
- SGD fixed rate loans	1.3	2017	1,702
- SGD fixed rate loans	1.3	2019	367
- SGD fixed rate loans	1.3	2020	1,654
- SGD fixed rate loans	1.3	2021	12
			3,743
			700,444
Company			
Unsecured bank loans:			
- USD floating rate loans	1.7	2017	41,905
- RMB floating rate loans	6.8	2017	31,170
- SGD floating rate loans	2.1	2017	109,067
- SGD floating rate loans	1.7	2018	80,000
- SGD floating rate loans	2.0	2019	60,000
			322,142

21. Loans and borrowings (cont'd)

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

21. Loans and borrowings (cont'd)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount	Contractual cash flows	Cash flows Within 1 year	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
2016					
Floating interest rate loans	615,144	636,370	465,074	171,296	–
Fixed interest rate loans	81,170	85,044	85,044	–	–
Obligations under finance leases	3,743	3,942	1,770	2,172	–
Bank overdraft	387	387	387	–	–
Trade and other payables*	1,668,779	1,668,779	1,668,779	–	–
Non-current payables*	27,830	27,830	–	27,830	–
	2,397,053	2,422,352	2,221,054	201,298	–
2015					
Floating interest rate loans	547,709	562,866	501,038	61,828	–
Fixed interest rate loans	129,160	136,081	136,081	–	–
Obligations under finance leases	5,734	6,116	2,252	3,864	–
Short-term bonds	301,278	313,861	313,861	–	–
Bank overdraft	25	25	25	–	–
Trade and other payables*	1,595,646	1,595,646	1,595,646	–	–
Non-current payables*	24,844	24,844	–	24,844	–
	2,604,396	2,639,439	2,548,903	90,536	–

* Excludes advances from customers and deferred income.

Company	Carrying amount	Contractual cash flows	Cash flows Within 1 year	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
2016					
Floating interest rate loans	322,142	333,131	189,732	143,399	–
Trade and other payables	5,201	5,201	5,201	–	–
	327,343	338,332	194,933	143,399	–
2015					
Floating interest rate loans	202,006	205,517	205,517	–	–
Trade and other payables	5,562	5,562	5,562	–	–
	207,568	211,079	211,079	–	–

22. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade payables	1,150,856	1,037,368	–	–
Accrued expenses	405,768	443,275	2,481	2,748
Other payables	49,870	65,440	35	52
Deferred grants	4,641	5,784	–	–
Deferred income(i)	35,326	36,618	–	–
Advances from customers	32,077	48,767	–	–
Trust receipts	4,454	3,648	–	–
Amounts due to:				
- immediate holding company (non-trade)	100	119	–	48
- subsidiaries (trade)	–	–	401	401
- subsidiaries (non-trade)	–	–	2,284	2,302
- associates and joint ventures (trade)	27,863	12,728	–	–
- associates and joint ventures (non-trade)	94	615	–	–
- other related corporations (trade)	23,494	26,308	–	–
- other related corporations (non-trade)	1,639	361	–	11
Total trade and other payables (current)	1,736,182	1,681,031	5,201	5,562

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

	Group	
	2016	**2015**
	$'000	$'000
Provision for bonus	27,830	24,844
Deferred income	590	–
Other payables (non-current)	28,420	24,844

<u>Trade payables / other payables</u>

Current trade and other payables are normally settled on agreed credit terms ranging from 7-day to 90-day terms and are non-interest bearing.

22. Trade and other payables (cont'd)

Amounts due to related corporations

The balances with the immediate holding company, subsidiaries, associates, joint ventures and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

Purchases from related corporations are made at terms agreed between the parties.

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

	Group	
	2016	**2015**
	%	%
Trust receipts	3.83	3.65

Interest rates will be repriced within 12 months.

23. Provisions

Group	**Claims**	**Warranties**	**Onerous contracts**	**Total**
	$'000	$'000	$'000	$'000
At 1 January 2015	7,356	72,746	–	80,102
Provision made	6,324	78,356	–	84,680
Provision utilised	(2,691)	(93,079)	–	(95,770)
Provision reversed	(28)	–	–	(28)
Translation differences	(83)	1,162	–	1,079
At 31 December 2015 and 1 January 2016	10,878	59,185	–	70,063
Provision made	7,850	82,176	1,105	91,131
Provision utilised	(4,131)	(81,126)	–	(85,257)
Provision reversed	(4,177)	–	–	(4,177)
Translation differences	(14)	(2,087)	–	(2,101)
At 31 December 2016	10,406	58,148	1,105	69,659

23. Provisions (cont'd)

Claims

The provision for claims consists of:

(a) Costs arising from delays in the completion of contracts or complaints from customers. The provision is made based on estimates from prior experience on similar projects with customers.

(b) Provision for steel price fluctuation based on the supply and delivery contracts signed between a subsidiary and its customers. A provision is recognised when there is a decline in steel price indices. The provision is deducted against revenue.

Warranties

The provision for warranties relates to products sold over the warranty period. The provision is made based on estimates from historical warranty data.

Onerous contracts

The provision for onerous contracts relates to the expected losses arising from existing customers' contracts, whereby the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received.

24. Revenue

	Group	
	2016	**2015**
	$'000	$'000
Sale of goods	3,701,663	4,062,105
Services rendered	22,960	20,542
Rental income	136	81
	3,724,759	4,082,728

25. Profit before income tax

Profit before income tax includes the following:

	Note	Group 2016 $'000	Group 2015 $'000
Impairment losses recognised for trade and other receivables	16	842	10,626
Inventories recognised as an expense in cost of sales	14	2,409,291	2,606,366
Amortisation of intangible assets	5	742	2,072
Depreciation of property, plant and equipment	3	132,042	138,785
Depreciation of investment property	10	51	–
Amortisation of land use rights	4	3,538	3,833
Property, plant and equipment written off	3	339	1,245
Audit fees paid/payable:			
- auditors of the Company		1,394	1,283
- other auditors		1,564	1,872
Non-audit fees paid/payable to:			
- auditors of the Company		131	102
- other auditors		369	418
Exchange loss, net		3,309	9,038
Fair value loss on investments		51	2,375
Fair value loss/(gain) on derivatives		95	(3,689)
Operating lease expense		16,533	18,860
Loss on disposal of property, plant and equipment		3,292	3,190
Loss on disposal of subsidiaries	7(g)	–	2,981
Gain on disposal of a joint venture		–	(76)
Gain on disposal of land use rights		–	(548)
Provisions made, net	23	86,954	84,652
Allowance for inventory obsolescence, net	14	390	12,557
Impairment losses on property, plant and equipment	3	4,392	1,656
Impairment losses on intangible assets	5	13,366	14,545
Write-back of allowance for anticipated losses on development properties	15	–	(650)
Dividend income from other investments		(240)	(44)
Interest income:			
- cash and short-term deposits		(15,775)	(13,834)
- joint ventures		(88)	–
- other related corporations		(208)	(235)
Sale of scrap		(1,028)	(440)
Government grant		(8,928)	(7,041)

26. Finance costs

	Group	
	2016	**2015**
	$'000	$'000
Bank term loans	20,869	27,071
Bank overdrafts	21	21
Finance lease	1	2
Fixed interest rate bonds	5,720	11,821
Trust receipts	304	258
Bills and other discounting	6,367	2,619
Bank charges	1,258	1,595
Facilities fees	200	–
	34,740	43,387

27. Employee benefits

	Group	
	2016	**2015**
	$'000	$'000
Wages and salaries	298,250	311,297
Cost of share-based payments	1,107	2,344
Contributions to defined contribution plans	67,898	77,954
	367,255	391,595

28. Income tax expense

<u>Major components of income tax expense</u>

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	$'000
		(Restated)
Consolidated income statement:		
Current tax charge		
- Current year	31,810	41,554
- Overprovision in respect of prior years	(284)	(2,145)
	31,526	39,409

28. Income tax expense (cont'd)

Major components of income tax expense (cont'd)

	Group	
	2016	**2015**
	$'000	$'000
		(Restated)
Deferred tax expense		
- Movements in temporary differences	3,737	30,406
- (Over)/under provision in respect of prior years	(194)	1,499
	3,543	31,905
Withholding tax expense	3,453	877
Income tax expense recognised in profit or loss	38,522	72,191

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	$'000	$'000
		(Restated)
Profit before income tax	61,351	81,241
Income tax using the PRC tax rate of 25% (2015: 25%)	15,338	20,310
Adjustments:		
Effect of different tax rates in other countries	1,895	1,676
Effect of tax concessions	(14,836)	(14,018)
Non-deductible expenses	6,518	10,970
Tax-exempt income	(27)	(1,957)
Utilisation of deferred tax benefits previously not recognised	(710)	(437)
Deferred tax benefits not recognised	34,206	61,955
Tax credits for research and development expense	(7,151)	(5,917)
(Over)/under provision in respect of prior years:		
- current	(284)	(2,145)
- deferred	(194)	1,499
Withholding tax expense	3,453	877
Others	314	(622)
	38,522	72,191

28. Income tax expense (cont'd)

Relationship between tax expense and accounting profit (cont'd)

Certain of the Group's subsidiaries in the PRC have been granted concessionary tax rate under the Corporate Income Tax Law of the PRC. Income from these entities is subject to tax at the concessionary rate of 15% instead of the national standard income tax rate of 25% (2015: 25%). This concession is available subject to certain conditions including these entities remain engaged in advanced and new technology.

