FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FULL YEARLY RESULTS

Issuer & Securities

Issuer/ Manager

HONG LEONG ASIA LTD.

Securities

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Please refer to the attached Unaudited Full Year Financial Statement for the Year Ended 31 December 2019.

Additional Details

For Financial Period Ended

31-Dec-2019

Attachments

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

Unaudited Full Year Financial Statement For The Year Ended 31 December 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 year ended 31 December ("**FY**") 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

	Group		
	2019	**2018**	**+/-**
	$'000	**$'000**	**%**
Continuing operations			
Revenue	4,104,089	3,785,641	8.4%
Cost of sales	(3,388,191)	(3,085,031)	9.8%
Gross profit	**715,898**	**700,610**	**2.2%**
Other income	71,509	48,774	46.6%
Selling and distribution expenses	(296,492)	(247,115)	20.0%
Research and development expenses	(98,589)	(92,734)	6.3%
General and administrative expenses	(173,956)	(174,298)	-0.2%
Finance costs	(39,021)	(37,030)	5.4%
Other expenses	(1,756)	(2,894)	-39.3%
Profit from continuing operations	**177,593**	**195,313**	**-9.1%**
Share of results of associates and joint ventures, net of income tax	4,966	3,462	43.4%
Profit before tax from continuing operations	**182,559**	**198,775**	**-8.2%**
Income tax expense	(36,789)	(38,949)	-5.5%
Profit from continuing operations, net of tax	**145,770**	**159,826**	**-8.8%**
Discontinued operation			
Loss from discontinued operation, net of tax	-	(33,162)	NM
Profit for the year	**145,770**	**126,664**	**15.1%**
Attributable to:			
Owners of the Company			
- Profit from continuing operations, net of tax	34,443	24,759	39.1%
- Loss from discontinued operation, net of tax	-	(30,776)	NM
	34,443	**(6,017)**	NM
Non-controlling interests			
- Profit from continuing operations, net of tax	111,327	135,067	-17.6%
- Loss from discontinued operation, net of tax	-	(2,386)	NM
	111,327	**132,681**	-16.1%

Note:

*(a) Nearly 90% of the Group's total revenue is generated from its businesses in China. For the year ended 31 December, translation of income statements from Renminbi (“**RMB**”) to Singapore dollar (“**SGD**”) has been made at the average exchange rates of RMB5.0652 = SGD1.00 for FY2019 and RMB4.9126 = SGD1.00 for FY2018. For FY2019, RMB has depreciated by about 3.1% as compared to FY2018.*

*(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 statement for FY2018.

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

	Group		
	2019	**2018**	**+/-**
Profit before tax from continuing operations includes the following:	**$'000**	**$'000**	**%**
(Loss)/gain on disposal of property, plant and equipment, net [(1)]	(6)	1,805	NM
Gain on disposal of right-of-use assets, net [(2)]	1,824	-	NM
Impairment losses on property, plant and equipment and intangible assets [(3)]	(3,341)	(10,046)	-66.7%
Impairment losses on development property [(4)]	(600)	-	NM
Impairment losses (recognised)/written back for trade and other receivables, net [(5)]	(7,418)	2,050	NM
Allowance (recognised)/written back for inventories obsolescence, net [(6)]	(8,391)	1,322	NM
Depreciation and amortisation [(7)]	(115,238)	(111,320)	3.5%
Foreign exchange gain, net [(8)]	987	350	182.0%
Fair value (loss)/gain on derivatives, net [(9)]	(1,138)	922	NM
Interest expense [(10)]	(37,875)	(35,906)	5.5%
Interest income [(11)]	37,203	32,638	14.0%
Write-off of property, plant & equipment [(12)]	(877)	(268)	227.2%

NM: Not meaningful

(1) Net gain on disposal of property, plant and equipment in FY2018 was attributed mainly to the Group’s Diesel Engines Unit (“**Yuchai**”).

(2) Net gain on disposal of right-of-use assets in FY2019 was attributed mainly to Yuchai.

(3) Impairment losses in both FY2019 and FY2018 related mainly to impairment of property, plant and equipment in Yuchai and the Group’s Air-conditioning Systems Unit (“**Airwell**”) and intangible assets in Airwell.

