

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::THIRD QUARTER RESULTS

Issuer & Securities

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HONG LEONG ASIA LTD.

Securities

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Please refer to the attached Unaudited Third Quarter and Nine Months Financial Statement for the Period Ended 30 September 2019.

Additional Details

For Financial Period Ended

30-Sep-2019

Attachments

[SGXNet%203QFY19_14%20Nov%202019.pdf](#)

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Unaudited Third Quarter And Nine Months Financial Statement For The Period Ended 30 September 2019

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

The Board of Directors announces the results of the Group for the third quarter ("3Q") and nine months ended 30 September ("YTD 3Q") 2019. These figures have not been audited or reviewed.

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

1(a)(i) Income statement

| | 3Q 2019 \$'000 | 3Q 2018 \$'000 | Group | | | +/- % |
|----------------------------------------------------------------------|-------------------|-------------------|---------------|-----------------------|-----------------------|---------------|
| | | | +/- % | YTD 3Q 2019 \$'000 | YTD 3Q 2018 \$'000 | |
| Continuing operations | | | | | | |
| Revenue | 788,589 | 756,226 | 4.3% | 2,843,456 | 2,772,290 | 2.6% |
| Cost of sales | (657,634) | (616,943) | 6.6% | (2,371,339) | (2,257,357) | 5.0% |
| Gross profit | 130,955 | 139,283 | -6.0% | 472,117 | 514,933 | -8.3% |
| Other income | 21,575 | 12,425 | 73.6% | 50,767 | 34,804 | 45.9% |
| Selling and distribution expenses | (58,490) | (60,866) | -3.9% | (188,954) | (183,362) | 3.0% |
| Research and development expenses | (16,377) | (13,058) | 25.4% | (53,584) | (71,485) | -25.0% |
| General and administrative expenses | (40,572) | (31,708) | 28.0% | (116,887) | (111,829) | 4.5% |
| Finance costs | (12,765) | (9,723) | 31.3% | (30,347) | (27,139) | 11.8% |
| Other expenses | (1,122) | (2,446) | -54.1% | (1,665) | (4,776) | -65.1% |
| Profit from continuing operations | 23,204 | 33,907 | -31.6% | 131,447 | 151,146 | -13.0% |
| Share of results of associates and joint ventures, net of income tax | (1,004) | 1,510 | NM | 1,292 | 3,676 | -64.9% |
| Profit before tax from continuing operations | 22,200 | 35,417 | -37.3% | 132,739 | 154,822 | -14.3% |
| Income tax expense | (6,919) | (8,418) | -17.8% | (32,411) | (36,454) | -11.1% |
| Profit from continuing operations, net of tax | 15,281 | 26,999 | -43.4% | 100,328 | 118,368 | -15.2% |
| Discontinued operation | | | | | | |
| Profit/(loss) from discontinued operation, net of tax | - | 337 | NM | - | (55,799) | NM |
| Profit for the period | 15,281 | 27,336 | -44.1% | 100,328 | 62,569 | 60.3% |
| Attributable to: | | | | | | |
| Owners of the Company | | | | | | |
| - Profit from continuing operations, net of tax | 3,439 | 2,812 | 22.3% | 23,982 | 18,140 | 32.2% |
| - Profit/(loss) from discontinued operation, net of tax | - | 337 | NM | - | (53,413) | NM |
| | 3,439 | 3,149 | 9.2% | 23,982 | (35,273) | NM |
| Non-controlling interests | | | | | | |
| - Profit from continuing operations, net of tax | 11,842 | 24,187 | -51.0% | 76,346 | 100,228 | -23.8% |
| - Loss from discontinued operation, net of tax | - | - | NM | - | (2,386) | NM |
| | 11,842 | 24,187 | -51.0% | 76,346 | 97,842 | -22.0% |

Note:

- (a) Nearly 90% of the Group's total revenue is generated from its businesses in China. For the quarter ended 30 September, translation of income statement from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rate of RMB5.1125 = SGD1.00 for 3Q 2019 and RMB5.0251 = SGD1.00 for 3Q 2018. For 3Q 2019, RMB depreciated about 1.7% as compared to 3Q 2018.

For the nine months ended 30 September, translation of income statement from RMB to SGD has been made at the average exchange rate of RMB5.0326 = SGD1.00 for YTD 3Q 2019 and RMB4.8707 = SGD1.00 for YTD 3Q 2018. For YTD 3Q 2019, RMB depreciated about 3.3% as compared to YTD 3Q 2018.

- (b) Discontinued operation - Henan Xinfei Household Appliance Co. Ltd., Henan Xinfei Refrigeration Appliances Co., Ltd. and Henan Xinfei Electric Co., Ltd. (collectively, the "Xinfei Companies") had ceased to be subsidiaries of the Group with effect from 21 May 2018. On 6 August 2018, the Company further announced the completion of the equity transfer of the shares in each of the Xinfei Companies.

As required by the Singapore Financial Reporting Standards (International) 10 Consolidated Financial Statements, the Xinfei Companies were de-consolidated from the Group in the second quarter of 2018. The operating performance of the Xinfei Companies, had been presented separately under "discontinued operation" in the income statements for 3Q 2018 and YTD 3Q 2018.

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

| Profit before tax from continuing operations includes the following: | 3Q 2019 \$'000 | 3Q 2018 \$'000 | Group | | | +/- % |
|-------------------------------------------------------------------------------------------------|-------------------|-------------------|----------|-----------------------|-----------------------|----------|
| | | | +/- % | YTD 3Q 2019 \$'000 | YTD 3Q 2018 \$'000 | |
| (Loss)/gain on disposal of property, plant and equipment, net ⁽¹⁾ | (299) | 332 | NM | 111 | 385 | -71.2% |
| Gain on disposal of right-of-use assets, net ⁽²⁾ | 1,807 | - | NM | 1,807 | - | NM |
| Impairment losses (recognised)/written back for trade and other receivables, net ⁽³⁾ | (327) | 608 | NM | (131) | 2,087 | NM |
| Allowance recognised for inventories obsolescence, net ⁽⁴⁾ | (947) | (160) | 491.9% | (1,266) | (178) | 611.2% |
| Depreciation and amortisation ⁽⁵⁾ | (28,511) | (26,101) | 9.2% | (87,953) | (81,985) | 7.3% |
| Foreign exchange gain/(loss), net ⁽⁶⁾ | 512 | 73 | 601.4% | 40 | (1,930) | NM |
| Fair value (loss)/gain on derivatives, net ⁽⁷⁾ | (515) | 1,900 | NM | (916) | 1,900 | NM |
| Interest expense ⁽⁸⁾ | (12,469) | (9,417) | 32.4% | (29,385) | (26,167) | 12.3% |
| Interest income ⁽⁹⁾ | 10,542 | 7,934 | 32.9% | 27,810 | 24,865 | 11.8% |
| Write-off of property, plant & equipment ⁽¹⁰⁾ | (165) | (826) | -80.0% | (342) | (1,169) | -70.7% |

NM: Not meaningful

- (1) Net (loss)/gain on disposal of property, plant and equipment in both 3Q 2019 and 3Q 2018 were attributed mainly to the Group's Diesel Engines Unit ("Yuchai").

