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Company Secretary

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please refer to the attached Annual Report 2019 together with the Letter to Shareholders dated 27 May 2020 in relation to the proposed:

(1) second extension of the Hong Leong Asia Share Option Scheme 2000;
(2) renewal of the Share Purchase Mandate; and
(3) renewal of the general mandate for Interested Person Transactions.

Additional Details

Period Ended

31-Dec-2019

Attachments

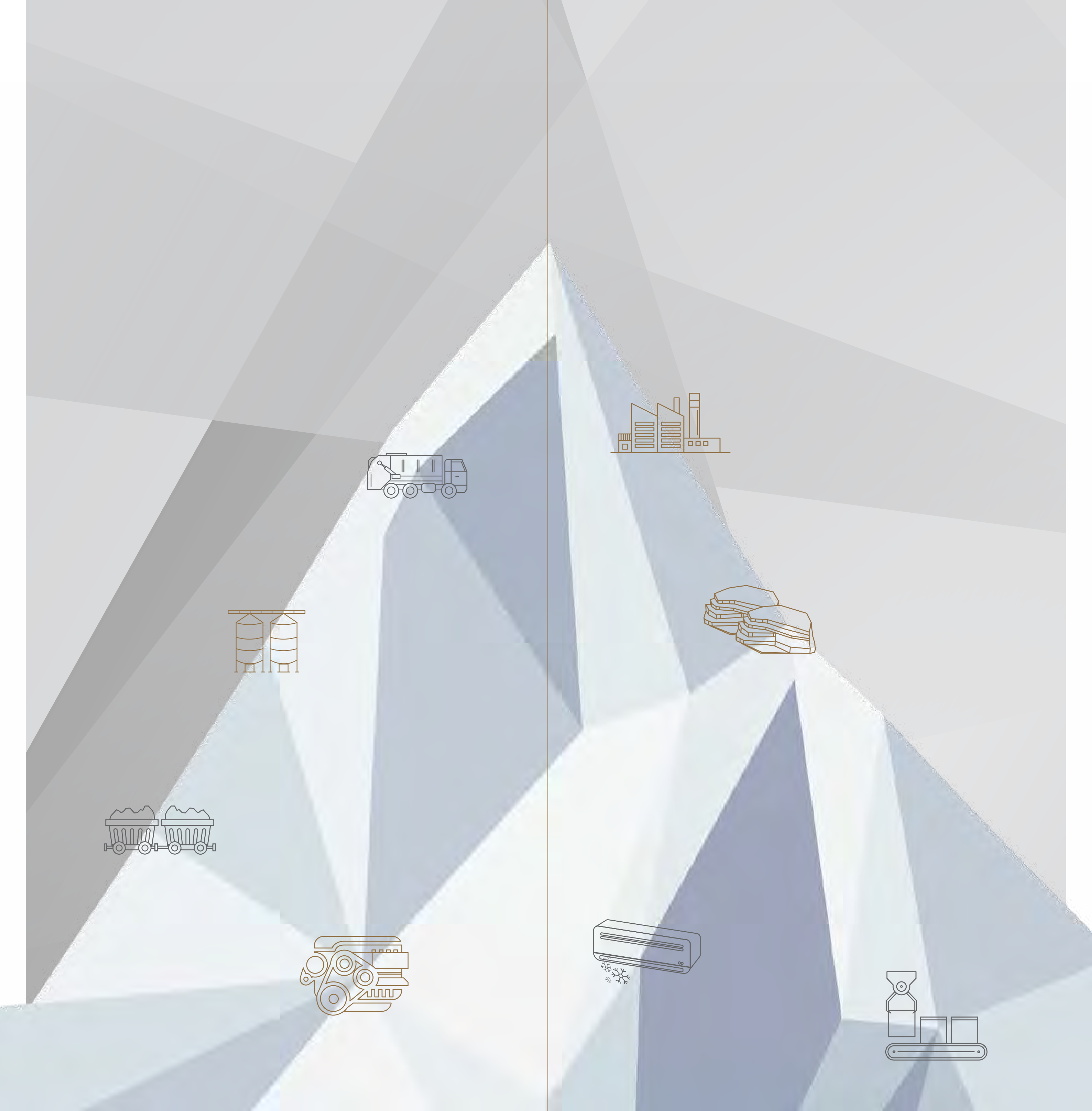
Hong%20Leong%20Asia%20AR2019.pdf

Hong%20Leong%20Asia%20Letter%20to%20Shareholders%202020.pdf

Total size =2959K MB

HONG LEONG ASIA LTD.
ANNUAL REPORT 2019

FORGING AHEAD



VISION

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

INTRODUCTION

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

I-ACE-IT

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

Teamwork
To support group decisions and work towards agreed goals cohesively.

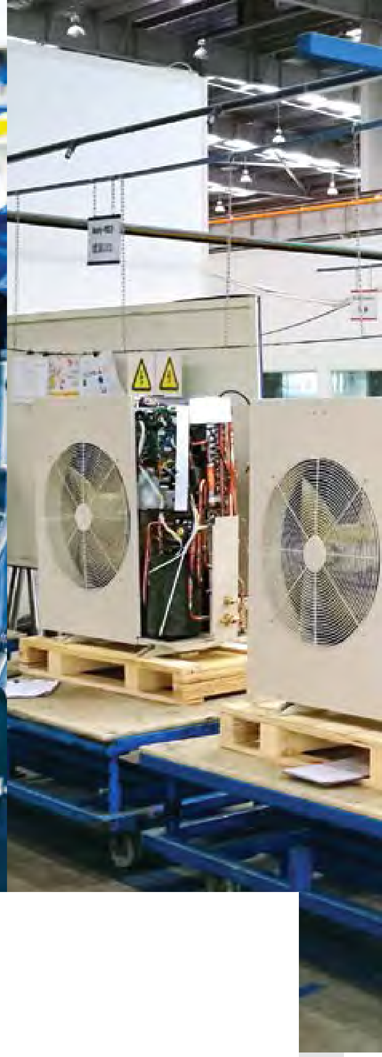
Accountability
To be responsible and take ownership in our work and commitments.

Innovation
To be creative and adopt a market leader mentality in our management approach.

Customer focused
To meet customer needs and expectations by providing outstanding products and services.