The Group has been granted tax credits in relation to approved research and development costs. According to relevant laws and regulations in the PRC prior to the new corporate income tax law ("CIT law"), the amount of credits relating to the purchase of certain domestic equipment entitled for deduction each year is limited to the incremental current income tax expense of the subsidiary for the year compared to the income tax expense of the subsidiary in the year immediately prior to the year the credit was approved.

The CIT law also provides for a tax of 10% to be withheld from dividends paid to foreign investors of the PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to 1 January 2008. Beginning on 1 January 2008, a 10% withholding tax is imposed on dividends paid to the Group, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Group will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Group does not plan to indefinitely reinvest in the PRC enterprises. As of 31 December 2016, the amount of deferred tax liability recognised in respect of withholding tax payable was $19,613,000 (2015: $22,650,000). The amount of unrecognised deferred tax liability relating to undistributed earnings of the PRC enterprises is estimated to be $44,090,000 (2015: $42,718,000).

29. Loss per share

Basic loss per share

The calculation of basic loss per share is based on:

	Group	
	2016	**2015**
	$'000	$'000 (Restated)
(i) Net loss attributable to owners of the Company	(71,246)	(60,731)

	2016	**2015**
	No. of shares	No. of shares
(ii) Number of issued ordinary shares at beginning and end of the year	373,908,559	373,908,559

29. Loss per share (cont'd)

Diluted loss per share

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

	Group	
	2016	**2015**
	No. of shares	No. of shares
Weighted average number of shares issued, used in the calculation of basic loss per share	373,908,559	373,908,559
Dilutive effect of share options	–	–
Weighted average number of ordinary shares (diluted)	373,908,559	373,908,559

1,340,000 (2015: 1,590,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

30. Dividends

	Group	
	2016	**2015**
	$'000	$'000
Interim tax exempt dividend paid of nil cent per share in respect of year 2016 (2015: 1 cent per share in respect of year 2015)	–	3,739
Final tax exempt dividend paid of 1 cent per share in respect of year 2015 (2015: 2 cents per share in respect of year 2014)	3,739	7,478
	3,739	11,217

After the balance sheet date, the directors proposed a first and final tax exempt dividend of 1 cent (2015: final tax exempt dividend of 1 cent) per ordinary share in respect of year 2016 amounting to approximately $3,739,000 (2015: $3,739,000) on the basis that the number of shares (373,908,559 shares) in issue at the time of payment remains the same as at 28 February 2017. The dividends have not been provided for.

31. Share options

By the Company

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

The HLA Share Option Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 30 December 2000 for an initial duration of 10 years (from 30 December 2000 to 29 December 2010). At the annual general meeting ("AGM") of the Company held on 29 April 2010, the shareholders approved the extension of the duration of the HLA Share Option Scheme for a further period of 10 years from 30 December 2010 to 29 December 2020. Other than the extension of the duration of the HLA Share Option Scheme, all other rules of the HLA Share Option Scheme remain unchanged.

The HLA Share Option Scheme is administered by a committee comprising the following members:

Ernest Colin Lee – Chairman
Kwek Leng Peck
Goh Kian Hwee
Kwong Ka Lo @ Caroline Kwong

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

Market Price Options:

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

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

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

Incentive Price Options:

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

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

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

31. Share options (cont'd)

By the Company (cont'd)

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

Details of the options granted under the HLA Share Option Scheme to subscribe for ordinary shares of the Company as at the end of the financial year are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2016	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year
15/5/2008	$2.36	470,000*	–	–	–
5/1/2011	$3.17	380,000	–	–	–
28/1/2014	$1.31	540,000	–	–	(50,000)
3/2/2015	$1.45	200,000	–	–	(200,000)
Total		1,590,000	–	–	(250,000)

* Includes 300,000 options granted to a Group Non-Executive Director who became an Executive Director of the Company in year 2013. The said Executive Director was granted an extension of time up till 14 May 2018 to exercise his outstanding 300,000 options, which would have lapsed on 14 May 2013. The financial impact of extending the exercisable period is not material.

Number of options outstanding at 31 December 2016	Number of options exercisable at 1 January 2016	Number of options exercisable at 31 December 2016	Proceeds on options exercised during the year credited to share capital	Market price of Shares at exercise date of option	Exercise period
470,000*	470,000*	470,000*	–	–	15/5/2009 to 14/5/2018
380,000	380,000	380,000	–	–	5/1/2012 to 4/1/2021
490,000	178,200	323,400	–	–	28/1/2015 to 27/1/2024
–	–	–	–	–	3/2/2017 to 2/2/2025
1,340,000	1,028,200	1,173,400	–		

31. Share options (cont'd)

By the Company (cont'd)

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

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is estimated at the date of the grant using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions:

Date of grant of options	**On 15 May 2008**	**On 5 January 2011**	**On 28 January 2014**
Fair value at measurement date ($)	0.53 – 0.66	1.18 – 1.44	0.13 – 0.25
Share price ($)	2.36	3.17	1.31
Exercise price ($)	2.36	3.17	1.31
Expected volatility (%)	43.9 – 45.2	72.0 – 79.0	21.1 – 34.0
Expected option life (years)	2 – 4	2 – 4	2 – 4
Expected dividends (%)	2.5	3.0	3.1
Risk-free interest rate (%)	1.1 – 1.4	0.9 – 1.4	0.6 – 0.8

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

The range of exercise prices for options outstanding at the end of the year was $1.31 to $3.17 (2015: $1.31 to $3.17). The weighted average remaining contractual life for these options is 4.31 years (2015: 5.78 years).

By Subsidiary

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

The CYI Equity Plan was approved by the shareholders at the annual general meeting of CYI held on 4 July 2014. It is administered by CYI's Compensation Committee comprising the following members:

Kwek Leng Peck – Chairman
Neo Poh Kiat
Raymond Ho Chi-Keung

The CYI Equity Plan contains the following key terms:

(i) only share options, restricted stock and stock payments (the "Awards") may be granted to employees of CYI or a subsidiary of CYI ("CYI Group Employees");

31. Share options (cont'd)

By Subsidiary (cont'd)

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

(ii) the maximum aggregate number of shares that may be issued under the CYI Equity Plan shall not exceed 1,800,000 ordinary shares of US$0.10 each ("Ordinary Shares") subject to adjustment under the CYI Equity Plan;

(iii) the maximum aggregate number of Ordinary Shares with respect to one or more Awards that may be granted to any one eligible person during any calendar year is 300,000;

(iv) CYI's Compensation Committee shall administer the CYI Equity Plan and it has full power and authority to (a) select grantees from eligible individuals to receive the Awards and determine the time when Awards will be granted; (b) determine the number of Awards and the number of Ordinary Shares covered by each Award; (c) determine the terms and conditions of each Award; (d) approve the forms of agreement for use under the CYI Equity Plan; (e) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the CYI Equity Plan; and (f) take any and all other action as it deems necessary or advisable for the operation or administration of the CYI Equity Plan and the Awards;

(v) the price per Ordinary Share at which a holder may subscribe for the Ordinary Shares issuable upon the exercise of the option granted pursuant to the CYI Equity Plan shall be determined by CYI's Compensation Committee and shall not be less than:

- the Fair Market Value of the Ordinary Shares on the date the option is granted; and
- the par value of the Ordinary Shares;

(vi) Options granted under the CYI Equity Plan shall become exercisable ("vest") in the manner and subject to such conditions provided by CYI's Compensation Committee and set forth in the written Award agreement with respect to such options; and

(vii) the CYI Equity Plan shall terminate automatically ten years after its effective date unless terminated earlier. Awards outstanding at the time of the CYI Equity Plan's termination may continue to be exercised in accordance with their terms and shall continue to be governed by and interpreted consistent with the terms of the CYI Equity Plan.

No option was granted under the CYI Equity Plan during the financial year under review. As at the end of the year, there were a total of 530,000 unissued Ordinary Shares under option granted pursuant to the CYI Equity Plan. Details of the options to subscribe for Ordinary Shares in CYI are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2016	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2016	Exercise Period
29/7/2014	US$21.11	570,000	–	–	(40,000)	530,000	29/7/2015 to 28/7/2024

The above options are subject to a vesting period of three years from the date of grant with one-third of the options vesting on each 12-month anniversary of the date of grant.