Net gain on disposal of property, plant and equipment in YTD 3Q 2019 was attributed mainly to the Group's Building Materials Unit ("BMU"). Net gain on disposal of property, plant and equipment in YTD 3Q 2018 was attributed mainly to Yuchai.

- (2) Net gain on disposal of right-of-use assets in 2019 was attributed mainly to Yuchai.
- (3) Net impairment losses (recognised)/written back for trade and other receivables in both 2019 and 2018 were attributed mainly to Yuchai.
- (4) Net allowance recognised for inventories obsolescence in 3Q 2019 was attributed mainly to Yuchai and the Group's Air-conditioning Systems Unit ("Airwell"). Net allowance for inventories obsolescence in 3Q 2018 was attributed mainly to BMU and Airwell.

Net allowance for inventories obsolescence in YTD 3Q 2019 was attributed mainly to Yuchai and Airwell. Net allowance for inventories obsolescence in YTD 3Q 2018 was attributed mainly to Airwell and BMU, which was partially offset by the reversal of allowance for inventories obsolescence by Yuchai.

- (5) The higher depreciation and amortisation was mainly due to depreciation of right-of-use assets recorded in 3Q 2019 and YTD 3Q 2019, upon adoption of new accounting standard on 1 January 2019.

- (6) The net foreign exchange gain of \$0.5 million in 3Q 2019 was mainly related to foreign exchange gain on revaluation of United States dollar (“USD”) assets (for entities with functional currency in SGD), as the USD strengthened against the SGD. This was partially offset by foreign exchange loss on revaluation of SGD assets in China Yuchai International Limited (“CYI”) (with functional currency in USD).

In YTD 3Q 2019, together with the net foreign exchange loss of \$0.5 million in the first half (“1H”) of 2019, the resulted net foreign exchange gain was \$40,000.

- (7) Net fair value (loss)/gain on derivatives (for hedging against foreign currency risk) mainly arose from forward foreign exchange contract in Yuchai.
- (8) The increases in interest expense in 3Q 2019 and YTD 3Q 2019 were mainly due to higher amount of bills discounted and recognition of interest expense related to lease liabilities (upon adoption of new accounting standard on 1 January 2019).
- (9) The increases in interest income in 3Q 2019 and YTD 3Q 2019 were mainly due to higher deposits placement.
- (10) The write-offs of property, plant and equipment in both 2019 and 2018 were mainly recorded by Yuchai.

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

In 3Q 2019, the Group’s tax charge included write-back of over provision of \$46,000 for prior years (3Q 2018: write-back of over provision of \$1,629,000 for prior years, upon discharge of additional tax liabilities in a Malaysian subsidiary, as previously explained in the Group’s 3Q 2018 results announcement dated 14 November 2018).

1(a)(iv) Statement of Comprehensive Income

| | 3Q 2019 \$'000 | 3Q 2018 \$'000 | Group +/- % | YTD 3Q 2019 \$'000 | YTD 3Q 2018 \$'000 | +/- % |
|--------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------------|-----------------------|---------------|
| Profit for the period | 15,281 | 27,336 | -44.1% | 100,328 | 62,569 | 60.3% |
| Other comprehensive income | | | | | | |
| Items that will not be subsequently reclassified to profit or loss | | | | | | |
| Net fair value changes of equity instruments at fair value through other comprehensive income | 178 | (371) | NM | 3,668 | (1,819) | NM |
| Items that may be subsequently reclassified to profit or loss | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | (28,299) | (76,021) | -62.8% | (49,446) | (58,083) | -14.9% |
| Net fair value changes of debt instruments at fair value through other comprehensive income | 2,658 | 4,096 | -35.1% | 13,754 | 16,117 | -14.7% |
| Realisation of reserves upon de-consolidation of subsidiaries | - | - | NM | - | (10,480) | NM |
| Exchange differences on monetary items forming part of net investment in foreign entities | - | (1,628) | NM | - | 1,283 | NM |
| Total other comprehensive income for the period, net of tax | (25,463) | (73,924) | -65.6% | (32,024) | (52,982) | -39.6% |
| Total comprehensive income for the period | (10,182) | (46,588) | -78.1% | 68,304 | 9,587 | 612.5% |
| Attributable to: | | | | | | |
| Owners of the Company | (4,187) | (22,543) | -81.4% | 18,428 | (100,147) | NM |
| Non-controlling interests | (5,995) | (24,045) | -75.1% | 49,876 | 109,734 | -54.5% |
| Total comprehensive income for the period | (10,182) | (46,588) | -78.1% | 68,304 | 9,587 | 612.5% |
| Attributable to: | | | | | | |
| Owners of the Company | | | | | | |
| - Total comprehensive income from continuing operations, net of tax | (4,187) | (22,880) | -81.7% | 18,428 | 4,432 | 315.8% |
| - Total comprehensive income from discontinued operation, net of tax | - | 337 | NM | - | (104,579) | NM |
| Total comprehensive income for the period attributable to Owners of the Company | (4,187) | (22,543) | -81.4% | 18,428 | (100,147) | NM |