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

CONTENTS



GROUP PROFILE

Listed on the Singapore Stock Exchange since 1998, Hong Leong Asia (HLA) is the Trade & Industry arm of Singapore conglomerate Hong Leong Group and one of the region's major players with operations in China and across Southeast Asia. With its head office based in Singapore and its management team, the Group combines best management practices with a deep understanding of Asian culture and local sensibilities. Its diverse management portfolio includes diesel engines, the building materials supply chain, rigid plastic packaging and air-conditioning systems.

DIESEL ENGINES UNIT

China Yuchai International Limited's principal operating subsidiary is one of China's largest engine manufacturers. It manufactures, assembles and sells a variety of light-, medium- and heavy-duty engines for trucks, buses, passenger vehicles, industrial equipment, and marine and agriculture applications, and also provides maintenance and retrofitting services.

BUILDING MATERIALS UNIT

The Building Materials Group is one of the largest suppliers of essential building materials to the construction industry in Singapore. It sells all grades of ready-mix concrete and is the largest producer of precast concrete elements for public housing construction. Its Malaysia subsidiary Tasek Corporation is the fourth largest cement producer.

RIGID PLASTIC PACKAGING UNIT

Rex manufactures and distributes a wide range of rigid plastic packaging products for the industrial and consumer packaging markets. Its operational facilities based in China produce bottles, closures, jerry cans, pails and drums which are supplied to segments such as personal care, food & beverage, household, lubricants and chemicals.

AIR-CONDITIONING SYSTEMS

Airwell is engaged in the design, manufacture and distribution of air-conditioning (AC) systems, such as central AC systems and floor heating used in residential, commercial and industrial applications. Its production facility is based in China, and its products are exported to Asia and Europe, marketed under the brands Airwell and Fedders.

REVENUE DISTRIBUTION

REVENUE BY BUSINESS SEGMENT

(in S$ million)

Diesel Engines	Building Materials	Rigid Plastic Packaging Unit	Air-Conditioning Systems	Other Segments
3,550	506	32	10	6

TOTAL

S$4.10 billion

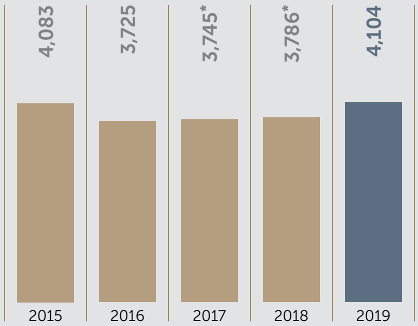
REVENUE BY COUNTRY

(in S$ million)

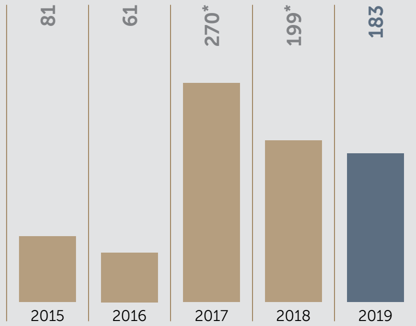
Country	Revenue
China	3,573
Malaysia	206
Singapore	308
Other countries	17

FINANCIAL HIGHLIGHTS

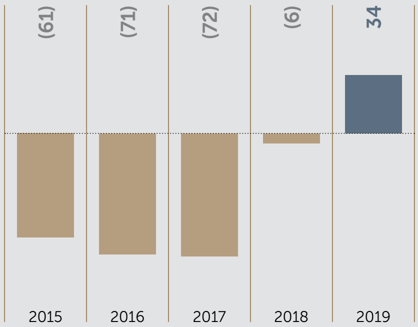
REVENUE
(in S$ million)



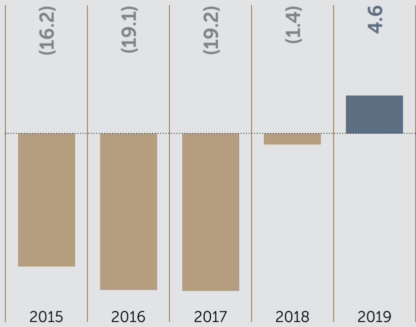
PROFIT BEFORE TAX
(in S$ million)



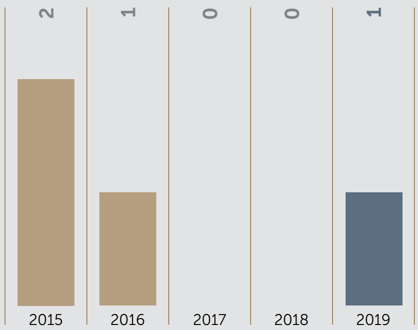
ATTRIBUTABLE PROFIT/(LOSS)
(in S$ million)



EARNINGS/(LOSS) PER SHARE
(in cents)



DIVIDEND PER SHARE
(in cents)



** Encompasses continuing operations only.*

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I wish to present the Annual Report for the year ended 31 December 2019 ("FY2019").

YEAR IN REVIEW

Business conditions were extremely challenging in 2019 and this is now compounded by the outbreak of COVID-19.

The year witnessed heightened tension, from military threats to trade disputes between China and the United States. While the trade tensions ended with a temporary truce in the form of a phase one deal, uncertainty remains. Globalization has turned into regional trade blocs with slower global economic growth. This has resulted in rate cuts, most notably with the Federal Reserve cutting interest rates three times during 2019, reversing nearly all of 2018's rate increases.

2019 also saw volatility in oil prices which began with spikes caused by the attack on Saudi oil production facilities, and gradually dipped due to weak economic data and alternative in shale oil and recently crashing further with the oil price war between Saudi Arabia and Russia.

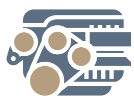
Regional currencies weakened against the United States dollar pushing up costs of imported raw materials.

DIESEL ENGINES ("YUCHAI")

Yuchai continues its journey on investing for growth and its future.

In line with the government's policies on sustainability, Yuchai aims to be among the first engine manufacturers to achieve new emission standards as and when set by the Chinese government. I am proud to add that Yuchai was among the first to sell and distribute National VI gas engines when they were made mandatory in mid-2019.

While non-gas National VI and Tier-4 diesel engines are still not mandatory nation-wide in China until mid-2021, Yuchai, having made considerable investments in improving emission standard of its engines, has already shipped more than 20,000 National VI compliant engines to its major OEM customers in 2019. This is further affirmation of our commitment to be an early adopter as a manufacturer of more environmentally-friendly engines.