(4) Impairment losses on development property were attributed to a subsidiary of HL Global Enterprises Limited.

(5) Net impairment losses recognised for trade and other receivables in FY2019 were attributed mainly to Yuchai and Airwell.

Net impairment losses written back for trade and other receivables in FY2018 were attributed mainly to Yuchai.

(6) Net allowance recognised for inventories obsolescence in FY2019 was attributed mainly to Yuchai and Airwell.

Net allowance written back for inventories obsolescence in FY2018 was attributed mainly to Yuchai.

(7) The higher depreciation and amortisation were mainly due to depreciation of right-of-use assets recorded in FY2019, upon adoption of new accounting standard on 1 January 2019.

(8) The higher net foreign exchange gain recorded in FY2019 was mainly due to foreign exchange gain on revaluation of Singapore dollar ("**SGD**") assets in China Yuchai International Limited ("**CYI**") (with functional currency in United States dollar ("**USD**")).

(9) Net fair value (loss)/gain on derivatives in FY2019 and FY2018 (for hedging against foreign currency risk) arose largely from forward foreign exchange contracts in Yuchai.

(10) The increase in interest expense in FY2019 was mainly due to higher amount of trade bills discounted and recognition of interest expense related to lease liabilities (upon adoption of new accounting standard on 1 January 2019). This was partially offset by lower loan interest expense for the Company.

(11) The increase in interest income in FY2019 was due mainly to higher deposits placement.

(12) The write-offs of property, plant and equipment in both 2019 and 2018 were recorded mainly by Yuchai.

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

In FY2019, the Group's tax charge included additional provision of $142,000 for prior years (FY2018: write-back of over provision of $3,652,000 for prior years. This included the write-back of over provision of $1,629,000, upon discharge of additional tax liabilities in a Malaysian subsidiary, as previously explained in the Group's third quarter 2018 results announcement dated 14 November 2018).

1(a)(iv) Statement of Comprehensive Income

	Group		
	2019 **$'000**	**2018** **$'000**	**+/-** **%**
Profit for the year	**145,770**	**126,664**	**15.1%**
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	6,483	(3,403)	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	(58,069)	(62,014)	-6.4%
Net fair value changes of debt instruments at fair value through other comprehensive income	602	6,646	-90.9%
Realisation of reserves upon de-consolidation of subsidiaries	-	(10,250)	NM
Exchange differences on monetary items forming part of net investment in foreign entities	-	1,303	NM
Total other comprehensive income for the year, net of tax	**(50,984)**	**(67,718)**	**-24.7%**
Total comprehensive income for the year	**94,786**	**58,946**	**60.8%**
Attributable to:			
Owners of the Company	26,211	(77,439)	NM
Non-controlling interests	68,575	136,385	-49.7%
Total comprehensive income for the year	**94,786**	**58,946**	**60.8%**
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax	26,211	4,503	482.1%
- Total comprehensive income from discontinued operation, net of tax	-	(81,942)	NM
Total comprehensive income for the year attributable to Owners of the Company	**26,211**	**(77,439)**	**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.