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

| \$'000 | Group | | Company | |
|-----------------------------------------------------|------------------|------------------|----------------|----------------|
| | 30.09.2019 | 31.12.2018 | 30.09.2019 | 31.12.2018 |
| Non-current assets | | | | |
| Property, plant and equipment | 926,479 | 893,959 | 107 | 93 |
| Land use rights | - | 105,405 | - | - |
| Intangible assets | 113,868 | 43,942 | 81 | 109 |
| Investment in subsidiaries | - | - | 202,928 | 201,935 |
| Interests in associates | 43,518 | 45,380 | 13,726 | 13,726 |
| Interests in joint ventures | 62,856 | 59,509 | - | - |
| Investment property | 1,285 | 1,344 | - | - |
| Other investments | 12,992 | 2,914 | - | - |
| Non-current receivables | 2,172 | 4,897 | 20,000 | 20,000 |
| Capitalised contract costs | 17,788 | 8,825 | - | - |
| Right-of-use assets | 130,189 | - | 67 | - |
| Deferred tax assets | 72,280 | 72,934 | - | - |
| Long-term deposits | 3,874 | 13,902 | - | - |
| | <u>1,387,301</u> | <u>1,253,011</u> | <u>236,909</u> | <u>235,863</u> |
| Current assets | | | | |
| Inventories | 517,903 | 562,729 | - | - |
| Development properties | 4,033 | 4,025 | - | - |
| Other investments | 2,350 | 4,353 | - | - |
| Trade and other receivables | 1,790,027 | 1,684,345 | 248,382 | 245,506 |
| Cash and short-term deposits | 1,208,498 | 1,308,076 | 15,856 | 29,275 |
| Derivatives | - | 899 | - | - |
| | <u>3,522,811</u> | <u>3,564,427</u> | <u>264,238</u> | <u>274,781</u> |
| Total assets | <u>4,910,112</u> | <u>4,817,438</u> | <u>501,147</u> | <u>510,644</u> |
| Current liabilities | | | | |
| Trade and other payables | 1,653,131 | 1,479,583 | 8,679 | 9,160 |
| Contract liabilities | 48,221 | 56,956 | - | - |
| Lease liabilities | 10,564 | - | 41 | - |
| Provisions | 42,662 | 38,556 | - | - |
| Loans and borrowings | 530,650 | 544,657 | 137,549 | 66,324 |
| Current tax payable | 13,267 | 14,938 | - | 89 |
| | <u>2,298,495</u> | <u>2,134,690</u> | <u>146,269</u> | <u>75,573</u> |
| Net current assets | <u>1,224,316</u> | <u>1,429,737</u> | <u>117,969</u> | <u>199,208</u> |
| Non-current liabilities | | | | |
| Loans and borrowings | 167,577 | 230,308 | 153,750 | 226,900 |
| Deferred tax liabilities | 30,475 | 34,741 | 2,333 | 2,333 |
| Deferred grants | 128,973 | 116,285 | - | - |
| Other non-current payables | 31,010 | 31,794 | - | - |
| Contract liabilities | 12,197 | 10,666 | - | - |
| Lease liabilities | 14,854 | - | 27 | - |
| Retirement benefit obligations | 2 | 2 | - | - |
| | <u>385,088</u> | <u>423,796</u> | <u>156,110</u> | <u>229,233</u> |
| Total liabilities | <u>2,683,583</u> | <u>2,558,486</u> | <u>302,379</u> | <u>304,806</u> |
| Net assets | <u>2,226,529</u> | <u>2,258,952</u> | <u>198,768</u> | <u>205,838</u> |
| Equity attributable to owners of the Company | | | | |
| Share capital | 467,890 | 467,890 | 467,890 | 467,890 |
| Reserves | 289,439 | 278,962 | (269,122) | (262,052) |
| | <u>757,329</u> | <u>746,852</u> | <u>198,768</u> | <u>205,838</u> |
| Non-controlling interests | <u>1,469,200</u> | <u>1,512,100</u> | <u>-</u> | <u>-</u> |
| Total equity | <u>2,226,529</u> | <u>2,258,952</u> | <u>198,768</u> | <u>205,838</u> |
| Total equity and liabilities | <u>4,910,112</u> | <u>4,817,438</u> | <u>501,147</u> | <u>510,644</u> |

Explanatory Notes to Statement of Financial Position

Group

- **Non-current assets:** The increase in non-current assets was mainly due to purchase of property, plant and equipment, capitalisation of development costs for National VI and Tier 4 engines as intangible assets and recognition of trademark license by Yuchai in YTD 3Q 2019, acquisition of other investments, additional contract costs capitalised for projects in YTD 3Q 2019 and recognition of right-of-use assets (which included reclassification of land use rights and leasehold land to right-of-use assets) upon adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 on 1 January 2019. Please refer to paragraph 5 for more details. The increase was partially offset by decrease in long-term deposits mainly due to reclassification of deposits (maturing within the next 12 months) to current assets.
- **Current assets:** The decrease in current assets was mainly due to decrease in cash and short-term deposits and lower inventory level maintained at 30 September 2019, which was partially offset by higher trade and other receivables. The increase in trade and other receivables was mainly due to timing of collection from customers.
- **Current liabilities:** The increase in current liabilities was mainly due to higher trade and other payables and recognition of lease liabilities upon adoption of SFRS(I) 16, which was partially offset by lower loans and borrowings and lower contract liabilities as at 30 September 2019. In particular:
 - The increase in trade and other payables was mainly resulting from the timing of settlement with suppliers.
 - The decrease in loans and borrowings was mainly due to net repayment of short-term borrowings, partially offset by reclassification of loans (maturing within the next 12 months) from non-current liabilities.
 - The decrease in contract liabilities was mainly due to decrease in advance payment from customers for future product deliveries at 30 September 2019, partially offset by higher unfulfilled maintenance service costs.
- **Non-current liabilities:** The decrease in non-current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) to current liabilities, which was partially offset by additional loans and borrowings, additional deferred grants received in YTD 3Q 2019 and recognition of lease liabilities upon adoption of SFRS(I) 16.

Company

- **Non-current assets:** The increase in non-current assets was mainly due to additional inter-company loan, which forms part of investment in subsidiaries, extended to a subsidiary in YTD 3Q 2019.
- **Current assets:** The decrease in current assets was mainly due to lower cash and short-term deposits, partially offset by additional loans granted to subsidiaries in YTD 3Q 2019.
- **Current liabilities:** The increase in current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) from non-current liabilities, and additional loans and borrowings in YTD 3Q 2019.
- **Non-current liabilities:** The decrease in non-current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) to current liabilities.

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

Amount repayable in one year or less, or on demand *

| As at 30.09.2019 | | As at 31.12.2018 | |
|-------------------------|------------------|-------------------------|------------------|
| Secured | Unsecured | Secured | Unsecured |
| \$574,000 | \$540,640,000 | \$100,407,000 | \$444,250,000 |

Amount repayable after one year *

| As at 30.09.2019 | | As at 31.12.2018 | |
|-------------------------|------------------|-------------------------|------------------|
| Secured | Unsecured | Secured | Unsecured |
| \$13,918,000 | \$168,513,000 | \$408,000 | \$229,900,000 |

* Amount repayable comprised the Group's loans and borrowings and lease liabilities.

Details of any collateral

The secured banking facilities of the Group are secured on the assets of certain subsidiaries with a total carrying value as at 30 September 2019 of \$107,103,000 (31 December 2018: \$104,099,000).