Yuchai shipped
>20,000
National VI compliant engines to major OEM customers in 2019

The Singapore construction industry reached its five-year high at
$33.4 billion
in 2019 with increased investments in public housing, infrastructure and private sector projects.

CHAIRMAN'S MESSAGE

"Yuchai continues its journey on investing for growth and its future. In line with the government's policies on sustainability, Yuchai aims to be among the first engine manufacturers to achieve new emission standards as and when set by the Chinese government."

CHAIRMAN'S MESSAGE

As a further demonstration of its commitment and dedication to embrace technology in its products, Yuchai has embarked on expanding its product range to include fuel cell, hybrid system, electrification, range extender and eCVT powertrain systems. To date, it has launched 4 new energy powertrain system platforms including integrated powertrain system and fuel cell system.

Yuchai has about 700 engineers involved in research and development, with several of them having qualifications at the Doctorate and Masters' degree levels. It has a dedicated research and development center in Nanning and more than 2,000 patents registered.

Yuchai has continued to expand its international foot print and now exports its engines globally, most notably to the Asian and African continents.

BUILDING MATERIALS

The Singapore construction industry reached its five-year high at $33.4 billion in 2019 with increased investments in public housing, infrastructure and private sector projects. This translated to a 9.5% year-on-year increase. As a result, demand for building materials in Singapore rose in 2019.

The Group's building material unit in Singapore benefited from this rising demand, particularly in the ready-mix concrete segment.

The Group continued to be amongst one of the top suppliers of ready-mix concrete, precast and cement in Singapore with strong order books.

As part of its strategy to have a ready and assured source of raw materials for its building materials business unit, the Group entered into an arrangement, in early 2020, wherein it has an off-take purchase agreement for its granite needs with an Indonesian quarry owner. The Group is also exploring similar upstream integration opportunities in its Malaysian operations.

The Group's Integrated Construction and Prefabrication Hub ("ICPH") at Pulau Punggol Barat is in the midst of construction and was initially targeted for completion by end 2021. However, as a result of the ongoing COVID-19 pandemic, building and construction activities have been hampered, resulting in a delay of the timeline. Barring no other unforeseen circumstances, the ICPH facility is now expected to be completed in the first half of 2022 and fully operational in the first half of 2023.


Artist's Impression of ICPH

The Group continued to be amongst one of the **top suppliers** of ready-mix concrete, precast and cement in Singapore with strong order books.

RIGID PLASTIC PACKAGING ("REX") & AIR-CONDITIONING SYSTEMS ("AIRWELL")

The economic slowdown in China affected the operations of the Rex and Airwell business units. The Group is exploring various options on the future directions of Rex and Airwell.

SUSTAINABILITY

In its many years of experience in the industrial space and understanding its wider impact, the Group has reaped the benefits of the additional visibility that sustainability reporting provides, helping to further guide its sustainability goals and initiatives since it first began the journey four years ago. The learnings have been humbling and eye-opening, moreover, since the transition to the GRI standard last year, the Group looks forward to strengthening its sustainability plans to better align with its business objectives and growth strategy.

ACTIONS ON COVID-19

The outbreak of COVID-19 brought to bear the need to safeguard employees' health and safety. To this end, I am proud to say that the Group has continually emphasized the importance to adherence to safety and health standards at its work place. To further enhance the safety and health of our employees, masks and hand sanitizers are made available to employees, twice daily temperature taking is put in place for all employees, employees are seated at least 1 metre apart, visitors to our work places are screened at the point of entry for fever and cough, contact tracing is facilitated where visitors are required to log in their contact details and where employees are required to be quarantined, paid leave is given.

CHAIRMAN'S MESSAGE

"In view of an unpredictable business environment caused by the ongoing COVID-19 pandemic and the changing competitive landscape, we expect business conditions to be even more challenging in 2020...Meanwhile, the Group continues to explore investment opportunities to grow its business."

Additionally we have instituted Group-wide overseas travel bans, discouraged large group contact by organizing video and audio conferencing in lieu of physical meetings, begun to practise the habit of safe distancing measures, while strictly adhering to government directives and advisories.

We have also activated our Business Continuity Plan by segregating work groups in different locations including implementing work-from-home arrangements when necessary and have put in place a back-up site for our Building Materials business unit to mitigate challenges arising from any business disruptions.

OUTLOOK

The outbreak of COVID-19 early this year has severely disrupted movements of goods, services and the populace. Many countries have already imposed restrictions including movement and border controls as the magnitude and severity of COVID-19 grew. While the development of vaccines is underway, various reports have suggested it would take quite some time to bring the outbreak under some form of control. Uncertainties remain which will result in more challenging conditions for the business communities.

While supply chains in China have gradually returned to normalcy, demand for industrial and consumer goods has dampened amid a slowdown in economic growth and outlook uncertainties. Asset replacements are being delayed and consumer spending turning cautious, more so in China as workers have lower disposable income from delays in returning to work. The seriousness and the impact of COVID-19 can be seen by the Federal Reserve Bank lowering its rate to near 0% on 15 March 2020.

The property overhang remains in Malaysia, which may affect recovery of the cement industry. The lack of suitable sites and the difficulty in securing permits to operate batching plants as well as the shortage of skilled labour in Singapore and Malaysia will affect growth of the building materials industry in both countries.

FORGING AHEAD

In view of an unpredictable business environment caused by the ongoing COVID-19 pandemic and the changing competitive landscape, we expect business conditions to be even more challenging in 2020.

While the Chinese government has been swift in their post-crisis support with the implementation of various policies, the outlook for economic recovery remains dampened due to the significant decline in external demand caused by the global spread of the virus.

The latest Circuit Breaker and Movement Control Order (MCO) measures imposed by the Singapore and Malaysia governments respectively, have adversely affected our Building Materials unit operations with only a few projects granted "essential" activity status. Almost immediately after, the episode of a major spike in the spread of COVID-19 in foreign worker dormitories further restricted activity which saw a nearly complete stop in the construction sector, including the shipment of precast carcass and raw materials in cement and aggregates. When the restriction orders are eventually lifted and even as our goods are ready for delivery, there is uncertainty in the readiness of our customers to resume their own operations and hence, we remain cautious on the pace of recovery.

The Group will continue in its efforts to (a) use alternative raw materials and alternative fuel in its cement plant for sustainability, (b) diversify its base of non-traditional sources of raw materials for its Singapore building material unit as part of risk management, (c) explore vertical integration of its operations, (d) accelerate on its development and improvements of its diesel engines to be ahead of the competition, and (e) improve on its cost management to lower the cost of production.