	Group		Company	
$'000	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Non-current assets				
Property, plant and equipment	951,772	893,959	112	93
Land use rights	-	105,405	-	-
Intangible assets	145,609	43,942	72	109
Investment in subsidiaries	-	-	212,367	201,935
Interests in associates	43,688	45,380	14,605	13,726
Interests in joint ventures	67,972	59,509	-	-
Investment property	1,265	1,344	-	-
Other investments	16,198	2,914	-	-
Non-current receivables	5,811	4,897	10,000	20,000
Capitalised contract costs	26,350	8,825	-	-
Right-of-use assets	127,944	-	56	-
Deferred tax assets	82,029	72,934	-	-
Long-term deposits	9,655	13,902	-	-
	1,478,293	1,253,011	237,212	235,863
Current assets				
Inventories	594,208	562,729	-	-
Development properties	3,422	4,025	-	-
Other investments	1,785	4,353	-	-
Trade and other receivables	1,718,514	1,684,345	269,712	245,506
Cash and short-term deposits	1,318,983	1,308,076	8,557	29,275
Derivatives	-	899	-	-
	3,636,912	3,564,427	278,269	274,781
Total assets	5,115,205	4,817,438	515,481	510,644
Current liabilities				
Trade and other payables	1,738,047	1,479,583	3,035	9,160
Contract liabilities	74,594	56,956	-	-
Lease liabilities	11,309	-	41	-
Provisions	45,168	38,556	-	-
Loans and borrowings	647,510	544,657	194,875	66,324
Current tax payable	13,546	14,938	72	89
Derivatives	47	-	-	-
	2,530,221	2,134,690	198,023	75,573
Net current assets	1,106,691	1,429,737	80,246	199,208
Non-current liabilities				
Loans and borrowings	113,789	230,308	100,000	226,900
Deferred tax liabilities	35,068	34,741	2,631	2,333
Deferred grants	126,823	116,285	-	-
Other non-current payables	34,044	31,794	-	-
Contract liabilities	10,391	10,666	-	-
Lease liabilities	11,703	-	16	-
Retirement benefit obligations	2	2	-	-
	331,820	423,796	102,647	229,233
Total liabilities	2,862,041	2,558,486	300,670	304,806
Net assets	2,253,164	2,258,952	214,811	205,838
Equity attributable to owners of the Company				
Share capital	467,890	467,890	467,890	467,890
Reserves	296,934	278,962	(253,079)	(262,052)
	764,824	746,852	214,811	205,838
Non-controlling interests	1,488,340	1,512,100	-	-
Total equity	2,253,164	2,258,952	214,811	205,838
Total equity and liabilities	5,115,205	4,817,438	515,481	510,644

Explanatory Notes to Statement of Financial Position

Group

- **Non-current assets**: The increase in non-current assets was mainly due to (a) purchase of property, plant and equipment, (b) capitalisation of development costs for National VI and Tier 4 engines as intangible assets, (c) additional investments in a joint venture, (d) purchase of trademark licence by Yuchai, (e) acquisition of other investments, (f) additional contract costs capitalised for projects in FY2019, (g) recognition of higher deferred tax assets and (h) 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 the reclassification of deposits (maturing within the next 12 months) to current assets.

- **Current assets**: The increase in current assets was mainly due to (a) higher trade and other receivables, (b) higher inventory and (c) higher cash and short-term deposits. This was in line with higher turnover in FY2019.

- **Current liabilities**: The increase in current liabilities was mainly due to (a) higher trade and other payables, (b) higher loans and borrowings, (c) higher contract liabilities, (d) higher provision for warranties and (e) recognition of lease liabilities upon adoption of SFRS(I) 16. In particular:
    - The increase in trade and other payables was mainly caused by timing of settlement of amounts owed to suppliers.
    - The increase in loans and borrowings was mainly due to additional short-term borrowings and reclassification of loans (maturing within the next 12 months) from non-current liabilities.
    - The increase in contract liabilities was mainly due to increase in advance payment from customers as at 31 December 2019 for future product deliveries.

- **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 government grants deferred in FY2019 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 FY2019. This was partially offset by collection of receivables and impairment of investment in subsidiaries of $8.1 million in FY2019.

- **Current assets**: The increase in current assets was mainly due to additional loans granted to subsidiaries in FY2019, partially offset by lower cash and short-term deposits.

- **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 FY2019.

- **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 31.12.2019		As at 31.12.2018	
Secured	**Unsecured**	**Secured**	**Unsecured**
$400,000	$658,419,000	$100,407,000	$444,250,000

Amount repayable after one year *

As at 31.12.2019		As at 31.12.2018	
Secured	**Unsecured**	**Secured**	**Unsecured**
$13,861,000	$111,631,000	$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 31 December 2019 of $107,005,000 (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