The persons to whom these options have been granted have not been granted any right to participate by virtue of the options, in any share issue of any other company.

32. Commitments

Capital commitments

Capital expenditure contracted for as at the end of the year but not recognised in the financial statements is as follows:

	Group	
	2016	**2015**
	$'000	$'000
Capital commitments in respect of property, plant and equipment	98,757	126,844

Operating lease commitments as lessee

At 31 December, commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Within 1 year	9,587	9,184	594	594
After 1 year but within 5 years	9,935	12,017	352	945
After 5 years	1,569	823	–	–
	21,091	22,024	946	1,539

Annual rentals payable for the leases of land by the Group under non-cancellable operating leases are subjected to revision at fixed intervals ranging from one to three years. Any increase will not exceed 5.5% (2015: 5.5%) on an annualised basis, provided that any rent after such increase shall not exceed the prevailing market rent. The leases expire between 2017 and 2025 (2015: 2016 and 2025).

Operating lease commitments as lessor

The Group has entered into commercial property leases on its surplus office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease receivables under non-cancellable operating leases are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Within 1 year	284	831
After 1 year but within 5 years	64	1,966
After 5 years	–	4,085
	348	6,882

32. Commitments (cont'd)

Finance lease commitments

The Group has finance leases for various plant and machinery. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2016		2015	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	$'000	$'000	$'000	$'000
Within 1 year	1,770	1,707	2,252	2,112
After 1 year but within 5 years	2,172	2,036	3,864	3,622
Total minimum lease payments	3,942	3,743	6,116	5,734
Less: Amounts representing finance charges	(199)	–	(382)	–
Present value of minimum lease payments	3,743	3,743	5,734	5,734

33. Related party transactions

(a) Compensation of key management personnel

	Group	
	2016	2015
	$'000	$'000
Short-term employee benefits	9,940	9,830
Defined contribution plans	148	142
Share-based payments	9	42
	10,097	10,014

Directors' remuneration included in key management personnel compensation amounted to $2,451,000 (2015: $2,673,000).

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

Key management personnel of the Group participate in the HLA Share Option Scheme as described in Note 31. No options were granted to key management personnel pursuant to the HLA Share Option Scheme during the year (2015: 200,000 options). All Options are subject to a vesting schedule.

As at the end of the year, 1,070,000 (2015: 1,320,000) Options granted to key management personnel were outstanding, of which 970,000 (2015: 970,000) were Options granted to the Executive Directors of the Company.

33. Related party transactions (cont'd)

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

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

Awards of share options, restricted stock and stock payments may be granted to key management personnel of the Group who are employees of CYI or a subsidiary of CYI pursuant to the CYI Equity Plan as described in Note 31. In 2016 and 2015, no award was granted to key management personnel under the CYI Equity Plan during the financial years under review. As at the end of the year, 430,000 (2015: 430,000) options granted to key management personnel were outstanding. These options are subject to a vesting period.

(b) Sale and purchase of goods and services

During the year, the Group made payments to a firm, in which a director has an interest, in respect of professional services rendered. This amounted to $88,733 (2015: $95,000). No balance was outstanding at the balance sheet date (2015: $22,000).

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

	Group	
	2016	**2015**
	$'000	$'000
Sale of diesel engines and raw materials		
- associates and joint ventures	45,565	34,173
- related corporations	92,802	112,859
Purchase of raw materials		
- associates and joint ventures	109,165	78,174
- related corporations	213,368	258,155
Management services paid and payable		
- related corporations	892	552
Rental paid and payable (include general expenses)		
- immediate holding company	484	481
General and administrative expenses		
- related corporations	10,366	11,071
Delivery, storage and distribution expenses		
- related corporations	40,077	42,628
Hospitality and restaurant service income		
- related corporations	2,827	709
Rental income		
- related corporations	1,131	–
Purchase of vehicles and machineries		
- related corporations	–	429

33. Related party transactions (cont'd)

(c) Outstanding balances with a related party

As at 31 December 2016, fixed deposits held with a related party amounted to $4,500,000 (2015: $23,167,000).

34. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group and the Company. The management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. The Group's and the Company's policies and financial authority limits are documented and reviewed periodically. The financial authority limits seek to limit and mitigate operational risk by setting threshold of approvals required for the entry into contractual obligations and investments.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group and the Company require collateral in respect of financial assets in certain circumstances.

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and short-term deposits are placed with banks and financial institutions which are regulated.

As at 31 December 2016 and 31 December 2015, there was no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

34. Financial risk management objectives and policies (cont'd)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and short-term deposits.

The Group's and the Company's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts. The Group's and the Company's debt obligations are mainly denominated in Singapore Dollar, United States Dollar, Chinese Renminbi, Ringgit Malaysia and Euro, and at fixed and floating rates of interest. For variable rate financial instruments, a change of 100 bp in interest rate at the reporting date would increase/(decrease) profit before income tax by the amounts shown below.

	Profit before income tax	
	100 bp Increase	**100 bp Decrease**
	$'000	$'000
Group		
31 December 2016		
Floating rate instruments	(3,008)	3,008
31 December 2015		
Floating rate instruments	(2,876)	2,876

	Profit before income tax	
	100 bp Increase	**100 bp Decrease**
	$'000	$'000
Company		
31 December 2016		
Floating rate instruments	(3,206)	3,206
31 December 2015		
Floating rate instruments	(1,921)	1,921

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows, and having adequate amounts of committed credit facilities.

34. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

The Group assesses the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash outflows are disclosed in Note 21.

(d) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily the Singapore Dollar, Chinese Renminbi, United States Dollar, Ringgit Malaysia, Euro and Hong Kong Dollar.

Foreign currency translation exposure is managed by incurring debt in the operating currency so that where possible operating cash flows can be primarily used to repay obligations in the local currency. This also has the effect of minimising the exchange differences recorded against income, as the exchange differences on the net investment are recorded directly against equity.

The Group does not apply hedge accounting for such foreign currency denominated sales, purchases and borrowings.

The Group's and the Company's financial assets and liabilities balances that have exposures to foreign currencies are as follows:

			2016			
Group	**Singapore Dollar**	**Chinese Renminbi**	**United States Dollar**	**Ringgit Malaysia**	**Euro**	**Hong Kong Dollar**
	$'000	$'000	$'000	$'000	$'000	$'000
Other investments	2,531	–	–	–	–	–
Trade and other receivables	428	229,170	78,194	–	2,517	485
Cash and cash equivalents	28,183	526	3,984	161	92	–
Loans and borrowings	(57,014)	(31,170)	(63,527)	–	–	–
Trade and other payables	(62,710)	(753)	(31,611)	(7,863)	(2,465)	(1,115)
	(88,582)	197,773	(12,960)	(7,702)	144	(630)
Add/(less): Loan payables/(receivables) forming part of net investment in foreign entities	44,971	(221,707)	–	–	–	–
	(43,611)	(23,934)	(12,960)	(7,702)	144	(630)

34. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Group	2015 Singapore Dollar	Chinese Renminbi	United States Dollar	Ringgit Malaysia	Euro	Hong Kong Dollar
	$'000	$'000	$'000	$'000	$'000	$'000
Other investments	2,581	–	–	–	–	–
Trade and other receivables	3,013	115,061	77,893	–	1,911	475
Cash and cash equivalents	27,017	8,610	1,782	202	91	–
Loans and borrowings	(57,005)	–	(41,031)	–	(60,511)	–
Trade and other payables	(72,399)	(1,224)	(30,594)	(10,400)	(1,017)	(1,075)
	(96,793)	122,447	8,050	(10,198)	(59,526)	(600)

Company	2016 Chinese Renminbi	2016 United States Dollar	2015 Chinese Renminbi	2015 United States Dollar
	$'000	$'000	$'000	$'000
Trade and other receivables	–	74,625	–	72,882
Cash and cash equivalents	75	7	375	27
Loans and borrowings	(31,170)	(41,905)	–	(41,031)
	(31,095)	32,727	375	31,878

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would increase/(decrease) profit before income tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2016	Profit before income tax Group	Profit before income tax Company
	$'000	$'000
Singapore Dollar	(4,361)	–
Chinese Renminbi	(2,393)	(3,110)
United States Dollar	(1,296)	3,273
Ringgit Malaysia	(770)	–
Euro	14	–
Hong Kong Dollar	(63)	–

34. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

	Profit before income tax	
	Group	**Company**
2015	$'000	$'000
Singapore Dollar	(9,679)	–
Chinese Renminbi	12,245	38
United States Dollar	805	3,188
Ringgit Malaysia	(1,020)	–
Euro	(5,953)	–
Hong Kong Dollar	(60)	–

A 10% weakening of the above would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

35. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the assets or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

35. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class and liabilities measured at fair value at the end of the reporting period:

	Group $'000			
2016	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets				
Other investments	3,977	–	–	3,977
At 31 December 2016	3,977	–	–	3,977
Financial liabilities				
Derivatives	–	(29)	–	(29)
At 31 December 2016	–	(29)	–	(29)
2015				
Financial assets				
Other investments	4,017	–	–	4,017
Derivatives	–	3,340	–	3,340
At 31 December 2015	4,017	3,340	–	7,357

(c) *Level 2 fair value measurements*

The Group's derivatives at the end of the reporting period consist of the following:

i. On 21 December 2016, the Group entered into a non-deliverable forward foreign exchange contract ("NDF") with a bank to purchase US$15.3 million at the forward exchange rate (RMB/US$) of 7.0439 on 20 December 2017. The Group accounted for this NDF at fair value through "Other expenses" line in the income statement. As at 31 December 2016, the carrying amount of this financial liability is $29,000.