Meanwhile, the Group continues to explore investment opportunities to grow its business.

DIVIDENDS

Given the Group's and the Company's improved performance, the Board recommends a first and final dividend of one cent per share for FY2019.

AWARDS AND ACCOLADES

Among the many achievements, we are proud to share the following awards and accolades won by Yuchai in 2019:

No. 5 Research and Development Centre in Nanning, China list of National Enterprise Technology Centre 2019 Ranking (a program managed by The National Development and Reform Commission);

"Outstanding Company" award, 40th Anniversary of China Association for Quality's Total Quality Management Program

APPRECIATION

On behalf of the Board of Directors, I would like to express my thanks to our stakeholders including our shareholders, suppliers, customers and business associates for their continuing support. I would also thank my fellow Board members for their invaluable contributions, advice and guidance, and to the Management and staff for their dedication and commitment in the past year.

KWEK LENG PECK
Executive Chairman
30 April 2020

主席报告书

各位股东,

我谨代表董事会发表截至2019年12月31日的 年度报告。

"玉柴继续为未来发展进行投资。为配合政府的可持续性政策,玉柴的目标是成为首批达到中国政府制定的新排放标准的发动机制造商之一。"

业务回顾

2019年的营商环境充满了挑战而目前更因为2019冠状病毒疫情(COVID-19)而恶化。

从中美的军事角力到贸易纠纷,这一年见证了加剧了的紧张局势。虽然贸易紧张局势以第一阶段协议的形式暂时休战,但不确定性依然存在。全球化已转换为经济增长较缓慢的区域贸易阵营。 这导致了降息,最显著的是美国联邦储备局在2019年三次降息,几乎扳回了2018年所有调升的利率。

2019年油价也出现波动,开始是沙特阿拉伯石油生产设施遭到袭击后的猛升,以及由于经济数据疲软和页岩油替代因素而逐渐下滑,最近随着沙特阿拉伯和俄罗斯之间的油价战而进一步崩溃。

区域货币兑美元疲软推高了进口原材料的成本。

柴油发动机(“玉柴”)

玉柴继续为未来发展进行投资。

为配合政府的可持续性政策,玉柴的目标是成为首批达到中国政府制定的新排放标准的发动机制造商之一。我很自豪地补充,在2019年年中执行国六燃气排放标准发动机,玉柴是其中最早销售和分销国六燃气排放标准发动机的生产商之一。

虽然非燃气型排放标准的国六和四级柴油发动机在2021年年中之前仍不在中国全国强制使用,但玉柴在提高发动机排放标准方面做了大量的投资,2019年已经向主要原机械制造商客户运送了2万多台符合国六排放标准的发动机。这进一步肯定了我们要成为更环保发动机制造商的早期采用者的承诺。

为了进一步展示在产品中采用新技术的承诺和专注,玉柴已开始扩大产品范围以包括燃料电池、混合动力系统、电气化、旅程扩展器和eCVT动力总成系统。到目前为止已推出4个新能源动力总成系统平台,包括集成发电式动力总成系统与燃料电池系统。

玉柴约有700名工程师参与研发,其中数人拥有博士学位和硕士学位。在南宁设有专门的研发中心,注册专利超过2000项。

玉柴继续扩大国际足迹,现在已向全球出口发动机,其中最显著的是亚洲和非洲两大洲。

建筑材料

随着投资于公共住屋,基础建设和私人领域项目在2019年有所增加,新加坡建筑业达到334亿元的五年高点,年比增长了9.5%。因此,2019年新加坡对建筑材料的需求有所上升。

集团在新加坡的建筑材料业务受益于这不断增长的需求,特别是在预拌混凝土领域。

集团持续为新加坡最大的预拌混凝土,预制建材及水泥的供应商之一,拥有饱和的订单。

以确保为建筑材料业务提供现成与有保证的原材料来源,集团的战略之一是于2020年初与印度尼西亚采石场者签订了花岗岩需求的承购协议。集团也正在探讨马来西亚业务中类似的上游整合机会。

集团在榜鹅西岛的综合建设和预制中心(“ICPH”)正在建设中,原本预计将于2021年底竣工,但是因为COVID-19疫情的影响下,建筑工程受到阻碍导致了工程的延误。除非出现其他不可预见的情况,ICPH预料能在2022年首半年竣工并在2023年首半年全面投入运营。

硬质塑料包装(“Rex”)及空调系统(“Airwell”)

中国经济的放缓影响了Rex及Airwell业务的运作。集团正探讨两个业务未来方向的各种选项。

可持续性

在工业领域拥有多年经验并了解其更广泛的影响,集团从可持续发展报告提供的更多可见性中获益,自四年前开始可持续性报告以来,它进一步协助指导集团可持续发展目标和措举。这些学习是令人谦卑与大开眼界的,而且,自去年过渡到GRI标准以来,集团期待加强其可持续发展计划,以更好地与业务目标和增长战略紧密挂钩。

应对COVID-19的措施

COVID-19的爆发促成维护员工的健康和安全的迫切需要。 为此,我自豪地指出,集团不断强调在工作场所遵守安全和健康标准的重要性。为了进一步提高员工的安全与健康,集团向员工提供口罩和洗手液,为所有员工每日测量两次体温,员工的座位至少相隔1米,进入工作地点的访客在入口处接受发烧和咳嗽筛查。为方便追踪接触者,来访者都需要登记其联系方式。当有员工需要被隔离,一律放有薪假。 此外,我们还制定了全集团海外出行禁令,通过组织视频和音频会议代替实地会议来避免群聚,开始养成保持安全距离的习惯,同时严格遵守政府的指示和忠告。

主席报告书

"鉴于COVID-19 的持续流行和不断变化的竞争格局而导致商业环境的不可预测性，我们预计 2020 年的商业环境将更具挑战性 … 集团继续探索投资机会以发展业务。"

我们还启动了业务连续性计划，将不同工作组分部在不同地点，包括在有必要时居家办公的安排，并为我们的建筑材料业务设立后备地点，以舒缓因任何业务中断而产生的挑战。

展望未来

COVID-19的爆发扰乱了货物、服务和民众的流动。随着COVID-19疫情的规模和严重程度加大，各国已经实施各项限制措施，其中包括行动与边境管制。虽然疫苗正在研制的当儿，各种报告建议，要使疫情获得某种形式的控制还需要一段的时间。因此不确定性依然存在并给商界带来更具挑战性的环境。