	2019 $'000	2018 $'000
Operating activities		
Profit before income tax from continuing operations	182,559	198,775
Loss before income tax from discontinued operation	-	(33,162)
Adjustments for:		
Share of results of associates and joint ventures, net of income tax	(4,966)	(3,462)
Cost of share-based payments	24	-
Depreciation and amortisation	115,238	112,106
Allowance recognised/(written back) for inventories obsolescence, net	8,391	(195)
Impairment losses recognised/(written back) for trade and other receivables	7,418	(1,793)
Impairment losses recognised for property, plant and equipment and intangible assets	3,341	10,046
Impairment losses recognised for development property	600	-
Property, plant and equipment written off	877	268
Finance costs	39,021	39,965
Dividend income from other investments	(253)	(466)
Interest income	(37,203)	(32,651)
Loss/(gain) on de-consolidation/disposal of:		
- subsidiaries	-	9,303
- property, plant and equipment	6	(1,805)
- right-of-use assets	(1,824)	-
- other investments	(438)	-
Fair value (gain)/loss on investments	(221)	700
Fair value loss/(gain) on derivatives	1,138	(922)
Provision for warranties and other costs, net	81,954	44,726
Operating cash flows before changes in working capital	395,662	341,433
Changes in working capital:		
Inventories and development properties	(53,722)	13,346
Trade and other receivables and capitalised contract costs	(125,385)	(100,488)
Trade and other payables and contract liabilities	306,681	(131,885)
Grant received from government	38,242	55,559
Provisions utilised	(74,190)	(52,216)
Cash flows from operations	487,288	125,749
Income tax paid	(45,933)	(40,271)
Net cash flows from operating activities	441,355	85,478
Investing activities		
Additional investment in joint ventures	(8,126)	(15,267)
Dividends received from:		
- associates and joint ventures	3,180	2,885
- other investments	253	466
Interest received	36,635	31,879
Net (placement)/release of deposits with banks	(29,880)	15,145
Purchase of:		
- property, plant and equipment	(164,152)	(100,554)
- intangible assets	(102,123)	(37,182)
- other investments	(6,811)	(1,124)
Net cash (outflow)/inflow on de-consolidation/disposal of:		
- subsidiaries, net of cash de-consolidated	-	(5,201)
- property, plant and equipment	548	1,651
- right of use assets	2,173	-
- other investments	3,208	-
Tax and relevant expenses in relation to a subsidiary disposed previously	(7,677)	-
Net cash flows used in investing activities	(272,772)	(107,302)
Financing activities		
Acquisition of non-controlling interests	(32,171)	(13,302)
Dividends paid to non-controlling interests of subsidiaries	(68,427)	(102,871)
Interest paid	(40,051)	(39,179)
Net proceeds from shares issue	-	201,060
Proceeds from borrowings	586,900	517,410
Repayment in respect of borrowings	(587,069)	(544,157)
Repayment of obligation under finance leases	-	(786)
Repayment of obligation under lease liabilities	(15,902)	-
Net cash flows (used in)/generated from financing activities	(156,720)	18,175
Net increase/(decrease) in cash and cash equivalents	11,863	(3,649)
Cash and cash equivalents at beginning of the financial year	1,224,105	1,262,104
Effect of exchange rate changes on balances held in foreign currencies	(31,732)	(34,350)
Cash and cash equivalents at end of the financial year	1,204,236	1,224,105
Comprising:		
Cash and short-term deposits	1,318,983	1,308,076
Less: Short-term deposits and restricted deposits	(114,747)	(83,971)
	1,204,236	1,224,105

The attributable net assets of subsidiaries de-consolidated during the year are as follows:

	2019 $'000	2018 $'000
De-consolidation of subsidiaries		
Non-current assets	-	129,262
Net current liabilities	-	(100,875)
Non-current liabilities	-	(8,834)
Non-controlling interests	-	38,665
Realisation of reserves	-	(48,915)
Loss on de-consolidation of subsidiaries	-	(9,303)
Total cash consideration	-	-
Less: Proceeds reflected as receivable, net of unpaid transaction costs		
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 year	-	-	-	-	-	-	-	(6,017)	(6,017)	132,681	126,664
Other comprehensive income											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(23,058)	-	-	(23,058)	(38,956)	(62,014)
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	(2,654)	-	-	-	-	(2,654)	(749)	(3,403)
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	1,902	-	-	-	-	1,902	4,744	6,646
Exchange differences on monetary items forming part of net investment in foreign entities	-	-	-	-	-	1,303	-	-	1,303	-	1,303
Realisation of reserves upon de-consolidation of subsidiaries	-	(40)	(18,608)	(34,314)	-	4,047	-	-	(48,915)	38,665	(10,250)
Other comprehensive income for the year, net of tax	-	(40)	(18,608)	(35,066)	-	(17,708)	-	-	(71,422)	3,704	(67,718)
Total comprehensive income for the year	-	(40)	(18,608)	(35,066)	-	(17,708)	-	(6,017)	(77,439)	136,385	58,946
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Shares issued	201,911	-	-	-	-	-	-	-	201,911	-	201,911
Share issuance expense	(851)	-	-	-	-	-	-	-	(851)	-	(851)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(102,871)	(102,871)
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests	-	-	-	-	-	-	15,901	-	15,901	(29,203)	(13,302)
Others											
Transfer to statutory reserve	-	-	280	-	-	-	-	(280)	-	-	-
At 31 December 2018	467,890	4,351	15,425	2,192	5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952
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 year	-	-	-	-	-	-	-	34,443	34,443	111,327	145,770
Other comprehensive income											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(14,418)	-	-	(14,418)	(43,651)	(58,069)
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	5,994	-	-	-	-	5,994	489	6,483
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	192	-	-	-	-	192	410	602
Other comprehensive income for the year, net of tax	-	-	-	6,186	-	(14,418)	-	-	(8,232)	(42,752)	(50,984)
Total comprehensive income for the year	-	-	-	6,186	-	(14,418)	-	34,443	26,211	68,575	94,786
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(68,427)	(68,427)
Cost of share-based compensation	-	-	-	-	24	-	-	-	24	-	24
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests	-	-	-	-	-	-	(8,263)	-	(8,263)	(23,908)	(32,171)
Others											
Transfer to statutory reserve	-	-	376	-	-	-	-	(376)	-	-	-
At 31 December 2019	467,890	4,351	15,801	8,378	5,267	(40,812)	43,035	260,914	764,824	1,488,340	2,253,164

1(d)(i) Statement of changes in equity for the periods ended 31 December (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 year	-	-	-	(218,156)	(218,156)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued	201,911	-	-	-	201,911
Share issuance expense	(851)	-	-	-	(851)
At 31 December 2018	467,890	9,199	2,467	(273,718)	205,838
At 1 January 2019	467,890	9,199	2,467	(273,718)	205,838
Total comprehensive income for the year	-	-	-	8,949	8,949
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Cost of share-based compensation	-	-	24	-	24
At 31 December 2019	467,890	9,199	2,491	(264,769)	214,811

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 31 December 2019 and 31 December 2018.

There was no change in the Company's issued share capital during the year ended 31 December 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 year ended 31 December 2019.

As at 31 December 2019, there were a total of 920,000 (31 December 2018: 570,000) 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 31 December 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 year ended 31 December 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:

<u>SFRS(I) 16 *Leases*</u>

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 $138,874,000 and lease liabilities (current and non-current) of $33,099,000. 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	**2019**	**2018**
(i) Based on the weighted average number of ordinary shares in issue (cts)	4.61	(1.37)
(ii) On a fully diluted basis (cts)	4.61	(1.37)

570,000 (31 December 2018: 570,000) 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	
	31.12.2019	**31.12.2018**	**31.12.2019**	**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 31 December 2019 and as at 31 December 2018 (cts)	102.27	99.87	28.73	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 Rigid Plastic 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 ("Ordinary Shares") (excluding treasury shares) and the 6% cumulative participating preference shares ("Preference Shares") of Tasek Corporation Berhad ("**Tasek**") not already held by the Joint Offerors (the "**Offer**") at an offer price of Malaysian Ringgit ("**RM**") 5.50 per share. The offer price was subsequently revised on 2 August 2019 to RM 5.80 per share ("**Revised Offer**"). Following the close of the Revised Offer on 19 August 2019, the Group holds 106,803,501 Ordinary Shares and 217,450 Preference Shares in Tasek, representing approximately 88.16% of the total issued and paid-up Ordinary Shares (excluding treasury shares) and 64.91% of the total issued and paid-up Preference Shares respectively.

After the de-consolidation of the Group's Consumer Products Unit ("**Xinfei**") on 21 May 2018, the operating performance of Xinfei was presented separately under "discontinued operation" in the income statement for FY2018.