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

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

35. Fair value of assets and liabilities (cont'd)

(d) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of current trade and other receivables (Note 16), cash and short-term deposits (Note 17), trade and other payables (Note 22), and current loans and borrowings (Note 21) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of non-current receivables (Note 12) and other non-current payables (Note 22) are reasonable approximation of fair values as the consideration of time value of money is not material.

The carrying amounts of long term deposits (Note 17) and non-current loans and borrowings (Note 21) are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting period or their interest rates approximate the market lending rate.

Set out below is a comparison by category of carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements:

Classification of financial instruments

Group	**Loans and receivables**	**Fair value through profit or loss**	**Available for sale**	**Liabilities at amortised cost**	**Total**
2016	$'000	$'000	$'000	$'000	$'000
Assets					
Other investments	–	2,531	1,446	–	3,977
Non-current receivables	4,624	–	–	–	4,624
Trade receivables	1,656,307	–	–	–	1,656,307
Due from related corporations	40,040	–	–	–	40,040
Deposits	3,236	–	–	–	3,236
Lease receivables	3,720	–	–	–	3,720
Other receivables	28,803	–	–	–	28,803
Cash and short-term deposits	1,033,698	–	–	–	1,033,698
	2,770,428	2,531	1,446	–	2,774,405
Liabilities					
Trade payables	–	–	–	1,150,856	1,150,856
Accrued expenses	–	–	–	405,768	405,768
Other payables	–	–	–	49,870	49,870
Trust receipts	–	–	–	4,454	4,454
Due to related corporations	–	–	–	53,190	53,190
Loans and borrowings	–	–	–	700,444	700,444
Derivatives	–	29	–	–	29
Provision for bonus	–	–	–	27,830	27,830
	–	29	–	2,392,412	2,392,441

35. Fair value of assets and liabilities (cont'd)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)

Classification of financial instruments (cont'd)

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

35. Fair value of assets and liabilities (cont'd)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)

Classification of financial instruments (cont'd)

Company	**Loans and receivables**	**Fair value through profit or loss**	**Available for sale**	**Liabilities at amortised cost**	**Total**
2016	$'000	$'000	$'000	$'000	$'000
Assets					
Due from related corporations	396,882	–	–	–	396,882
Deposits	28	–	–	–	28
Cash and short-term deposits	2,482	–	–	–	2,482
	399,392	–	–	–	399,392
Liabilities					
Accrued expenses	–	–	–	2,481	2,481
Other payables	–	–	–	35	35
Due to related corporations	–	–	–	2,685	2,685
Loans and borrowings	–	–	–	322,142	322,142
	–	–	–	327,343	327,343
2015					
Assets					
Trade receivables	16	–	–	–	16
Due from related corporations	329,117	–	–	–	329,117
Deposits	160	–	–	–	160
Cash and short-term deposits	11,199	–	–	–	11,199
	340,492	–	–	–	340,492
Liabilities					
Accrued expenses	–	–	–	2,748	2,748
Other payables	–	–	–	52	52
Due to related corporations	–	–	–	2,762	2,762
Loans and borrowings	–	–	–	202,006	202,006
	–	–	–	207,568	207,568

36. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

As disclosed in Note 20(b), the Group's subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial years ended 31 December 2016 and 2015.

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

	Group	
	2016	**2015**
	$'000	$'000 (Restated)
Loans and borrowings (current and non-current)	700,444	983,906
Trade and other payables (current and non-current)	1,764,602	1,705,875
Less: Cash and deposits	(1,033,698)	(1,026,113)
Net debt	1,431,348	1,663,668
Equity attributable to the owners of the Company	698,436	774,898
Less: Fair value reserve	(45,246)	(45,230)
Statutory reserve	(33,369)	(33,178)
Total capital	619,821	696,490
Capital and net debt	2,051,169	2,360,158

37. Contingent liability

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

In 2015, an independent surveyor appraised the value of the additional construction work at a much lower sum. Using the appraised value, management has recognised that a sum of approximately $2.8 million is due to the Claimant. Efforts to reach an out of court settlement, with an offer based on the independent valuation, have failed. The claim and the counter-claim will now be determined by the Court, in Suzhou, the PRC.

In 2016, upon the Claimant's request, the subsidiary has furnished the surveyor's report to the Claimant.

After considering the evidence that the subsidiary will adduce, the advice obtained by the subsidiary from the legal advisors and the independent surveyor, management does not expect that further provision for the claim will be required as at 31 December 2016.

38. Segment information

For management purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

Reportable segments

(i) Diesel engines: diesel engines and automobile spare parts.

(ii) Consumer products: refrigerators, freezers and washing machines.

(iii) Building materials: cement, pre-cast concrete products, ready-mix concrete and quarry products.

(iv) Industrial packaging: plastic packaging related products and container components.

(v) Air-conditioning systems: commercial and residential air-conditioning products and lifestyle consumer appliances.

Other operations include hospitality and property development. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment report is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

38. Segment information (cont'd)

Reportable segments (cont'd)

2016	**Diesel engines** $'000	**Consumer products** $'000
Total external revenue	2,819,986	370,632
Interest income	11,512	287
Interest expense	(13,977)	(7,999)
Depreciation and amortisation	(97,856)	(9,273)
Reportable segment profit/(loss) before income tax	182,962	(130,529)
Share of (loss)/profit of associates and joint ventures, net of income tax	(51)	–
Reportable segment profit/(loss) after income tax	150,199	(128,470)
Other material non-cash items:		
- Impairment losses recognised on property, plant and equipment and intangible assets	684	11,541
- Claims, net	–	–
- Warranties	72,748	9,227
- Onerous contract	–	–
Assets and liabilities		
Reportable segment assets	3,758,225	327,317
Investment in associates and joint ventures	36,820	–
Capital expenditure ^	58,562	3,002
Reportable segment liabilities	1,712,617	621,769

Building materials	Industrial packaging	Air-conditioning systems	Corporate and Others*	Adjustments	Consolidated total
$'000	$'000	$'000	$'000	$'000	$'000
463,274	38,770	18,337	13,760	–	3,724,759
3,501	81	42	2,297	(1,649)	16,071
(131)	(1,318)	(1,435)	(10,271)	1,649	(33,482)
(22,654)	(2,311)	(1,960)	(2,319)	–	(136,373)
41,003	(5,828)	(11,098)	(15,159)	–	61,351
2,656	–	–	(698)	–	1,907
33,863	(5,811)	(11,098)	(15,854)	–	22,829
–	–	5,533	–	–	17,758
3,673	–	–	–	–	3,673
–	–	201	–	–	82,176
1,105	–	–	–	–	1,105
381,141	764	94,627	1,206,521	(1,078,462)	4,690,133
47,542	–	–	623	–	84,985
11,968	521	462	688	–	75,203
93,992	55,540	158,501	692,370	(677,025)	2,657,764

38. Segment information (cont'd)

Reportable segments (cont'd)

2015	**Diesel engines** $'000	**Consumer products** $'000
Total external revenue	2,986,401	425,128
Interest income	8,738	372
Interest expense	(22,644)	(8,254)
Depreciation and amortisation	(101,177)	(11,145)
Reportable segment profit/(loss) before income tax	150,707	(110,315)
Share of profit/(loss) of associates and joint ventures, net of income tax	1,944	–
Reportable segment profit/(loss) after income tax (restated)	112,628	(127,020)
Other material non-cash items:		
- Impairment losses recognised on property, plant and equipment and intangible assets	6,460	5,637
- Claims, net	–	–
- Warranties	67,185	10,861
Assets and liabilities		
Reportable segment assets	3,930,072	428,532
Investment in associates and joint ventures	56,527	–
Capital expenditure ^	108,578	4,164
Reportable segment liabilities	1,949,828	581,537

* Others include hospitality and property development.