尽管中国的供应链已逐渐恢复正常，但工业和消费品的需求在经济增长放缓和前景不明朗的情况下有所减弱。资产置换被推迟，消费者支出变得谨慎，在中国更是如此，因为工人延迟重返工作岗位导致了可支配收入的减少。COVID-19的严重性和影响可以在美国联邦储备银行于2020年3月15日将基准利率降至接近0%而显见。

马来西亚的房地产市场仍处停摆，这可能会影响水泥行业的恢复。缺乏合适的场地，难以获得经营混凝土配料厂的许可证，以及新加坡和马来西亚缺乏熟练劳动力，将影响两国建筑材料业的发展。

向前迈进

鉴于COVID-19的持续流行和不断变化的竞争格局而导致商业环境的不可预测性，我们预计2020年的商业环境将更具挑战性。

尽管中国政府在危机后迅速出台各项支持政策，但由于病毒在全球传播造成国外需求大幅下降，经济复苏前景依然黯淡。

新加坡和马来西亚政府分别实施的最新阻断措施及行动管制令对我们的建筑材料部门运营产生了负面影响，只有少数项目获得了"必要"活动资格。紧接着，COVID-19在外籍客工宿舍中广泛传播，导致活动更进一步收紧，几乎使整个建筑领域陷入停摆的状态，包括预制混凝土架，水泥骨料原材料的运送。当限制令最终被解除时，即便我们能随时交付货物，但是我们的客户是否能恢复运作仍存在不确定性。因此，我们对复苏的速度仍然保持谨慎。

集团将继续努力：(甲)在其水泥厂使用替代原材料和替代燃料，以实现可持续性;(乙)作为风险管理的一部分而将新加坡建筑材料部原材料非传统来源多样化;(丙)探讨业务的纵向整合;(丁)加速柴油发动机的开发和改进，使其在竞争中处于领先地位和(戊)改进成本管理，以降低生产成本。

集团继续探索投资机会以发展业务。

股息

鉴于集团及公司的绩效有所改善，董事会建议在2019财年派发每股一分的股息。

奖项

在众多成就当中，我们很骄傲地分享玉柴在2019年获得的以下奖项：

2019中国国家企业技术中心排名(由国家发展和改革委员会管理的项目)获得南宁开发中心中的第五名；

中国质量协会全面质量管理项目40周年 "优秀公司"奖。

感言

我谨代表董事会，感谢我们的利益相关者，包括我们的股东、供应商、客户和业务伙伴给予的持续支持。我还要感谢董事会其他成员作出的宝贵贡献、建议和指导，同时也要感谢管理层和工作人员在过去一年的努力与奉献。

郭令栢
执行主席
2020 年 4 月 30 日

CEO'S REVIEW

"The Group achieved a net profit attributable to the owners of the Company ("PATMI") of $34.4 million in FY2019, a considerable improvement from the $24.8 million (for continuing business only, disregarding the loss of $30.8 million from discontinued operation) achieved a year ago."

Dear Shareholders,

I am pleased to present a review of our performance for the year ended 31 December 2019 ("FY2019").

MACROECONOMIC FACTORS

The trade tensions between the US and China had a cascading effect on the global economic environment. Growth slowed in countries where the Group operates. This caused, inter alia, increased cost in doing business, cautiousness in asset replacements and spending, subdued consumer demand and supply chain disruptions. Other macroeconomic factors that had an effect on the business environment include increased awareness in business sustainability and oil price volatility arising from political events.

FINANCIAL HIGHLIGHTS

The Group achieved a net profit attributable to the owners of the Company ("PATMI") of $34.4 million in FY2019, a considerable improvement from the $24.8 million (for continuing business only, disregarding the loss of $30.8 million from discontinued operation) achieved a year ago. This translated to close to 39% year-on-year growth despite the Group incurring higher impairment losses in FY2019 compared to FY2018.

On the back of an improved financial performance, net asset per share, at Group level, increased from 99.87 cents in FY2018 to 102.27 cents in FY2019, an increase of 2.40 cents per share. Earnings per share, on a weighted and on a fully diluted basis was 4.65 cents in FY2019, in contrast to loss per share of 1.37 cents in FY2018.

DIESEL ENGINES UNIT ("YUCHAI")

Yuchai is involved in the manufacture, assembly, sales and distribution of both on-road and off-road engines. It remains as one of China's leading independent diesel engine makers selling its products locally and internationally.

Statistics from the China Association of Automobile Manufacturers showed a decline in the demand of commercial vehicles (excluding electric and gasoline vehicles) in 2019. Unit sales of truck and bus engines were down 4.7% and 2.6% respectively year-on-year.

Demand for internal combustion commercial vehicles in China can be influenced by inter alia, government policies in the form of subsidies as well as alternative transportation mode and electrification, the latter particularly for buses plying in cities.

Manufacturers of commercial vehicles continued to demand for lower prices for diesel engines in order to mitigate for losses incurred by their passenger cars business units. This pricing pressure was felt throughout the supply chain as diesel engines makers pressed for lower prices of component parts from their suppliers.

CEO'S REVIEW

The Group achieved a net profit attributable to the owners of the Company ("PATMI") of

$34.4 million

in FY2019

Sales of engines, made by Yuchai, to markets outside of China improved by

>13% year-on-year

CEO'S REVIEW

Other than commercial engines, Yuchai also manufactures and distributes off-road engines, which comprise, inter alia, engines used in agricultural machines, marine, power generators, forklifts and tractors. In contrast to the decline in commercial vehicles, Yuchai achieved more than 9% year-on-year growth in off-road engines sales. This was partly attributable to favourable government policies.

The need to invest in the development of National VI and Tier-4 engines, with their considerably higher emission standard, and which will become mandatory nation-wide in China in mid-2021, translated to more expenses in research and development.

Despite the declining market for automobiles, Yuchai sold 376,148 engines in FY2019, marginally more than the 375,731 engines sold in FY2018. Sales of engines, made by Yuchai, to markets outside of China improved by more than 13% year-on-year.

Net revenue reached $3.5 billion, an increase of nearly 7% from a year ago. However profitability was affected by the need to invest in the development of higher emission standard National VI and Tier-4 engines. While the initial pricing of these engines was not attractive and thus eroded margins, it is necessary to gain an early foothold in this space. Gross margins were also affected by higher discounts demanded by customers.