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

| | 3Q 2019 \$'000 | 3Q 2018 \$'000 | YTD 3Q 2019 \$'000 | YTD 3Q 2018 \$'000 |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|-----------------------|-----------------------|
| Operating activities | | | | |
| Profit before income tax from continuing operations | 22,200 | 35,417 | 132,739 | 154,822 |
| Profit/(loss) before income tax from discontinued operation | - | 337 | - | (55,799) |
| Adjustments for: | | | | |
| Share of results of associates and joint ventures, net of income tax | 1,004 | (1,510) | (1,292) | (3,676) |
| Cost of share-based payments | 8 | - | 16 | - |
| Depreciation and amortisation | 28,511 | 26,101 | 87,953 | 82,771 |
| Allowance recognised for inventories obsolescence, net | 947 | 160 | 1,266 | 1,305 |
| Impairment losses recognised/(written back) for trade and other receivables | 327 | (608) | 131 | (1,830) |
| Property, plant and equipment written off | 165 | 826 | 342 | 1,169 |
| Finance costs | 12,765 | 9,723 | 30,347 | 27,329 |
| Dividend income from other investments | (124) | (21) | (166) | (264) |
| Interest income | (10,542) | (7,934) | (27,810) | (24,876) |
| Loss/(gain) on de-consolidation/disposal of: | | | | |
| - subsidiaries | - | - | - | 32,277 |
| - property, plant and equipment | 299 | (332) | (111) | (385) |
| - right-of-use assets | (1,807) | - | (1,807) | - |
| - other investments | - | - | (396) | - |
| Fair value loss/(gain) on investments | 210 | 385 | (60) | 384 |
| Fair value loss/(gain) on derivatives | 515 | (1,900) | 916 | (1,900) |
| Provision for warranties and other costs, net | 9,313 | 14,930 | 42,825 | 42,357 |
| Operating cash flows before changes in working capital | 63,791 | 75,574 | 264,893 | 253,684 |
| Changes in working capital: | | | | |
| Inventories and development properties | (12,459) | (38,816) | 30,129 | 78,997 |
| Trade and other receivables and capitalised contract costs | 76,129 | (124,951) | (148,957) | (353,411) |
| Trade and other payables and contract liabilities | (102,642) | (208,082) | 164,053 | (143,934) |
| Grant received from government | 173 | 1,278 | 32,266 | 8,369 |
| Provisions utilised | (14,044) | (20,818) | (37,620) | (46,760) |
| Cash flows from/(used in) operations | 10,948 | (315,815) | 304,764 | (203,055) |
| Income tax paid | (9,156) | (3,962) | (39,848) | (35,536) |
| Net cash flows from/(used in) operating activities | 1,792 | (319,777) | 264,916 | (238,591) |
| Investing activities | | | | |
| Additional investment in joint ventures | - | (14,281) | (3,551) | (15,287) |
| Dividends received from: | | | | |
| - associates and joint ventures | 1 | 2 | 3,180 | 2,956 |
| - other investments | 124 | 21 | 166 | 264 |
| Interest received | 10,762 | 4,912 | 27,956 | 21,424 |
| Net release/(placement) of deposits with banks | 18,526 | 13,651 | (23,908) | 19,507 |
| Purchase of: | | | | |
| - property, plant and equipment | (62,584) | (19,798) | (123,945) | (60,846) |
| - intangible assets | (15,207) | (16,104) | (70,210) | (16,409) |
| - other investments | - | - | (6,800) | (1,146) |
| Net cash (outflow)/inflow on de-consolidation/disposal of: | | | | |
| - subsidiaries, net of cash de-consolidated | - | - | - | (5,201) |
| - property, plant and equipment | - | 321 | 63 | 1,220 |
| - right of use assets | 2,153 | - | 2,153 | - |
| - other investments | - | - | 2,371 | - |
| Tax and relevant expenses in relation to a subsidiary disposed previously | - | - | (7,789) | - |
| Net cash flows used in investing activities | (46,225) | (31,276) | (200,314) | (53,518) |
| Financing activities | | | | |
| Acquisition of non-controlling interests | (13,469) | - | (31,874) | - |
| Dividends paid to non-controlling interests of subsidiaries | (336) | - | (30,467) | (30,280) |
| Interest paid | (15,665) | (10,357) | (31,747) | (30,038) |
| Proceeds from borrowings | 39,974 | 191,787 | 432,169 | 554,910 |
| Repayment in respect of borrowings | (179,991) | (149,157) | (497,848) | (454,536) |
| Repayment of obligation under finance leases | - | (242) | - | (727) |
| Repayment of obligation under lease liabilities | (2,004) | - | (8,880) | - |
| Net cash flows (used in)/generated from financing activities | (171,491) | 32,031 | (168,647) | 39,329 |
| Net decrease in cash and cash equivalents | (215,924) | (319,022) | (104,045) | (252,780) |
| Cash and cash equivalents at beginning of the financial period | 1,326,220 | 1,335,904 | 1,224,105 | 1,262,104 |
| Effect of exchange rate changes on balances held in foreign currencies | (17,292) | (45,353) | (27,056) | (37,795) |
| Cash and cash equivalents at end of the financial period | 1,093,004 | 971,529 | 1,093,004 | 971,529 |
| Comprising: | | | | |
| Cash and short-term deposits | | | 1,208,498 | 1,051,134 |
| Less: Short-term deposits and restricted deposits | | | (115,494) | (79,605) |
| | | | 1,093,004 | 971,529 |
| The attributable net assets of subsidiaries de-consolidated during the period are as follows: | | | | |
| | 3Q 2019 \$'000 | 3Q 2018 \$'000 | YTD 3Q 2019 \$'000 | YTD 3Q 2018 \$'000 |
| De-consolidation of subsidiaries | | | | |
| Non-current assets | - | - | - | 127,410 |
| Net current liabilities | - | - | - | (77,671) |
| Non-current liabilities | - | - | - | (6,982) |
| Non-controlling interests | - | - | - | 38,435 |
| Realisation of reserves | - | - | - | (48,915) |
| Loss on de-consolidation of subsidiaries | - | - | - | (32,277) |
| Total cash consideration | - | - | - | - |
| Less: Cash and cash equivalents of subsidiaries de-consolidated | - | - | - | (5,201) |
| Net cashflow on de-consolidation of subsidiaries | - | - | - | (5,201) |