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

	Building materials	Industrial packaging	Air-conditioning systems	Corporate and Others*	Adjustments	Consolidated total
	$'000	$'000	$'000	$'000	$'000	$'000
	580,401	52,607	24,758	13,433	–	4,082,728
	4,040	215	938	3,167	(3,401)	14,069
	(157)	(1,003)	(4,022)	(9,113)	3,401	(41,792)
	(24,625)	(2,912)	(2,394)	(2,437)	–	(144,690)
	77,479	(10,886)	(16,265)	(9,479)	–	81,241
	2,260	–	–	(2,531)	–	1,673
	60,531	(10,626)	(16,250)	(10,213)	–	9,050
	–	–	4,104	–	–	16,201
	6,296	–	–	–	–	6,296
	–	–	310	–	–	78,356
	396,261	5,767	106,158	1,071,820	(922,341)	5,016,269
	52,482	–	–	1,483	–	110,492
	14,412	2,719	2,639	460	–	132,972
	113,913	54,323	158,331	584,831	(548,533)	2,894,230

38. Segment information (cont'd)

Geographical segments

The Group operations are primarily in the PRC, Singapore and Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	The PRC	Singapore	Malaysia	Others	Consolidated total
	$'000	$'000	$'000	$'000	$'000
2016					
Total revenue from external customers	3,203,089	235,803	245,442	40,425	3,724,759
Non-current assets #	1,124,270	27,994	162,365	–	1,314,629
2015					
Total revenue from external customers	3,440,755	326,328	274,175	41,470	4,082,728
Non-current assets #	1,239,481	30,249	177,531	–	1,447,261

Exclude interests in associates and joint ventures, other investments, deferred tax assets, long-term deposits and non-current receivables.

Major customer

Revenue from one customer of the Group's diesel engines segment in the PRC represents approximately $741,113,000 (2015: $633,528,000) of the Group's total revenue.

39. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Consolidation of entities in which the Group holds less than 50%

Management considers that the Group has control over certain investees (CYI and its subsidiaries) whereby the Group holds less than 50% ownership interest. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Information is included in Note 7.

(ii) De-recognition of bills receivable

The Group sells bills receivable to banks on an ongoing basis. The buyer is responsible for servicing the receivables upon maturity of the bills receivable. This involves management assumptions and judgement relating to the transfer of risks and rewards of the bills receivable when discounted. At the time of sale of the bills receivable to the banks, the risks and rewards relating to the bills receivable are substantially transferred to the banks. Accordingly, bills receivable are de-recognised, and a discount equal to the difference between the carrying value of the bills receivable and cash received is recorded. Please refer to Note 16 to the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

39. Significant accounting judgements and estimates (cont'd)

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

(i) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. Where applicable, the Group considers independent valuation reports of valuation specialists. The value in use calculation is based on a discounted cash flow model or relief-from-royalty method depending on the nature of the non-financial asset. The cash flows are derived from the budget for the next five years or the commercial useful life of the assets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of intangible assets are disclosed in Note 6 to the financial statements.

(ii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Notes 12 and 35 to the financial statements.

(iii) Allowance for inventory obsolescence

Where necessary, allowance for inventory obsolescence would be set up for estimated losses which may result from obsolete inventories held. The Group estimates the level of allowance based on the prevailing market conditions and historical provisioning experience. The required level of allowance could change significantly as a result of changes in market conditions. The amounts of allowance recognised are disclosed in Note 14 to the financial statements.

39. Significant accounting judgements and estimates (cont'd)

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

(iv) Provisions

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Where settlement of the obligations are expected to be more than 12 months, the financial effect of discounting the obligations is not expected to be material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are only disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. The amounts of provision made as of 31 December are disclosed in Note 23 to the financial statements. Contingent liability is disclosed in Note 37 to the financial statements.

(v) Withholding tax provision

The China's Unified Enterprise Income Tax Law also provides for a tax of 10% to be withheld from dividends paid to foreign investors of the PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to 1 January 2008. Beginning on 1 January 2008, a 10% withholding tax is imposed on dividends paid to the Group, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Group will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Group does not plan to indefinitely reinvest in the PRC enterprises. The amounts of deferred tax liability as at 31 December are disclosed in Note 13 to the financial statements.

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $181,319,000 (2015: $171,425,000). The amounts of deferred tax position as at 31 December are disclosed in Note 13 to the financial statements.

(vii) Development expenditure

Research and development costs are capitalised in accordance with the accounting policy in Note 2.13 (b)(ii). Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. The carrying amounts are disclosed in Note 5 to the financial statements.

40. Events occurring after the reporting period

Proposed disposal of the equity interest in LKN Investment International Pte. Ltd.

On 13 February 2017, HLGE announced that it had entered into a memorandum of understanding with Jingrui Properties (Group) Co., Ltd ("Purchaser") in relation to the proposed disposal of all the issued shares in the capital of LKNII. LKNII is an investment holding company which owns 100% equity interest in Shanghai Hutai Real Estate Development Co., Ltd ("Hutai") and 60% equity interest in CHQ.

The indicative aggregate consideration payable by the Purchaser to HLGE will be RMB550 million (which is equivalent to approximately $113.7 million). The proposed disposal is subject to both parties entering into a sales and purchase agreement and the approval of the shareholders of HLGE at an extraordinary general meeting to be convened.

On 28 February 2017, both parties agreed to extend the long stop date for the execution of the sale and purchase agreement to 15 March 2017 and Natural Apex Limited, the related company of the Purchaser, shall purchase the entire shares in LKNII, subject to the terms of the sale and purchase agreement to be executed between LKNII and Natural Apex Limited.

On 15 March 2017, the long stop date for the execution of the sale and purchase agreement was further extended to 15 April 2017.

41. Authorisation of financial statements

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors passed on 21 March 2017.

财务报表

资产负债表

2016年12月31日

	附注	合并 2016 $'000	合并 2015 $'000 (重列)	合并 2014 $'000 (重列)	母公司 2016 $'000	母公司 2015 $'000
非流动资产						
固定资产	3	1,111,296	1,219,741	1,276,373	126	325
土地使用权	4	133,640	141,129	146,699	–	–
无形资产	5	68,177	84,789	99,543	152	192
子公司股权投资	7	–	–	–	202,955	204,455
联营公司权益	8	48,339	53,210	62,055	13,726	13,726
合资公司权益	9	36,646	57,282	57,692	–	–
投资性房地产	10	1,516	1,602	–	–	–
其它金融资产	11	1,434	1,425	1,766	–	–
长期应收款	12	6,645	10,205	7,741	171,118	103,184
递延所得税资产	13	62,363	75,987	101,683	–	15
长期存款	17	–	12,924	–	–	–
		1,470,056	1,658,294	1,753,552	388,077	321,897
流动资产						
存货	14	464,979	524,799	583,908	–	–
开发性房地产	15	4,858	4,870	7,108	–	–
其它金融资产	11	2,543	2,592	4,878	–	–
应收账款及其他应收款	16	1,780,587	1,919,677	2,115,359	225,841	226,153
货币资金	17	1,033,698	1,013,189	796,775	2,482	11,199
金融性衍生品资产		–	3,340	12	–	–
持有待售的资产	18	18,397	–	–	–	–
		3,305,062	3,468,467	3,508,040	228,323	237,352
总资产合计		4,775,118	5,126,761	5,261,592	616,400	559,249

此报告中的附注是组成这些财务报表不可或缺的内容

资产负债表

2016年12月31日

	附注	合并 2016 $'000	合并 2015 $'000 (重列)	合并 2014 $'000 (重列)	母公司 2016 $'000	母公司 2015 $'000
流动负债						
应付账款及其他应付款	22	1,736,182	1,681,031	1,741,378	5,201	5,562
计提准备	23	69,659	70,063	80,102	–	–
短期借款	21	533,434	921,533	577,998	182,142	202,006
应付所得税		10,817	13,554	17,599	8	40
金融性衍生品负债		29	–	1,426	–	–
		2,350,121	2,686,181	2,418,503	187,351	207,608
净流动资产		954,941	782,286	1,089,537	40,972	29,744
非流动负债						
长期借款	21	167,010	62,373	371,709	140,000	–
递延所得税负债	13	43,369	54,136	56,563	2,037	1,937
递延补贴		68,585	75,153	69,675	–	–
其他非流动应付款	22	28,420	24,844	28,042	–	–
应付退休金		259	256	283	–	–
		307,643	216,762	526,272	142,037	1,937
总负债合计		2,657,764	2,902,943	2,944,775	329,388	209,545
净资产		2,117,354	2,223,818	2,316,817	287,012	349,704
股本与公积						
发行股本	19	266,830	266,830	266,830	266,830	266,830
各项储备	20	426,921	508,068	592,081	20,182	82,874
持有待售的资产公积	18	4,685	–	–	–	–
		698,436	774,898	858,911	287,012	349,704
非控股权益		1,418,918	1,448,920	1,457,906	–	–
所有者权益合计		2,117,354	2,223,818	2,316,817	287,012	349,704
负债及所有者权益总计		4,775,118	5,126,761	5,261,592	616,400	559,249