BUILDING MATERIALS UNIT ("BMG")

From the statistics published by the Singapore Building & Construction Authority, construction demand in Singapore rose by 9.5% year-on-year to more than $33 billion in 2019. Both the private and public sectors contributed to the increase with the public sector contributing about 60% of the total construction demand. Continued investments in public housing and infrastructure projects as well as private sector industrial projects were contributory factors.

The stronger construction demand fueled a rising trend in raw material prices in binders, sand and granite. This had put some pressure on margins. However, the Group was able to mitigate this pressure through improved cost and expense management and increased efficiencies.

The financial performance of the integrated cement plant owned by Tasek Corporation Berhad suffered from the continued price competition and high production cost, the latter caused by higher electricity tariffs, plant maintenance and higher costs of imported material and spare parts largely due to the weakness of the Ringgit relative to US dollars. This was partly mitigated by improved performance by its ready-mix operations.

Despite some of these adverse developments, net revenue of BMG rose more than 18% year-on-year to reach more than $505 million in FY2019. BMG turned around from a loss incurred in FY2018 to a profit in FY2019.

Construction of the Integrated Construction and Prefabrication Hub ("ICPH") is now in progress. This highly automated ICPH, projected to be ready in 2023, will enable the Group to undertake more complex and higher value precast concrete jobs.

RIGID PLASTIC PACKAGING

The economic slowdown in China and the flight of factories to outside of China, the latter largely a result of the China-United States trade war as well as increased enforcement by Chinese authorities on safety standards, softened demand for rigid plastic packaging goods. This weak demand was however mitigated by lower resin prices, and this had a positive effect on the performance of the Group's China operating units, which collectively achieved break-even in FY2019, in contrast to a loss a year ago.

AIR-CONDITIONING SYSTEMS

Growth rate for air conditioners in China slowed to near zero from curbs on property prices, which weakened demand for real estate. This was compounded by price wars waged among the major air conditioner manufacturers in China. The Group's air conditioning systems unit continued to incur losses.

TAN ENG KWEE
Chief Executive Officer
30 April 2020

首席执行官回顾

各位股东，

我很荣幸在此与各位回顾本集团截至2019年12月31日的业绩表现（“2019财年”）。

"本集团在2019财年取得归属股东的净利润（"PATMI"）为3,440万元，比一年前实现的2,480万元（来自持续经营的业务，不包含已终止经营的3,080万元亏损）有了显著的改善。"

宏观经济因素

美国与中国之间贸易紧张的局势对全球经济环境产生了连锁反应。集团所在国家的增长放缓。除其他外，这导致商业成本上升、谨慎于资产置换和消费、消费需求减弱和供应链被干扰。对商业环境产生影响的其他宏观经济因素，包括对企业可持续性意识的提高和政治事件引起的石油价格波动。

财务重点

本集团在2019财年取得归属股东的净利润（"PATMI"）为3,440万元，比一年前实现的2,480万元（来自持续经营的业务，不包含已终止经营的3,080万元亏损）有了显著的改善。尽管集团在2019 财年的减值损失高于2018 财年，但年比增长将近 39%。

鉴于财务业绩的改善，集团的每股净资产从2018财年的99.87分，增至2019财年的102.27分，每股增长2.40分。2019财年，按加权和完全稀释计算的每股收益为4.65分，而2018财年每股亏损1.37分。

柴油发动机业务（“玉柴”）

玉柴从事道路用途与非道路用途发动机的制造、组装、销售和分销。它仍然是中国领先的独立柴油发动机制造商之一，产品在中国和国际市场销售。

中国汽车工业协会统计数据显示，2019年商用车（不包括电动和汽油车）的需求有所下降。卡车和公交客车发动机的销售额年比分别下降4.7%和2.6%。

中国对内燃发动机商用车的需求受到替代运输和电气化方式等政府政策与补贴的影响，后者尤其适用于在城市内行驶的公交客车。商用车制造商为了减轻其汽车业务部门的损失，以继续要求降低柴油发动机的价格。由于柴油发动机制造商要求供应商降低零部件价格，整个供应链都感受到了定价压力。

除了商用发动机外，玉柴还制造和分销非道路用途的发动机，其中包括用于农业机械、船机、发电机、叉车和拖拉机的发动机。与商用车的下滑形成对比的是，玉柴的非道路用途发动机销量年比增长超过9%。这在一定程度上归咎于有利的政府政策。

由于排放标准的提高，加上中国将于2021年年中强制执行，投资于研制国六与四级发动机排放标准成需求，也因此转化为更高的研发费用。

首席执行官回顾

"玉柴在2019财年售出了376,148台发动机，略高于2018财年售出的375,731台发动机。玉柴生产的发动机在中国境外市场的销量同比增长超过13%。"

尽管汽车市场不断下滑，但玉柴在2019财年售出了376，148台发动机，略高于2018财年售出的375，731台发动机。玉柴生产的发动机在中国境外市场的销量同比增长超过13%。

净销售收入达到35亿元，与去年同期增长近7%。 然而，盈利能力受到投资开发排放标准更高的国六和四级标准发动机的需求而受到影响。虽然这些发动机的初始定价不诱人因而消弱了利润，但集团有必要在这个领域尽早抢占据点。毛利润率也受到客户要求更高折扣的影响。

建筑材料业务（“BMG”）

根据新加坡建筑局公布的统计数据，2019年新加坡的建筑需求同比增长9.5%，超过330亿元。私营和公共领域都促成了增长，公共领域占建筑总需求的60%左右。持续对公共住房和基础设施项目以及私营领域的工业项目进行投资是促成的因素。

建筑需求旺盛，推动了粘合剂、沙石和花岗岩原料价格的上涨。这给利润率带来了一些压力。然而，集团成功通过改进成本和费用管理以及提高效率来减轻负面压力。

马来西亚大石公司拥有的综合水泥厂的财务业绩受到价格持续竞争和生产成本高涨的影响，生产成本高涨是因为电价、工厂维修和主要原于令吉相对于美元疲软所造成的较高进口材料和配件成本。其预拌混凝土业务表现有所改善，在一定程度上缓解了成本上升的劣势。