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

| Statement of Changes in Equity | Share capital \$'000 | Capital reserve \$'000 | Statutory reserve \$'000 | Fair value reserve \$'000 | Share option reserve \$'000 | Translation reserve \$'000 | Surplus on changes of non-controlling interests \$'000 | Accumulated profits \$'000 | Total attributable to owners of the Company \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
|--------------------------------------------------------------------------------------------------------------------|----------------------|------------------------|--------------------------|---------------------------|-----------------------------|----------------------------|--------------------------------------------------------|----------------------------|----------------------------------------------------|----------------------------------|---------------------|
| The Group | | | | | | | | | | | |
| At 1 January 2018 (FRS framework) | 266,830 | 4,391 | 33,753 | 45,859 | 5,243 | (60,354) | 35,397 | 286,025 | 617,144 | 1,529,645 | 2,146,789 |
| Cumulative effects of adopting SFRS(I) | - | - | - | (8,601) | - | 51,668 | - | (52,881) | (9,814) | (21,856) | (31,670) |
| At 1 January 2018 (SFRS(I) framework) | 266,830 | 4,391 | 33,753 | 37,258 | 5,243 | (8,686) | 35,397 | 233,144 | 607,330 | 1,507,789 | 2,115,119 |
| (Loss)/profit for the period | - | - | - | - | - | - | - | (5,463) | (5,463) | 45,302 | 39,839 |
| <u>Other comprehensive income</u> | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | 9,676 | - | - | 9,676 | 24,281 | 33,957 |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | (714) | - | - | - | - | (714) | - | (714) |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 3,107 | - | - | - | - | 3,107 | 7,050 | 10,157 |
| Exchange differences on monetary items forming part of net investment in foreign entities | - | - | - | - | - | 3,449 | - | - | 3,449 | - | 3,449 |
| Other comprehensive income for the period, net of tax | - | - | - | 2,393 | - | 13,125 | - | - | 15,518 | 31,331 | 46,849 |
| Total comprehensive income for the period | - | - | - | 2,393 | - | 13,125 | - | (5,463) | 10,055 | 76,633 | 86,688 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | | | |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | (11,761) | (11,761) |
| At 31 March 2018 | 266,830 | 4,391 | 33,753 | 39,651 | 5,243 | 4,439 | 35,397 | 227,681 | 617,385 | 1,572,661 | 2,190,046 |
| At 1 April 2018 | 266,830 | 4,391 | 33,753 | 39,651 | 5,243 | 4,439 | 35,397 | 227,681 | 617,385 | 1,572,661 | 2,190,046 |
| (Loss)/profit for the period | - | - | - | - | - | - | - | (32,959) | (32,959) | 28,353 | (4,606) |
| <u>Other comprehensive income</u> | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | (4,939) | - | - | (4,939) | (11,080) | (16,019) |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | (734) | - | - | - | - | (734) | - | (734) |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 426 | - | - | - | - | 426 | 1,438 | 1,864 |
| Realisation of reserves upon de-consolidation of subsidiaries | - | (40) | (18,608) | (34,314) | - | 4,047 | - | (48,915) | (48,915) | 38,435 | (10,480) |
| Exchange differences on monetary items forming part of net investment in foreign entities | - | - | - | - | - | (538) | - | - | (538) | - | (538) |
| Other comprehensive income for the period, net of tax | - | (40) | (18,608) | (34,622) | - | (1,430) | - | - | (54,700) | 28,793 | (25,907) |
| Total comprehensive income for the period | - | (40) | (18,608) | (34,622) | - | (1,430) | - | (32,959) | (87,659) | 57,146 | (30,513) |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | | | |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | (92,580) | (92,580) |
| <u>Others</u> | | | | | | | | | | | |
| Transfer to statutory reserve | - | - | 17 | - | - | - | - | (17) | - | - | - |
| At 30 June 2018 | 266,830 | 4,351 | 15,162 | 5,029 | 5,243 | 3,009 | 35,397 | 194,705 | 529,726 | 1,537,227 | 2,066,953 |
| At 1 July 2018 | 266,830 | 4,351 | 15,162 | 5,029 | 5,243 | 3,009 | 35,397 | 194,705 | 529,726 | 1,537,227 | 2,066,953 |
| Profit for the period | - | - | - | - | - | - | - | 3,149 | 3,149 | 24,187 | 27,336 |
| <u>Other comprehensive income</u> | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | (24,946) | - | - | (24,946) | (51,075) | (76,021) |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | (371) | - | - | - | - | (371) | - | (371) |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 1,253 | - | - | - | - | 1,253 | 2,843 | 4,096 |
| Exchange differences on monetary items forming part of net investment in foreign entities | - | - | - | - | - | (1,628) | - | - | (1,628) | - | (1,628) |
| Other comprehensive income for the period, net of tax | - | - | - | 882 | - | (26,574) | - | - | (25,692) | (48,232) | (73,924) |
| Total comprehensive income for the period | - | - | - | 882 | - | (26,574) | - | 3,149 | (22,543) | (24,045) | (46,588) |
| At 30 September 2018 | 266,830 | 4,351 | 15,162 | 5,911 | 5,243 | (23,565) | 35,397 | 197,854 | 507,183 | 1,513,182 | 2,020,365 |