此报告中的附注是组成这些财务报表不可或缺的内容

合并利润表

截至2016年12月31日

	附注	合并 2016 $'000	合并 2015 $'000 (重列)
营业收入	24	3,724,759	4,082,728
营业成本		(2,959,812)	(3,229,428)
毛利润		764,947	853,300
其他收入项目净值			
其他收入		32,955	36,293
其他费用项目			
销售费用		(360,165)	(423,200)
研发费用		(132,894)	(123,108)
管理费用		(193,250)	(201,992)
财务费用	26	(34,740)	(43,387)
其他费用		(17,409)	(18,338)
应占联营及合资公司净利润		1,907	1,673
税前利润	25	61,351	81,241
所得税费用	28	(38,522)	(72,191)
本年利润		22,829	9,050
归属于:			
母公司所有者		(71,246)	(60,731)
非控股权益		94,075	69,781
		22,829	9,050
每股亏损（分）			
- 基本	29	(19.05)	(16.24)
- 稀释	29	(19.05)	(16.24)

此报告中的附注是组成这些财务报表不可或缺的内容

合并综合收益表
截至2016年12月31日

	合并	
	2016	**2015**
	$'000	$'000
		(重列)
本年利润	22,829	9,050
其他综合（亏损）/收益		
利润表项目后续可能重新进行分类		
实现附属公司清算的外币会计报表折算差额	–	(64)
国外子公司，联营公司和合资公司的外币报表折算差额	(70,481)	1,918
公允价值变动净值	16	(349)
货币项目视同国外投资而产生的汇兑差额	(4,416)	–
本年其他综合（亏损）/收益（税后净值）	(74,881)	1,505
本年综合(亏损）/收益总额	(52,052)	10,555
归属于：		
母公司所有者	(97,694)	(72,469)
非控股权益	45,642	83,024
本年综合收益总额	(52,052)	10,555

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合并所有者权益变动表
截至2016年12月31日

合并	附注	发行股本 $'000	资本公积 $'000	法定公积 $'000	公允价值公积 $'000	权益报酬公积 $'000
2015年12月31日余额（如前所述）		266,830	4,442	33,178	45,230	3,788
会计政策变更所产生的调整		–	–	–	–	–
2016年1月1日余额（重列）		266,830	4,442	33,178	45,230	3,788
本年利润		–	–	–	–	–
其他综合收益						
国外子公司，联营公司和合资公司的外币报表折算差额		–	–	–	–	–
公允价值变动净值		–	–	–	16	–
货币项目视同国外投资而产生的汇兑差额		–	–	–	–	–
本年其他综合亏损（税后净值）		–	–	–	16	–
本年综合收益总额		–	–	–	16	–
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用	27	–	–	–	–	443
发给子公司非控股东的股份		–	–	–	–	–
支付公司股东股利	30	–	–	–	–	–
支付子公司非控股东股利		–	–	–	–	–
对子公司控股权的变动						
收购子公司		–	–	–	–	–
收购非控股权		–	–	–	–	–
其他						
转入法定公积		–	–	191	–	–
归属持有待售售资产公积		–	–	–	–	–
2016年12月31日余额		266,830	4,442	33,369	45,246	4,231

此报告中的附注是组成这些财务报表不可或缺的内容

外币报表折算差额 $'000	收购非控股东股权的折让/(额外支付) $'000	持有待售资产公积 $'000	未分配利润 $'000	归属于母公司所有者权益合计 $'000	非控股权益 $'000	所有者权益合计 $'000
(20,592)	10,247	–	439,617	782,740	1,449,791	2,232,531
–	–	–	(7,842)	(7,842)	(871)	(8,713)
(20,592)	10,247	–	431,775	774,898	1,448,920	2,223,818
–	–	–	(71,246)	(71,246)	94,075	22,829
(22,048)	–	–	–	(22,048)	(48,433)	(70,481)
–	–	–	–	16	–	16
(4,416)	–	–	–	(4,416)	–	(4,416)
(26,464)	–	–	–	(26,448)	(48,433)	(74,881)
(26,464)	–	–	(71,246)	(97,694)	45,642	(52,052)
–	–	–	–	443	664	1,107
–	24,164	–	–	24,164	(20,479)	3,685
–	–	–	(3,739)	(3,739)	–	(3,739)
–	–	–	–	–	(54,028)	(54,028)
–	–	–	–	–	449	449
–	364	–	–	364	(2,250)	(1,886)
–	–	–	(191)	–	–	–
(4,685)	–	4,685	–	–	–	–
(51,741)	34,775	4,685	356,599	698,436	1,418,918	2,117,354

合并所有者权益变动表

截至2016年12月31日

合并	附注	发行股本 $'000	资本公积 $'000	法定公积 $'000	公允价值公积 $'000	权益报酬公积 $'000
2014年12月31日余额（如前所述）		266,830	293	35,321	45,579	2,872
会计政策变更所产生的调整		–	–	–	–	–
2015年1月1日余额（重列）		266,830	293	35,321	45,579	2,872
本年利润		–	–	–	–	–
其他综合收益						
国外子公司，联营公司和合资公司的外币报表折算差额		–	–	–	–	–
公允价值变动净值		–	–	–	(349)	–
实现附属公司清算外币会计报表折算差额		–	–	–	–	–
实现子公司处置产生的法定公积		–	–	(1,287)	–	–
本年其他综合（亏损）/收益（税后净值）		–	–	(1,287)	(349)	–
本年综合收益总额		–	–	(1,287)	(349)	–
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用	27	–	–	–	–	916
发给子公司非控股东的股份		–	–	–	–	–
支付公司股东股利	30	–	–	–	–	–
支付子公司非控股东股利		–	–	–	–	–
对子公司控股权的变动						
收购非控股权		–	4,149	(1,147)	–	–
其他						
转入法定公积		–	–	291	–	–
2015年12月31日余额		266,830	4,442	33,178	45,230	3,788

此报告中的附注是组成这些财务报表不可或缺的内容

外币报表折算差额 $'000	收购非控股东股权的折让/(额外支付) $'000	持有待售资产公积 $'000	未分配利润 $'000	归属于母公司所有者权益合计 $'000	非控股权益 $'000	所有者权益合计 $'000
(11,915)	17,204	–	511,191	867,375	1,458,846	2,326,221
–	–	–	(8,464)	(8,464)	(940)	(9,404)
(11,915)	17,204	–	502,727	858,911	1,457,906	2,316,817
–	–	–	(60,731)	(60,731)	69,781	9,050
(11,357)	–	–	–	(11,357)	13,275	1,918
–	–	–	–	(349)	–	(349)
(32)	–	–	–	(32)	(32)	(64)
–	–	–	1,287	–	–	–
(11,389)	–	–	1,287	(11,738)	13,243	1,505
(11,389)	–	–	(59,444)	(72,469)	83,024	10,555
–	–	–	–	916	1,428	2,344
–	(2,933)	–	–	(2,933)	7,055	4,122
–	–	–	(11,217)	(11,217)	–	(11,217)
–	–	–	–	–	(74,747)	(74,747)
2,712	(4,024)	–	–	1,690	(25,746)	(24,056)
–	–	–	(291)	–	–	–
(20,592)	10,247	–	431,775	774,898	1,448,920	2,223,818

所有者权益变动表

截至2016年12月31日

母公司	附注	发行股本 $'000	资本公积 $'000	权益报酬公积 $'000	未分配利润 $'000	合计 $'000
2016年1月1日余额		266,830	9,199	2,453	71,222	349,704
本年综合收益总额		–	–	–	(58,967)	(58,967)
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用		–	–	14	–	14
支付公司股东股利	30	–	–	–	(3,739)	(3,739)
2016年12月31日余额		266,830	9,199	2,467	8,516	287,012
2015年1月1日余额		266,830	9,199	2,397	48,058	326,484
本年综合收益总额		–	–	–	34,381	34,381
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用		–	–	56	–	56
支付公司股东股利	30	–	–	–	(11,217)	(11,217)
2015年12月31日余额		266,830	9,199	2,453	71,222	349,704

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至2016年12月31日

	附注	合并 2016 $'000	合并 2015 $'000 (重列)
经营活动产生的现金流量			
税前利润		61,351	81,241
调整项目：			
应占联营及合资公司利润		(1,907)	(1,673)
股份支付费用	27	1,107	2,344
折旧与摊销费用	25	136,373	144,690
存货跌价准备确认	25	390	12,557
应收账款及其他应收款坏账准备确认	25	842	10,626
固定资产及无形资产减值准备	25	17,758	16,201
开发性房地产减值准备冲回	25	–	(650)
固定资产注销	25	339	1,245
财务费用	26	34,740	43,387
其他投资股利收入	25	(240)	(44)
利息收入	25	(16,071)	(14,069)
处置以下资产的损失/（收益）：			
- 子公司	25	–	2,981
- 合资公司	25	–	(76)
- 固定资产	25	3,292	3,190
- 土地使用权	25	–	(548)
其他投资公允价值变动损失	25	51	2,375
衍生性金融产品公允价值变动损失/（收益）	25	95	(3,689)
收购子公司所产生的损失	7	234	–
三包费及其他准备计提净额	25	86,954	84,652
流动资金变动前经营活动产生的现金流量		325,308	384,740
流动资金的变动：			
存货的减少		41,842	45,588
应收账款及其他应收款的减少		73,134	181,352
应付账款及其他应付款的增加/（减少）		139,518	(73,743)
已计提准备的使用	23	(85,257)	(95,770)
经营活动产生的现金流量		494,545	442,167
支付所得税		(40,419)	(45,091)
经营活动产生的现金流量净额		454,126	397,076