In China, the economy recorded a growth of 6.1% in 2019, compared to 6.6% in 2018. Statistics from China Association of Automobile Manufacturers reported a decline in sales of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 4.5% as compared with 2018.

In Singapore, the Ministry of Trade and Industry announced that the economy grew by 0.7% in 2019, slower than the 3.4% growth achieved in 2018. The construction sector grew by 2.8% in 2019, recovering from the decline of 3.5% in 2018. Growth in the Singapore construction sector was supported by a pickup in both public and private sector construction activities. In Malaysia, the economy grew by 4.3% in 2019 (2018: 4.7%), the slowest pace since the 2009 financial crisis. The cement industry continued to be affected by prolonged price competition due to excess cement capacity.

The profit attributable to the owners of the Company ("**PATMI**") for FY2019 increased by $40.4 million to $34.4 million, in contrast to a loss of $6.0 million in FY2018.

<u>FY2019 versus FY2018</u>

Revenue for the Group was $4.104 billion in FY2019, an increase of $318.5 million or 8.4%, from $3.786 billion in FY2018. The increase in revenue was mainly due to higher revenue recorded by Yuchai and BMU.

- Yuchai's revenue increased by $250.0 million or 7.6% as compared to FY2018. Yuchai sold 376,148 engines in FY2019, marginally higher than 375,731 units sold in FY2018, led by stronger sales in industrial and agricultural engines which were partially offset by weaker sales in the bus and truck engine segments.

- BMU's revenue increased by $77.6 million or 18.1% as compared to 2018 as both its Singapore and Malaysian operations reported higher year-on-year revenue.

The Group's gross profit improved from $700.6 million in FY2018 to $715.9 million in FY2019 driven by higher business volumes and better contribution margins achieved by BMU.

Other income, which comprised mainly interest income and government grants, was $71.5 million in FY2019, an increase of $22.7 million from $48.8 million in FY2018. Yuchai benefited from higher government grants and interest income in FY2019.

Selling and distribution ("**S&D**") expenses rose by $49.4 million to $296.5 million in FY2019 largely from higher warranty expenses, additional allowance for doubtful debts and higher freight costs.

Research and development ("**R&D**") expenses were $98.6 million in FY2019, an increase of $5.9 million or 6.3% as compared to $92.7 million in FY2018 due to the need to increase its portfolio of new engines which are compliant with the more stringent National VI emission standards and continuous improvements made to enhance the quality and performance of its engines.

General and administrative ("**G&A**") expenses were $174.0 million in FY2019, comparable to $174.3 million in FY2018.

Finance costs were $39.0 million in FY2019, an increase of $2.0 million or 5.4% as compared to $37.0 million in FY2018. This was mainly due to higher amount of trade bills discounted and recognition of interest expense related to lease liabilities in FY2019. This was partially offset by lower loan interest expense for the Company.

Other expenses, which comprised mainly fair value loss on derivatives, were $1.8 million in FY2019, a decrease of $1.1 million from $2.9 million in FY2018. The higher expenses in FY2018 were mainly due to 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 was a profit of $5.0 million in FY2019 as compared to $3.5 million in FY2018. This was mainly due to higher profits from joint ventures of Yuchai.

In conclusion, primarily as a result of weaker performance in Yuchai, driven largely by increases in S&D and R&D expenses, profit from continuing operations after tax fell from $159.8 million in FY2018 to $145.8 million in FY2019. However, profit from continuing operations attributable to the owners of the Company rose to $34.4 million in FY2019 from $24.8 million in FY2018 on account of improved performance by BMU.

Working Capital and Cash Flow

The Group had cash and short-term deposits of $1.319 billion as at 31 December 2019 compared with $1.308 billion as at 31 December 2018.

During the year under review, the Group generated operating cash inflow before changes in working capital of $395.7 million and net cash inflow from operating activities of $441.4 million. This was mainly due to higher trade and other payables, partially offset by higher trade and other receivables and capitalised contract costs as compared to 31 December 2018.

The net cash outflow from investing activities of $272.8 million was mainly due to purchase of property, plant and equipment and intangible assets and net placement of deposits with banks, partially offset by interest received.