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

| Statement of Changes in Equity | Share capital \$'000 | Capital reserve \$'000 | Statutory reserve \$'000 | Fair value reserve \$'000 | Share option reserve \$'000 | Translation reserve \$'000 | Surplus/(deficit) on changes of non-controlling interests \$'000 | Accumulated profits \$'000 | Total attributable to owners of the Company \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
|--------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------|-----------------------------|------------------------------|--------------------------------|-------------------------------|---------------------------------------------------------------------|-------------------------------|-------------------------------------------------------|-------------------------------------|------------------------|
| The Group | | | | | | | | | | | |
| At 1 January 2019 | 467,890 | 4,351 | 15,425 | 2,192 | 5,243 | (26,394) | 51,298 | 226,847 | 746,852 | 1,512,100 | 2,258,952 |
| Profit for the period | - | - | - | - | - | - | - | 12,181 | 12,181 | 36,847 | 49,028 |
| <u>Other comprehensive income</u> | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | 9,829 | - | - | 9,829 | 17,608 | 27,437 |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | 928 | - | - | - | - | 928 | 271 | 1,199 |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 3,816 | - | - | - | - | 3,816 | 8,150 | 11,966 |
| Other comprehensive income for the period, net of tax | - | - | - | 4,744 | - | 9,829 | - | - | 14,573 | 26,029 | 40,602 |
| Total comprehensive income for the period | - | - | - | 4,744 | - | 9,829 | - | 12,181 | 26,754 | 62,876 | 89,630 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | | | | |
| Acquisition of non-controlling interests | - | - | - | - | - | - | 6 | - | 6 | (29) | (23) |
| At 31 March 2019 | 467,890 | 4,351 | 15,425 | 6,936 | 5,243 | (16,565) | 51,304 | 239,028 | 773,612 | 1,574,947 | 2,348,559 |
| At 1 April 2019 | 467,890 | 4,351 | 15,425 | 6,936 | 5,243 | (16,565) | 51,304 | 239,028 | 773,612 | 1,574,947 | 2,348,559 |
| Profit for the period | - | - | - | - | - | - | - | 8,362 | 8,362 | 27,657 | 36,019 |
| <u>Other comprehensive income</u> | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | (13,705) | - | - | (13,705) | (34,879) | (48,584) |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | 1,567 | - | - | - | - | 1,567 | 724 | 2,291 |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | (363) | - | - | - | - | (363) | (507) | (870) |
| Other comprehensive income for the period, net of tax | - | - | - | 1,204 | - | (13,705) | - | - | (12,501) | (34,662) | (47,163) |
| Total comprehensive income for the period | - | - | - | 1,204 | - | (13,705) | - | 8,362 | (4,139) | (7,005) | (11,144) |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | | | |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | (57,849) | (57,849) |
| Cost of share-based compensation | - | - | - | - | 8 | - | - | - | 8 | - | 8 |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | | | | |
| Acquisition of non-controlling interests | - | - | - | - | - | - | (4,250) | - | (4,250) | (14,132) | (18,382) |
| At 30 June 2019 | 467,890 | 4,351 | 15,425 | 8,140 | 5,251 | (30,270) | 47,054 | 247,390 | 765,231 | 1,495,961 | 2,261,192 |
| At 1 July 2019 | 467,890 | 4,351 | 15,425 | 8,140 | 5,251 | (30,270) | 47,054 | 247,390 | 765,231 | 1,495,961 | 2,261,192 |
| Profit for the period | - | - | - | - | - | - | - | 3,439 | 3,439 | 11,842 | 15,281 |
| <u>Other comprehensive income</u> | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | (9,038) | - | - | (9,038) | (19,261) | (28,299) |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | 302 | - | - | - | - | 302 | (124) | 178 |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 1,110 | - | - | - | - | 1,110 | 1,548 | 2,658 |
| Other comprehensive income for the period, net of tax | - | - | - | 1,412 | - | (9,038) | - | - | (7,626) | (17,837) | (25,463) |
| Total comprehensive income for the period | - | - | - | 1,412 | - | (9,038) | - | 3,439 | (4,187) | (5,995) | (10,182) |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | | | |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | (11,020) | (11,020) |
| Cost of share-based compensation | - | - | - | - | 8 | - | - | - | 8 | - | 8 |
| <u>Changes in ownership interests in subsidiaries</u> | | | | | | | | | | | |
| Acquisition of non-controlling interests | - | - | - | - | - | - | (3,723) | - | (3,723) | (9,746) | (13,469) |
| At 30 September 2019 | 467,890 | 4,351 | 15,425 | 9,552 | 5,259 | (39,308) | 43,331 | 250,829 | 757,329 | 1,469,200 | 2,226,529 |

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

| The Company | Share capital \$'000 | Capital reserve \$'000 | Share option reserve \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--------------------------------------------------------------|---------------------------------|-----------------------------------|----------------------------------------|--------------------------------------|--------------------------------|
| At 1 January 2018 | 266,830 | 9,199 | 2,467 | (55,562) | 222,934 |
| Total comprehensive income for the period | - | - | - | (6,050) | (6,050) |
| At 31 March 2018 | <u>266,830</u> | <u>9,199</u> | <u>2,467</u> | <u>(61,612)</u> | <u>216,884</u> |
| At 1 April 2018 | 266,830 | 9,199 | 2,467 | (61,612) | 216,884 |
| Total comprehensive income for the period | - | - | - | (183,313) | (183,313) |
| At 30 June 2018 | <u>266,830</u> | <u>9,199</u> | <u>2,467</u> | <u>(244,925)</u> | <u>33,571</u> |
| At 1 July 2018 | 266,830 | 9,199 | 2,467 | (244,925) | 33,571 |
| Total comprehensive income for the period | - | - | - | (3,812) | (3,812) |
| At 30 September 2018 | <u>266,830</u> | <u>9,199</u> | <u>2,467</u> | <u>(248,737)</u> | <u>29,759</u> |
| At 1 January 2019 | 467,890 | 9,199 | 2,467 | (273,718) | 205,838 |
| Total comprehensive income for the period | - | - | - | (3,371) | (3,371) |
| At 31 March 2019 | <u>467,890</u> | <u>9,199</u> | <u>2,467</u> | <u>(277,089)</u> | <u>202,467</u> |
| At 1 April 2019 | 467,890 | 9,199 | 2,467 | (277,089) | 202,467 |
| Total comprehensive income for the period | - | - | - | (1,317) | (1,317) |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Cost of share-based compensation | - | - | 8 | - | 8 |
| At 30 June 2019 | <u>467,890</u> | <u>9,199</u> | <u>2,475</u> | <u>(278,406)</u> | <u>201,158</u> |
| At 1 July 2019 | 467,890 | 9,199 | 2,475 | (278,406) | 201,158 |
| Total comprehensive income for the period | - | - | - | (2,398) | (2,398) |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Cost of share-based compensation | - | - | 8 | - | 8 |
| At 30 September 2019 | <u>467,890</u> | <u>9,199</u> | <u>2,483</u> | <u>(280,804)</u> | <u>198,768</u> |

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

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

There were no shares held as treasury shares or subsidiary holdings as at 30 September 2019, 31 December 2018 and 30 September 2018.

There was no change in the Company's issued share capital during the three months ended 30 September 2019.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "Scheme") during the three months ended 30 September 2019.

As at 30 September 2019, there were a total of 920,000 (30 September 2018: 770,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

| Year of Grant | Exercise Price | Number of Outstanding Options |
|----------------------|-----------------------|--------------------------------------|
| 2011 | \$3.17 | 380,000 |
| 2014 | \$1.31 | 190,000 |
| 2019 | \$0.53 | 350,000 |
| Total | | 920,000 |

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

The total number of issued ordinary shares as at 30 September 2019 and 31 December 2018 was 747,817,118.

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

There was no sale, transfer, cancellation and/or use of treasury shares/subsidiary holdings during the three months ended 30 September 2019.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2018, except for adoption of new accounting standards that became effective on 1 January 2019. Please refer to paragraph 5 for further details.

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

The Group has adopted all accounting standards that are effective from 1 January 2019. The adoption of the accounting standards did not have any material impact on the financial statements, except as described below:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has applied SFRS(I) 16 using the modified retrospective approach at the date of initial application, 1 January 2019. Comparatives are not restated.

Upon adoption of SFRS(I) 16 on 1 January 2019, the Group recognised right-of-use assets of \$143,128,000 and lease liabilities (current and non-current) of \$37,779,000. Right-of-use assets recognised included the Group's land use rights and leasehold land which have been reclassified to right-of-use assets.