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至2016年12月31日

	附注	合并 2016 $'000	合并 2015 $'000 (重列)
投资活动产生的现金流量			
收购子公司的非控制性权益（包括股权互换交易）		(1,886)	(24,056)
联营及合资公司权益		(260)	(566)
取得股利分配收到的现金：			
- 联营公司与合资公司		7,141	6,290
- 其他投资	25	240	44
取得利息收入收到的现金		17,656	17,814
银行存款净增加额		(3,749)	(30,924)
购置资产支付的现金：			
- 固定资产	3	(88,431)	(131,687)
- 无形资产	5	(257)	(1,285)
处置资产收回的现金净额：			
- 子公司	7(g)	–	37,286
- 合资公司		–	385
- 固定资产		558	17,212
- 土地使用权		–	983
- 其他投资		–	1
投资活动占用的现金流量净额		(68,988)	(108,503)
筹资活动产生的现金流量			
分配股利支付的现金：			
- 非控股东		(54,028)	(74,747)
- 本公司股东	30	(3,739)	(11,217)
偿付利息支付的现金		(41,435)	(43,242)
向银行借款收到的现金		545,639	810,131
发行债券收到的现金		–	87,106
子公司吸收非控股东投资收到的现金		3,685	4,122
政府补贴收入收到的现金		2,812	10,902
偿还银行贷款支付的现金		(799,619)	(860,440)
偿还租赁融资支付的现金		(2,002)	(1,770)
筹资活动占用的现金流量净额		(348,687)	(79,155)

	附注	合并 2016 $'000	合并 2015 $'000 (重列)
现金及现金等价物净增加额		36,451	209,418
年初现金及现金等价物余额	17	938,620	740,542
汇率变动对现金及现金等价物的影响		(29,900)	(11,340)
年末现金及现金等价物余额	17	945,171	938,620

此报告中的附注是组成这些财务报表不可或缺的内容

附注:

存放于实行外汇管制国家的现金及现金等价物共计$780,801,000 (2015: $784,694,000)。

2015年清算合资公司资产和负债的价值与现金流的影响：

	合并 **2015** $'000
现金及银行存款	373
处置的净资产	373
清算合资公司收益	76
实现合资公司清算外币会计报表折算差额	(64)
清算合资公司的净现金流入	385

附注7列示2016年和2015年收购和处置子公司的现金流影响。

此报告中的附注是组成这些财务报表不可或缺的内容

ANALYSIS OF SHAREHOLDINGS

AS AT 6 MARCH 2017

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	373,908,559
Number of Ordinary Shareholders	:	5,984
Voting Rights	:	1 vote for 1 share

As at 6 March 2017, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	12	0.20	137	0.00
100 – 1,000	799	13.35	784,057	0.21
1,001 - 10,000	3,720	62.17	19,178,728	5.13
10,001 - 1,000,000	1,438	24.03	58,921,856	15.76
1,000,001 and above	15	0.25	295,023,781	78.90
	5,984	100.00	373,908,559	100.00

Based on information available to the Company as at 6 March 2017, approximately 34.99% of the total number of issued shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

MAJOR SHAREHOLDERS LIST - TOP 20 AS AT 6 MARCH 2017

No.	Name of Shareholder	No. of Shares Held	%*
1	Hong Leong Corporation Holdings Pte Ltd	233,000,000	62.31
2	DBS Nominees Pte Ltd	17,121,213	4.58
3	Citibank Nominees Singapore Pte Ltd	9,911,755	2.65
4	Taiheiyo Singapore Pte Ltd	9,079,659	2.43
5	CIMB Securities (S) Pte Ltd	8,210,216	2.20
6	Raffles Nominees (Pte) Ltd	2,534,405	0.68
7	DBSN Services Pte Ltd	2,269,000	0.61
8	Ling Kung Eng	2,025,700	0.54
9	United Overseas Bank Nominees Pte Ltd	1,886,690	0.50
10	Maybank Kim Eng Secs Pte Ltd	1,674,500	0.45
11	Phillip Securities Pte Ltd	1,635,600	0.44
12	HSBC (Singapore) Nominees Pte Ltd	1,536,043	0.41
13	DBS Vickers Securities (S) Pte Ltd	1,471,700	0.39
14	Soon Lee Heng Trading & Transportation Pte Ltd	1,373,900	0.37
15	UOB Kay Hian Pte Ltd	1,293,400	0.35
16	OCBC Nominees Singapore Pte Ltd	942,700	0.25
17	OCBC Securities Pte Ltd	927,100	0.25
18	Ang Jwee Herng	770,000	0.21
19	Francis Chin Kuok Choon	734,500	0.19
20	Ong Choon Huat	701,000	0.18
		299,099,081	79.99

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 6 March 2017.

Substantial Shareholders
(As shown in the Register of Substantial Shareholders as at 6 March 2017)

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

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 6 March 2017.

Notes:

(1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("Starich").

(2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.

(3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 4 of the SFA to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.

(4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Sixth Annual General Meeting (the "Meeting") of HONG LEONG ASIA LTD. (the "Company") will be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Friday, 28 April 2017 at 3.00 p.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December ("FY") 2016 and the Auditors' Report thereon.

2. To declare a first and final one-tier tax exempt dividend of 1 cent per ordinary share for FY 2016 ("First and Final Dividend").

3. To approve Directors' Fees of $483,790 for FY 2016 (FY 2015: $438,603); additional Audit Committee ("AC") Fees of up to $10,688 for the period from 11 August 2016 to 30 June 2017; and AC Fees comprising $29,000 payable to the AC chairman and $19,000 payable to each AC member for the half year period from 1 July 2017 to 31 December 2017 (period from 1 July 2016 to 30 June 2017: $55,000 per annum payable for the AC chairman and $35,000 per annum for each AC member), with payment of the AC Fees to be made quarterly in arrears at the end of each calendar quarter.

4. To re-elect Mr Kwek Leng Peck who would be retiring by rotation in accordance with the Company's Constitution and who, being eligible, offers himself for re-election as a Director of the Company.

   Note: Mr Kwek Leng Beng and Mr Goh Kian Hwee, who would be retiring by rotation in accordance with the Company's Constitution, have notified the Company that they will not be seeking re-election as Directors at the Meeting.

5. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.

B. SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions, of which Resolutions 6, 7, 8 and 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions:

6. That authority be and is hereby given to the Directors to:

   (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 50% of the total number of issued shares, excluding treasury shares, of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares, excluding treasury shares, of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares, excluding treasury shares, shall be based on the total number of issued shares, excluding treasury shares, of the Company at the time this Ordinary Resolution is passed, after adjusting for:

    (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and

    (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Hong Leong Asia Share Option Scheme 2000 (the "SOS") to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to allot and issue from time to time such number of shares of the Company as may be required to be issued pursuant to the exercise of the options granted under the SOS, provided that:

    (a) the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares excluding treasury shares of the Company from time to time; and

    (b) the aggregate number of shares to be issued during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the SOS.

8. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) on SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may, in their absolute discretion, deem fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked in general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Ordinary Resolution:

"Average Closing Price" means the average of the closing market prices of a Share for the five consecutive market days on which the Shares are transacted on SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of SGX-ST for any corporate action which occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price) for each Share, and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares) as at the date of the passing of this Ordinary Resolution; and

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

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

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

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

9. (a) That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on SGX-ST, or an approved exchange, over which the Company, its subsidiaries and/or its interested person(s), have control, or any of them, to enter into any of the transactions falling within the category of Interested Person Transactions, particulars of which are set out in the Appendix Accompanying this Notice of AGM (the "Appendix") with any party who is of the class or classes of Interested Persons described in the Appendix; provided that such transactions are entered into in accordance with the review procedures for Interested Person Transactions as set out in the Appendix, and that such approval (the "IPT Mandate"), shall unless revoked or varied by the Company in general meeting, continue in force until the next AGM of the Company; and

(b) That the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Ordinary Resolution.

10. That the new constitution of the Company ("New Constitution") submitted to this Meeting and, for the purpose of identification, subscribed to by the Company Secretaries be approved and adopted as the New Constitution in substitution for, and to the exclusion of, the existing memorandum and articles of association of the Company.