The Group had net cash outflow from financing activities of $156.7 million. It was mainly due to dividends paid to non-controlling interests of $68.4 million, interest payment of $40.1 million, acquisition of non-controlling interests of $32.2 million and repayment of obligation under lease liabilities of $15.9 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. On 13 March 2020, the Group had announced that $42.9 million of the net proceeds had been utilised. Since then, no further utilisation of the rights proceeds has been made, and other than previously announced, the remaining unutilised funds have been used in the interim to repay short-term revolving facilities and the balance has been deposited with financial institutions pending future deployment. The Company will make periodic announcements via SGXNET on the further deployment of the rights 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.

The recent coronavirus (COVID-19) outbreak is expected to dampen growth prospects for 2020. The United Nation's trade and development agency had, on 9 March 2020, estimated that the economic uncertainty sparked by the COVID-19 outbreak will likely cost the global economy $1 trillion during 2020 even as governments take urgent steps to reduce the economic impact and prevent the onset of a global economic recession. The International Monetary Fund had revised its 2020 growth outlook for China downwards to below 5.6%.

The COVID-19 outbreak in late January 2020 halted economic activities in China and disrupted global supply chains. Actions taken by the Chinese government to contain the spread of COVID-19 included city lockdowns, travel restrictions and quarantine measures. Bloomberg reported that China's economy could be heading for a worse-than-expected first quarter 2020 contraction after the country's manufacturing sector reported activity at a record low in February 2020 due to the COVID-19 outbreak. The slowdown in economic activities in China will have an impact on the demand for automobiles in China.

The restrictions imposed by the Chinese government on the movements of goods, services and manpower have disrupted the resumption of Yuchai's operations after the end of the Chinese New Year holiday break. Consequently, the Group expects challenging market conditions for Yuchai. Despite the foregoing, Yuchai remains committed to its research and development programmes so that it is well positioned to meet the increasingly stringent emission standards.

In Malaysia, Tasek continues to be affected by intense pricing competition. The Department of Statistics Malaysia reported on 10 February 2020 that the value of construction work done in 2019 recorded a 0.6% increase year-on-year to RM146.4 billion. The prospects for Tasek will remain challenging given the Movement Control Order imposed from 19 March 2020. Factory operations of non-essential goods have ceased and no deliveries may be made. In compliance with the directive of the Malaysian government, Tasek's integrated cement plant and all its ready-mix batching plants have ceased operations.

In Singapore, the construction sector grew 2.8% in 2019. Based on advance estimates announced by the Ministry of Trade and Industry, the Singapore economy contracted by 2.2% on a year-on-year basis in the first quarter of 2020, reversing the 1.0% growth in the preceding quarter. Taking into account the weaker-than-expected performance of the Singapore economy in the first quarter, and the sharp deterioration in the external and domestic economic environment since February 2020, the GDP growth forecast for 2020 is further downgraded to be in the range of between -4.0% and -1.0%. While the Singapore government has quickly put in place schemes and measures to help companies under the present circumstances, supply disruptions and project delays in the construction industry are already happening. These developments will undoubtedly affect BMU's operations in Singapore, particularly its precast plant in Senai, Johor, Malaysia where production has ceased since 19 March 2020. Nonetheless, BMU will continue with its strategic direction to be in line with Singapore's transformation of the built environment towards higher automation and improved productivity. This is evident in BMU's Precast division's strategy to move towards Design for Manufacturing and Assembly (DfMA). 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 COVID-19 situation is still evolving and further measures may be put in place by authorities in countries where the Group operates. The Group will continue to monitor and assess the magnitude of the overall impact on the Group's businesses and performance and take the necessary remedial measures, if able to do so. The Group remains vigilant and committed in exercising cost discipline.

Despite these recent events, the Group is still well positioned to pursue growth opportunities as and when they arise.

Cessation of Quarterly Reporting

Following the recent amendments to Rule 705(2) of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), which took effect on 7 February 2020, the Company will cease to release announcements of the Group's unaudited financial statements for each quarter of its financial year.

Going forward, the Company will release announcements pertaining to the unaudited financial statements of the Group on a semi-annual basis, in respect of the first half of its financial year and for the full financial year. Accordingly, the next announcement of the Group's unaudited financial statements will be in respect of the 6-month period ending 30 June 2020.