尽管出现了些不利发展状况，但BMG的净收入仍同比增长超过18%，2019财年达到超过5.05亿元，在2019财年转亏为盈。

综合建筑和预制中心（"ICPH"）的建设正在进行中。 这一高度自动化的ICPH设施预计在2023年竣工，将使集团能够从事更加复杂和高价值的预制混凝土作业。

硬质塑料包装业务

中国经济放缓和工厂迁出中国境外，而后者主要是因为中美贸易战以及中国当局对安全标准的执法力度加大，导致硬质塑料包装商品需求疲软。 然而，树脂价格走低缓解了这种疲软的需求，这对集团中国运营部门的业绩产生了积极影响，与一年前的亏损相比，集团于中国的业务，在2019财年集体实现了收支平衡。

空调系统业务

由于中国实施房地产价格抑制导致房地产需求疲弱，中国空调系统需求的增长速度因此放缓至接近零的水平。再加上中国主要空调制造商之间的价格战更是雪上加霜，乃至集团的空调系统业务继续亏损。

陈英贵
首席执行官
2020 年 4 月 30 日

BOARD OF DIRECTORS

KWEK LENG PECK, 63
Executive Chairman

First appointment as Director
1 September 1982

Appointment as Executive Chairman
28 April 2017

Last re-election as Director
28 April 2017
(Will be seeking re-election at the 2020 Annual General Meeting)

Board committees
- Nominating Committee (Member)
- Hong Leong Asia Share Option Scheme 2000 Committee (Member)

Present directorships in other listed companies* and principal commitments
- Tasek Corporation Berhad* (Non-Executive Chairman)
- China Yuchai International Limited* (Non-Executive Director)
- City Developments Limited* (Non-Executive Director)
- Hong Leong Finance Limited* (Non-Executive Director)
- Hong Leong Investment Holdings Pte. Ltd. (Executive Director)
- Hong Leong Corporation Holdings Pte Ltd (Executive Director)
- Millennium & Copthorne Hotels Limited (Non-Executive Director)

Other Appointments
Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years
- Millennium & Copthorne Hotels plc* (Non-Executive Director) (delisted and privatized in 2019, and now known as Millennium & Copthorne Hotels Limited)

Mr Kwek has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in Hong Leong Group real estate developments, investments and hotel operations.

With his in-depth knowledge of the Hong Leong Asia Ltd. ("**HLA**") Group's business, Mr Kwek has overseen the growth of the HLA Group over the last three decades from an integrated building materials group in the 1980s and 1990s to being also a major player in the consumer products and diesel engines industries in China beginning in the 2000s.

TAN ENG KWEE, 66
Executive Director and Chief Executive Officer

First appointment as Director
10 December 2018

Last election as Director
26 April 2019

Board committees
Nil

Present directorships in other listed companies* and principal commitments
- China Yuchai International Limited* (Non-Executive Director)
- Tasek Corporation Berhad* (Non-Executive Director)
- HL Global Enterprises Limited* (Non-Executive Director)

Other Appointments
Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years
- Epsilon Global Communications Pte. Ltd. (Executive Director and Chief Financial Officer)

Mr Tan was formerly the Chief Financial Officer of HLA from 2008 to 2011. He has more than 30 years of operations, corporate, accounting and financial experience in China, Malaysia, Indonesia and Singapore arising from his senior management positions previously held at the Gold Coin Group, Perennial China Retail Trust Management Pte. Ltd., Dynapack Asia Pte. Ltd. and Epsilon Global Communications Pte Ltd.

Mr Tan graduated with a Bachelor of Accountancy (Honours) from the University of Singapore and a Master of Business Administration from Cranfield School of Management, United Kingdom. He successfully completed all examinations of the Chartered Association of Certified Accountants, the Institute of Chartered Secretaries & Administrators (now known as Chartered Secretaries Institute of Singapore) and the Chartered Association of Management Accountants. Mr Tan is a Fellow of the Institute of Singapore Chartered Accountants.

Note: Hong Leong Corporation Holdings Pte Ltd and Hong Leong Investment Holdings Pte. Ltd. are the immediate and ultimate holding companies of HLA respectively. City Developments Limited, Hong Leong Finance Limited and Millennium & Copthorne Hotels Limited are related corporations under the Hong Leong Group of companies. China Yuchai International Limited and Tasek Corporation Berhad are subsidiaries of HLA and HL Global Enterprises Limited is an associated company of HLA.

BOARD OF DIRECTORS

ERNEST COLIN LEE, 79
Non-Executive and Lead Independent Director

First appointment as Director
3 April 2000

Appointment as Lead Independent Director
26 February 2013

Last re-election as Director
26 April 2019

Board committees
- Nominating Committee (Chairman)
- Remuneration Committee (Chairman)
- Hong Leong Asia Share Option Scheme 2000 Committee (Chairman)
- Audit and Risk Committee (Member)

Present directorships in other listed companies* and principal commitments
- Compact Engineers Pty. Ltd. (Executive Director)

Other Appointments
Nil

Past directorships in other listed companies* and principal commitments held in the preceding five years
- Sugdon Fittings Pty. Ltd. (Executive Director)

Mr Lee is a professional project consultant and has extensive experience in management, engineering and business development as well as experience in financial management in Singapore and Australia arising from his senior management positions previously held at Humes Ltd, Australia. Currently, he is an Executive Director of Compact Engineers Pty. Ltd., Australia, where he is responsible for the oversight of its financial management and business operations.

Mr Lee holds a Bachelor of Civil Engineering (Honours) degree from the University of Queensland, Australia.

KWONG KA LO @ CAROLINE KWONG, 61
Non-Executive and Independent Director

First appointment as Director
22 February 2016

Last re-election as Director
26 April 2019

Board committees
- Audit and Risk Committee (Member)
- Nominating Committee (Member)

Present directorships in other listed companies* and principal commitments
- The Global Value Investment Portfolio Management Pte Ltd (Managing Director)

Other Appointments
- Singapore Association for Mental Health (Non-Executive Director)

Past directorships in other listed companies* and principal commitments held in the preceding five years
- Laurel Capital Kingsway LLP (Limited Partner)

Ms Kwong is currently the Managing Director of The Global Value Investment Portfolio Management Pte Ltd, an investment management company based in Singapore with its investment focus on commercialization of leading edge technology beneficial to a clean environment and sustainable living.