11. Subject to and conditional upon the Resolution set out in item 10 above being passed, that the objects of the Company, as contained in Clause 4 of the New Constitution, be altered in the manner and to the extent as set out in Annexures VI and VII of the Appendix.

C. TO TRANSACT ANY OTHER ORDINARY BUSINESS

BY ORDER OF THE BOARD

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

Singapore, 4 April 2017

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FIRST AND FINAL DIVIDEND

Subject to the approval of the shareholders at the Meeting for the payment of the First and Final Dividend, the Share Transfer Books and Register of Members of the Company will be closed on 16 May 2017. Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited of 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 15 May 2017 will be registered to determine shareholders' entitlement to the First and Final Dividend.

The First and Final Dividend, if approved by the shareholders at the Meeting, will be paid on 24 May 2017.

Explanatory Notes:

1. With reference to item 3 of the Ordinary Business above, the Directors' Fees of $483,790 for FY 2016 excludes the AC Fees of $55,000 per annum paid to the AC chairman and $35,000 per annum paid to each AC member for FY 2016 which had been approved by shareholders at the 2015 and 2016 AGMs of the Company. The additional AC Fees of up to $10,688 have been proposed to take into consideration the additional responsibility undertaken by the AC since 11 August 2016 for overseeing the Company's sustainability governance and reporting issues. Further information on the Directors' Fees structure can be found on page 32 of the Annual Report.

2. With reference to item 4 of the Ordinary Business above, Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as a member of the SOS Committee ("SOSC"). As part of the Board's succession planning, he has been identified to succeed Mr Kwek Leng Beng following the latter's retirement upon the conclusion of the Meeting and subject to his re-election as Director, the Board at the recommendation of the Nominating Committee ("NC") will appoint Mr Kwek Leng Peck as the Executive Chairman of the Board. Information on these proposed changes to the Board were announced by the Company via SGX-Net on 26 January 2017.

   Key information on Mr Kwek Leng Peck, who is seeking re-election as a Director of the Company under item 4 of the Ordinary Business above, can be found on page 15 of the Annual Report. Mr Kwek Leng Peck is a cousin of Mr Kwek Leng Beng. Details of Mr Kwek Leng Peck's share interest in the Company and its related corporations can be found on pages 63 to 66 of the Annual Report. Mr Kwek Leng Peck is also a director of Hong Leong Corporation Holdings Pte Ltd ("HLCH") and Hong Leong Enterprises Pte. Ltd. ("HLE"), and a director and shareholder of Hong Leong Investment Holdings Pte. Ltd. ("HLIH"), each of which hold more than 10% direct and/or deemed interests in the Company.

3. Mr Kwek Leng Beng, who is due for retirement by rotation in accordance with the Company's Constitution, will not be seeking re-election as a Director at the Meeting. Consequent thereto, Mr Kwek will also cease as the Non-Executive Chairman and a member of NC following the conclusion of the Meeting.

4. Mr Goh Kian Hwee, who is due for retirement by rotation in accordance with the Company's Constitution, will not be seeking re-election as a Director at the Meeting. Consequent thereto, Mr Goh will also cease as a member of the AC, NC, Remuneration Committee and SOSC, following the conclusion of the Meeting.

5. The Ordinary Resolution set out in item 6 of the Special Business above, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is revoked or varied at a general meeting), to issue shares and/or make or grant Instruments that might require shares to be issued up to a number not exceeding 50% of the total number of issued shares, excluding treasury shares, of the Company, of which up to 20% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued under this Ordinary Resolution will be calculated based on the total number of issued shares, excluding treasury shares, of the Company at the time that this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

6. The Ordinary Resolution set out in item 7 of the Special Business above, if passed, will empower the Directors to offer and grant options in accordance with the SOS to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors and to issue from time to time such number of shares of the Company pursuant to the exercise of such options under the SOS subject to such limits or sub-limits as prescribed in the SOS (see note below on voting restrictions).

   Voting restrictions pursuant to Rule 859 of the Listing Manual of SGX-ST
   Please note that if a shareholder is eligible to participate in the SOS (other than as a director and/or employee of Hong Leong Investment Holdings Pte. Ltd. (the "Parent Company") and its subsidiaries (but not including the Company and its subsidiaries)), he should abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 7 in relation to the SOS, and should not accept nominations as proxies or otherwise for voting at the Meeting, in respect of the aforesaid Ordinary Resolution, unless specific instructions have been given in the proxy form on how the vote is to be cast for the aforesaid resolution.

7. The Ordinary Resolution set out in item 8 of the Special Business above, if passed, will empower the Directors to make purchases or otherwise acquire the Company's issued Shares from time to time subject to and in accordance with the guidelines set out in Annexure I of the Appendix. This authority will expire at the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting or when such purchases or acquisitions are carried out to the full extent mandated.

8. The Ordinary Resolution set out in item 9 of the Special Business above, if passed, will renew the IPT Mandate first approved by Shareholders on 30 May 2003 to facilitate the Company, its subsidiaries and its associated companies, to enter into Interested Person Transactions, the details of which are set out in Annexures II and III of the Appendix. The IPT Mandate will continue in force until the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting.

   Voting restrictions pursuant to Rule 921(7) of the Listing Manual of SGX-ST
   The Parent Company and its subsidiaries, the Directors of the Company and their associates, who are also shareholders of the Company and being Interested Persons under the IPT Mandate, are required to abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 9 in relation to the proposed renewal of the IPT Mandate.

9. The Special Resolution set out in item 10 of the Special Business ("Resolution 10") above is to adopt a new constitution for the Company following the numerous amendments to the Companies Act introduced pursuant to the Companies (Amendment) Act 2014 ("Companies (Amendment) Act"). The New Constitution consists of the existing provisions of the memorandum and articles of association of the Company, which have been revised mainly to give effect to the amendments made to the Companies Act pursuant to the Companies (Amendment) Act. Please refer to Annexures IV and V of the Appendix for more details on the New Constitution.

10. The Special Resolution set out in item 11 of the Special Business above is to alter the objects of the Company, as contained in Clause 4 of the New Constitution ("Clause 4"), in the event that shareholders of the Company vote in favour of Resolution 10 above for the proposed adoption of the New Constitution. Clause 4, as amended, will provide that the Company has full capacity, rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction, subject to the Companies Act, any other written law and the New Constitution. Please refer to Annexures VI and VII of the Appendix for more details.

Meeting Notes:

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

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

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

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

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

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

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

6. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, members present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable legislations, the Listing Manual of SGX-ST and/or other regulatory guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

PROXY FORM

For 56th Annual General Meeting

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies each to attend, speak and vote at AGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 April 2017.

*I/We, (name) ______________________________ with NRIC/Passport No. ______________

of (address) ____

being *a member/members of HONG LEONG ASIA LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak and vote on *my/our behalf at the 56th Annual General Meeting of the Company (the "AGM") to be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Friday, 28 April 2017 at 3.00 p.m. and at any adjournment thereof in the following manner as specified below. My/our proxy/proxies may vote or abstain from voting at his/their discretion on any of the resolutions where I/we have not specified any voting instruction, and on any other matter arising at the AGM.

NOTE: If you wish to exercise 100% of your votes **For** or **Against** a resolution, please tick with "✓" in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes **For** and/or **Against** that resolution.

No.	Resolutions	For	Against
A.	**ORDINARY BUSINESS:**		
1.	Adoption of the Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon		
2.	Declaration of a First and Final Dividend		
3.	Approval of Directors' Fees and Audit Committee Fees		
4.	Re-election of Mr Kwek Leng Peck as a Director		
5.	Re-appointment of Ernst & Young LLP as Auditor		
B.	**SPECIAL BUSINESS:**		
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited		
7.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Asia Share Option Scheme 2000 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS		
8.	Renewal of Share Purchase Mandate		
9.	Renewal of IPT Mandate for Interested Person Transactions		
10.	Adoption of the new Constitution		
11.	Alteration of objects in the new Constitution		

Voting on all resolutions will be conducted by poll.

Dated this __________ day of _________________ 2017

Total No. of Shares Held

____
Signature(s)/Common Seal of Member(s)

* Delete accordingly

NOTES: SEE OVERLEAF

NOTES:

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

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

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

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

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

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

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

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

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

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

Fold Here

PROXY FORM

Affix
Postage
Stamp

The Share Registrar
HONG LEONG ASIA LTD.
c/o M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902

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OPERATING NETWORK

CORPORATE OFFICE

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

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

DIESEL ENGINES

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

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

BUILDING MATERIALS

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

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

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

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

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

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

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

CONSUMER PRODUCTS

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

AIR-CONDITIONING SYSTEMS

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

S.E.A. DISTRIBUTION

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

INDUSTRIAL PACKAGING

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

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

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

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

OTHERS

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

Chairman's Message
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