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

| | Group | | | |
|-----------------------------------------------------------------------------------|---------|---------|-------------|-------------|
| Profit/(loss) per ordinary share based on net profit attributable to shareholders | 3Q 2019 | 3Q 2018 | YTD 3Q 2019 | YTD 3Q 2018 |
| (i) Based on the weighted average number of ordinary shares in issue (cts) | 0.46 | 0.84 | 3.21 | (9.43) |
| (ii) On a fully diluted basis (cts) | 0.46 | 0.84 | 3.21 | (9.43) |

570,000 (30 September 2018: 770,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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

| | Group | | Company | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| | 30.09.2019 | 31.12.2018 | 30.09.2019 | 31.12.2018 |
| Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 30 September 2019 and as at 31 December 2018 (cts) | 101.27 | 99.87 | 26.58 | 27.53 |

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group operates mainly in China, Singapore and Malaysia.

The main business units of the Group are the Diesel Engines Unit ("**Yuchai**") and the Building Materials Unit ("**BMU**"). The other business units in the Group are the Industrial Packaging Unit ("**Rex**") and the Air-conditioning Systems Unit ("**Airwell**").

As announced on 28 May 2019, HL Cement (Malaysia) Sdn Bhd and Ridge Star Limited, both wholly owned subsidiaries of the Company (collectively, the "**Joint Offerors**"), launched a voluntary unconditional take-over offer to acquire all the remaining ordinary shares (excluding treasury shares) and the 6% cumulative participating preference shares of Tasek Corporation Berhad ("**Tasek**") not already held by the Joint Offerors (the "**Offer**"). The offer price was subsequently revised on 2 August 2019 ("**Revised Offer**"). Following the close of the Revised Offer on 19 August 2019, the Group holds approximately 88.16% of the total issued and paid-up Tasek Ordinary Shares (excluding treasury shares) based on the issued ordinary share capital of 121,142,931 (excluding treasury shares) in Tasek.

Since the de-consolidation of the Group's Consumer Products Unit ("**Xinfei**") on 21 May 2018, the operating performance of Xinfei has been presented separately under "discontinued operation" in the income statements for 3Q 2018 and YTD 3Q 2018.

In China, the economy recorded a slower growth of 6.0% year-on-year in 3Q 2019, compared to 6.2% year-on-year in the second quarter. Statistics from China Association of Automobile Manufacturers reported a decline in sales of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 2.6% as compared with 3Q 2018.

In Singapore, the Ministry of Trade and Industry announced that based on advance estimates, the economy grew by 0.1% on a year-on-year basis in 3Q 2019, the same pace of growth as in the previous quarter. The construction sector grew by 2.7% on a year-on-year basis in 3Q 2019, extending the 2.8% expansion in the previous quarter. Growth of the Singapore construction sector was supported by a pickup in both public and private sector construction activities. In Malaysia, the cement industry continued to be affected by prolonged price competition due to excess cement capacity.

In 3Q 2019, the profit attributable to the owners of the Company ("**PATMI**") increased by \$0.3 million to \$3.4 million, as compared to \$3.1 million in 3Q 2018. In YTD 3Q 2019, the profit attributable to the owners of the Company increased by \$59.3 million to \$24.0 million, in contrast to a loss of \$35.3 million in YTD 3Q 2018.

3Q 2019 versus 3Q 2018

Revenue for the Group was \$788.6 million in 3Q 2019, an increase of \$32.4 million or 4.3%, from \$756.2 million in 3Q 2018. The increase in revenue was mainly due to higher revenue recorded by Yuchai and BMU.

- Yuchai's revenue increased by \$12.6 million or 2.0% as compared to 3Q 2018. Yuchai sold 70,140 engines in 3Q 2019 as compared to 71,062 units sold in 3Q 2018. Higher bus, industrial and other engine sales partially offset lower truck and agricultural engine sales as compared with 3Q 2018. Total off-road engine sales increased in 3Q 2019.
- BMU's revenue increased by \$19.8 million or 17.8% as compared to 3Q 2018, mainly due to improved performance of the Singapore operations. The Group's subsidiary in Malaysia, Tasek recorded slightly higher revenue in 3Q 2019 for both the cement and concrete segments as compared to 3Q 2018.

The Group's gross profit was \$131.0 million in 3Q 2019, a decrease of \$8.3 million or 6.0%, from \$139.3 million in 3Q 2018. This was mainly due to a decline in gross profit for Yuchai attributable to higher production costs on the National VI engines and pricing pressure. However, gross profit for BMU improved from higher business volumes and better contribution margins.

Other income was \$21.6 million in 3Q 2019, an increase of \$9.2 million from \$12.4 million in 3Q 2018. The increase was mainly due to higher government grants and interest income in 3Q 2019. For 3Q 2019, other income mainly comprised interest income and government grants.

Selling and distribution ("**S&D**") expenses were \$58.5 million in 3Q 2019, a decrease of \$2.4 million or 3.9% as compared to \$60.9 million in 3Q 2018. The decrease was mainly due to lower warranty expenses.

Research and development ("**R&D**") expenses were \$16.4 million in 3Q 2019, an increase of \$3.3 million or 25.4% as compared to \$13.1 million in 3Q 2018. The increase was mainly due to higher consultancy fees and experimental costs. Yuchai continues with its initiatives to develop new engines compliant with China's next emission standards and to improve engine performance and quality.

General and administrative ("**G&A**") expenses were \$40.6 million in 3Q 2019, an increase of \$8.9 million or 28.0% as compared to \$31.7 million in 3Q 2018. The increase was mainly due to higher depreciation and repair and maintenance expenses.

Finance costs were \$12.8 million in 3Q 2019, an increase of \$3.1 million or 31.3% as compared to \$9.7 million in 3Q 2018. The increase in finance costs was mainly due to higher amount of bills discounted and recognition of interest expense related to lease liabilities in 3Q 2019.

Other expenses were \$1.1 million in 3Q 2019, a decrease of \$1.3 million from \$2.4 million in 3Q 2018. The higher expenses in 3Q 2018 were mainly due to additional withholding tax and relevant expense on disposal of subsidiary, LKN Investment International Pte. Ltd., in November 2017. For 3Q 2019, other expense mainly comprised fair value loss on derivatives and loss on disposal of property, plant and equipment.

Share of results of associates and joint ventures was a loss of \$1.0 million in 3Q 2019 in contrast to a profit of \$1.5 million in 3Q 2018. This was mainly due to losses from associates and joint ventures of Yuchai.

As a result, profit from continuing operations after tax was \$15.3 million in 3Q 2019 as compared to \$27.0 million in 3Q 2018. The Group recorded a profit from continuing operations attributable to the owners of the Company of \$3.4 million in 3Q 2019, as compared to \$2.8 million in 3Q 2018.