The Company will continue to keep shareholders updated on material developments relating to the Company and the Group in compliance with its continuing disclosure obligations, as and when appropriate.

Extension of time to hold the Annual General Meeting of the Company

The Company has obtained approval from SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") on its applications for an extension of time to hold its annual general meeting ("**AGM**") by 29 June 2020, The Company intends to convene its AGM on or around 18 June 2020, subject to the finalisation of the Group's audited financial statements for FY 2019, and in any case, no later than 29 June 2020.

11. Dividend

(a) Current Financial Period Reported On

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

Name of Dividend	Proposed First and Final
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share
Tax Rate	Tax Exempt (1-tier)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Subject to shareholders' approval at the forthcoming 59th Annual General Meeting of the Company, the proposed first and final dividend for financial year ended 31 December 2019 will be payable on 8 July 2020.

(d) Record date

5.00 pm on 25 June 2020

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

Not applicable.

13. Interested person transactions

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the year ended 31 December 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.

14 (a)(i). Business Segments

The Group determines and presents operating segments based on the information provided internally to the Group's chief operating decision maker (CODM).

$'000	Diesel engines	Building materials	Rigid plastic packaging	Air-conditioning systems	Corporate and Others [1]	Consumer products (Discontinued operation)	Adjustments	Total
2019								
External revenue	3,549,762	505,787	31,835	9,641	7,064	-	-	4,104,089
Interest income	33,979	1,454	50	19	4,609	-	(2,908)	37,203
Interest expense	(25,043)	(1,337)	(1,317)	(1,661)	(11,420)	-	2,903	(37,875)
Depreciation and amortisation	(90,748)	(20,909)	(1,437)	(923)	(1,221)	-	-	(115,238)
Reportable segment profit/(loss) before income tax	201,179	14,191	(1,462)	(17,820)	(13,529)	-	-	182,559
Share of profit of associates and joint ventures, net of income tax	3,581	1,208	-	-	177	-	-	4,966
Reportable segment profit/(loss) after income tax	167,204	12,763	(1,523)	(18,629)	(14,045)	-	-	145,770
2018								
External revenue	3,299,770	428,191	32,604	14,332	10,744	7,873	(7,873)	3,785,641
Interest income	29,116	1,633	39	21	4,544	13	(2,728)	32,638
Interest expense	(21,971)	(398)	(1,286)	(2,003)	(12,921)	(2,910)	5,583	(35,906)
Depreciation and amortisation	(88,711)	(18,311)	(1,670)	(1,446)	(1,182)	(786)	786	(111,320)
Reportable segment profit/(loss) before income tax	236,706	(8,750)	(2,968)	(11,024)	(15,189)	(33,162)	33,162	198,775
Share of profit of associates and joint ventures, net of income tax	2,200	1,094	-	-	168	-	-	3,462
Reportable segment profit/(loss) after income tax	194,805	(6,496)	(3,261)	(11,025)	(14,197)	(33,162)	33,162	159,826

[1] Others relate to hospitality and property development.

14 (a)(ii). Geographical Segments

$'000	China (including Hong Kong)	Singapore	Malaysia	Others	Consolidated
2019					
Total revenue from external customers	3,573,020	308,376	205,887	16,806	4,104,089
2018					
Total revenue from external customers	3,318,192	243,812	197,630	26,007	3,785,641

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.

	Group		
	2019 $'000	2018 $'000	Increase/ (Decrease)
Sales reported for first half	2,054,867	2,016,064	1.9%
Operating profit after tax before deducting non-controlling interests reported for first half year	85,047	35,233	141.4%
Sales reported for second half	2,049,222	1,769,577	15.8%
Operating profit after tax before deducting non-controlling interests reported for second half year	60,723	91,431	-33.6%

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

	Latest Full Year ($'000)	Previous Full Year ($'000)
Ordinary	7,478	-
Preference	-	-
Total:	7,478	-

The figure under the latest full year comprises the proposed first and final dividend for FY2019 which is subject to shareholders' approval at the forthcoming Annual General Meeting, and calculated based on 747,817,118 issued shares in the capital of the Company as at [31 March 2020].

18. Disclosure of person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company pursuant to Rule 704(13) of the Listing Rules.

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

19. 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

31 March 2020