YTD 3Q 2019 versus YTD 3Q 2018

Revenue for the Group was \$2.843 billion in YTD 3Q 2019, an increase of \$71.2 million or 2.6%, from \$2.772 billion in YTD 3Q 2018. The increase in revenue was mainly due to higher revenue recorded by Yuchai and BMU.

- Yuchai's revenue increased by \$41.4 million or 1.7% as compared to YTD 3Q 2018. Yuchai sold 281,499 engines in YTD 3Q 2019, comparable to 281,850 units sold in YTD 3Q 2018.
- BMU's revenue increased by \$38.6 million or 12.0% as compared to YTD 3Q 2018, mainly due to improved performance of the Singapore operations.

The Group's gross profit was \$472.1 million in YTD 3Q 2019, a decrease of \$42.8 million or 8.3%, from \$514.9 million in YTD 3Q 2018. This was mainly due to a decline in gross profit for Yuchai attributable to higher costs incurred in the production of National VI engines and pricing pressure. However, gross profit for BMU improved from higher business volumes and better contribution margins.

Other income was \$50.8 million in YTD 3Q 2019, an increase of \$16.0 million from \$34.8 million in YTD 3Q 2018. The increase was mainly due to higher government grants and interest income. For YTD 3Q 2019, other income mainly comprised interest income and government grants.

S&D expenses were \$189.0 million in YTD 3Q 2019, an increase of \$5.6 million or 3.0% as compared to \$183.4 million in YTD 3Q 2018. The increase was mainly due to higher delivery costs, net impairment losses for trade and other receivables (as compared to the net write-back of impairment losses for trade and other receivables in YTD 3Q 2018) and depreciation expense.

R&D expenses were \$53.6 million in YTD 3Q 2019, a decrease of \$17.9 million or 25.0% as compared to \$71.5 million in YTD 3Q 2018. The decrease was mainly due to higher capitalisation of development costs for National VI and Tier 4 engines by Yuchai.

G&A expenses were \$116.9 million in YTD 3Q 2019, an increase of \$5.1 million or 4.5% as compared to \$111.8 million in YTD 3Q 2018. The increase was mainly due to higher depreciation expense.

Finance costs were \$30.3 million in YTD 3Q 2019, an increase of \$3.2 million or 11.8% as compared to \$27.1 million in YTD 3Q 2018. The increase in finance costs was mainly due to higher amount of bills discounted and recognition of interest expense related to lease liabilities in YTD 3Q 2019.

Other expenses were \$1.7 million in YTD 3Q 2019, a decrease of \$3.1 million from \$4.8 million in YTD 3Q 2018. The higher expenses in YTD 3Q 2018 were mainly due to foreign exchange loss and additional withholding tax and relevant expense on disposal of subsidiary, LKN Investment International Pte. Ltd., in November 2017.

Share of results of associates and joint ventures were \$1.3 million in YTD 3Q 2019, as compared to \$3.7 million in YTD 3Q 2018. The decrease was mainly due to lower profits from associates and joint ventures of Yuchai.

As a result, profit from continuing operations after tax was \$100.3 million in YTD 3Q 2019 as compared to \$118.4 million in YTD 3Q 2018. The Group recorded a profit from continuing operations attributable to the owners of the Company of \$24.0 million in YTD 3Q 2019, as compared to \$18.1 million in YTD 3Q 2018.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.208 billion as at 30 September 2019 compared with \$1.308 billion as at 31 December 2018.

During the period under review, the Group generated operating cash inflow before changes in working capital of \$63.8 million and net cash inflow from operating activities of \$1.8 million. This was mainly due to lower trade and other payables, partially offset by lower trade and other receivables as compared to 30 June 2019.

The net cash outflow from investing activities of \$46.2 million was mainly due to purchase of property, plant and equipment and intangible assets, partially offset by net release of deposits with banks and interest received.

The Group had net cash outflow from financing activities of \$171.5 million. It was mainly due to net repayment of borrowings of \$140.0 million, interest payment of \$15.7 million and acquisition of non-controlling interests of \$13.5 million.

As reported in the Group's results announcement for the third quarter of 2018 dated 14 November 2018, the Company had raised net proceeds of \$201.1 million from the rights issue exercise in October 2018. As at the date of this Announcement, there has not been any utilisation of the net proceeds for the intended uses as stated in the Offer Information Statement dated 3 October 2018. Pending such deployment, funds have been used in the interim to repay short-term revolving facilities and the balance has been deposited with financial institutions. The Company will make periodic announcements via SGXNET on the actual deployment of the proceeds.

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

None.

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

In China, the economy grew at 6.0% year-on-year in 3Q 2019, its slowest growth rate in 27 years. The National Bureau of Statistics of China reported that the national economy maintained overall stability in the first three quarters of 2019. However, the economy is under mounting downward pressure, given the complicated and severe economic conditions both at home and abroad, the slowing global economic growth, and increasing external instabilities and uncertainties. The prospects and the domestic market condition for Yuchai are expected to remain challenging. Despite the foregoing, Yuchai remains committed to its research and development programs so that it is well positioned to meet the increasingly stringent emission standards.

In Malaysia, Tasek continues to be affected by the pricing competition. The Department of Statistics Malaysia reported on 9 August 2019 that the value of construction work done in the second quarter of 2019 recorded a growth of 0.8% year-on-year to 35.9 billion Malaysian Ringgit.

In Singapore, based on advance estimates, the construction sector grew 2.7% year-on-year in 3Q 2019, as announced by the Ministry of Trade and Industry. Singapore's GDP growth for 2019 is expected to be in the range between 0.0% and 1.0%. BMU's operations in Singapore had witnessed an improvement in sales volumes and pricing in recent tenders. The Group Precast division's strategy to move towards Design for Manufacturing and Assembly (DfMA) is in line with Singapore's transformation in the built environment towards higher automation and improved productivity. The construction of the Group's Precast manufacturing facility, when ready, will enable the Precast business division to continue to be a significant player in Singapore.

The Group is well positioned to pursue growth opportunities and will continue to exercise cost discipline.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend is declared / recommended for the current financial period under review, as the Company has incurred losses for the quarter ended 30 September 2019.

13. Interested person transactions

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the quarter ended 30 September 2019.

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

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

Not applicable.

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

Not applicable.

16. A breakdown of sales.

Not applicable.

17. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1) of the Listing Manual in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

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

14 November 2019

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the third quarter and nine months ended 30 September 2019 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Peck
Executive Chairman

Tan Eng Kwee
Director and Chief Executive Officer

14 November 2019