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

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

BOARD OF DIRECTORS

NG SEY MING, 45
Non-Executive and Independent Director

First appointment as Director
8 May 2017

Last re-election as Director
27 April 2018
(Will be seeking re-election at the 2020 Annual General Meeting)

Board committees
- Audit and Risk Committee (Member)
- Remuneration Committee (Member)
- Hong Leong Asia Share Option Scheme 2000 Committee (Member)

Present directorships in other listed companies* and principal commitments
- XMH Holdings Ltd.* (Non-Executive Director)
- Rajah & Tann Singapore LLP (Partner)

Other Appointments
- Christopher & Lee Ong (Partner)
- Old Holland Neighbourhood Committee (Assistant Treasurer)
- Yew Tee Citizens' Consultative Committee (Member)
- Unity Secondary School (School Advisory Committee Member)

Past directorships in other listed companies* and principal commitments held in the preceding five years
- Gaylin Holdings Limited* (Non-Executive Director)
- Hiap Tong Corporation Ltd.* (Non-Executive Director)

Mr Ng is currently a partner in the Banking & Finance Practice Group in Rajah & Tann Singapore LLP ("**R&T**") and a partner in Christopher & Lee Ong, a member of the R&T Asia network of law firms. He commenced his legal practice in R&T in 2000 and became a partner in 2007. His main areas of practice are banking, project finance, debt capital markets, securities regulations and debt restructurings. He has also advised on cross border transactions, joint ventures, investments, restructurings, mergers and acquisitions, listings on Singapore Exchange and shareholders' disputes.

Mr Ng was admitted as an Advocate and Solicitor of the Supreme Court in Singapore in 2000, and a Solicitor of England and Wales and an Advocate and Solicitor of the High Court of Malaya, in 2007. He holds a Bachelor of Laws (Honours) degree from the National University of Singapore.

TAN CHIAN KHONG, 64
Non-Executive and Independent Director

First appointment as Director
1 March 2018

Last election as Director
27 April 2018

Board committees
- Audit and Risk Committee (Chairman)
- Remuneration Committee (Member)
- Hong Leong Asia Share Option Scheme 2000 Committee (Member)

Present directorships in other listed companies* and principal commitments
- Alliance Bank Malaysia Berhad* (Non-Executive Director)
- CSE Global Limited* (Non-Executive Director)
- The Straits Trading Company Limited* (Non-Executive Director)
- Xinghua Port Holdings Ltd.* (Non-Executive Director)
- SMRT Corporation Ltd (Non-Executive Director)
- Trailblazer Foundation Ltd. (Honorary Executive Director)
- Methodist Welfare Services (Board Member)

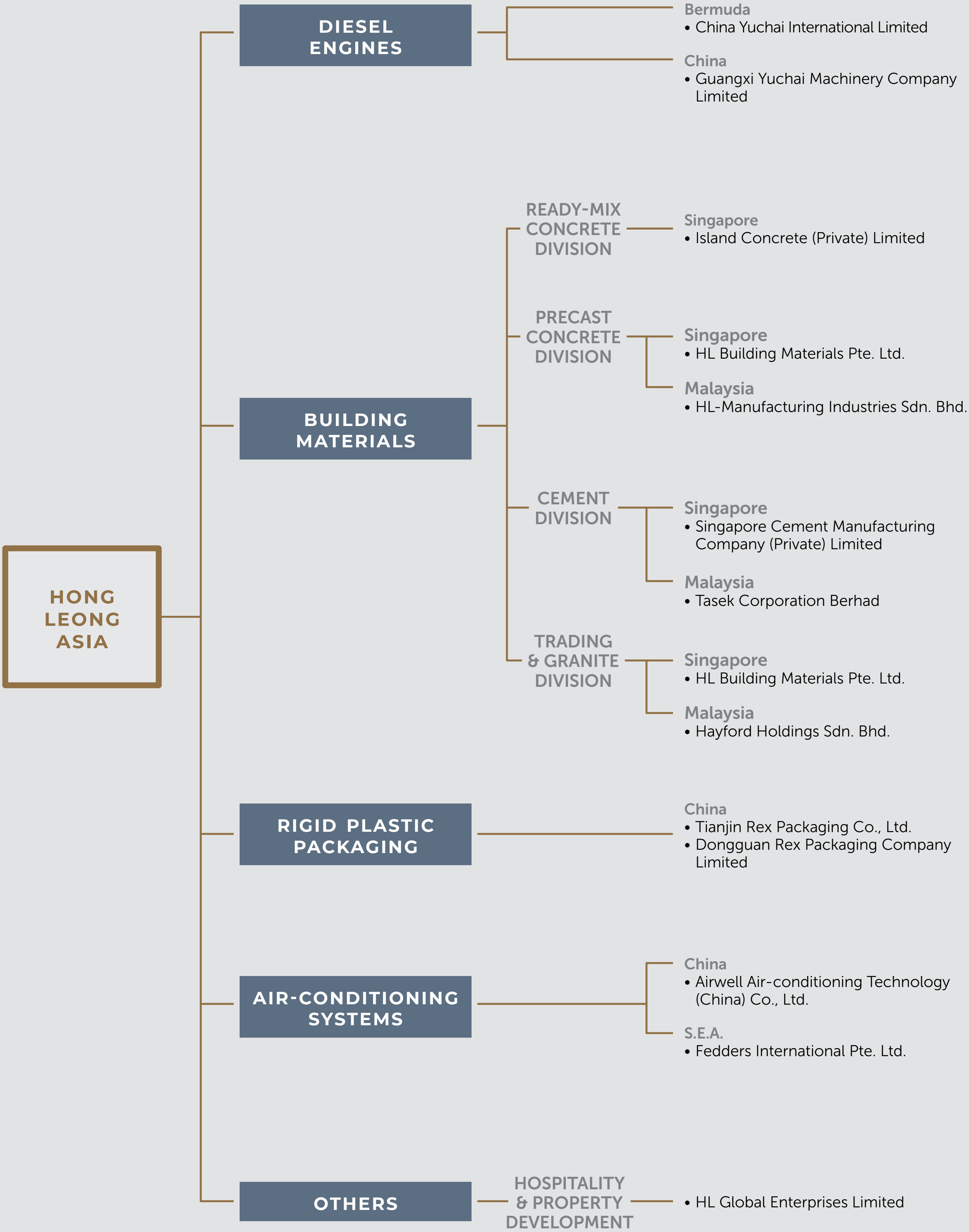
Other Appointments
- Casino Regulatory Authority of Singapore (Board Member)
- Energy Market Company Pte Ltd (Member of Rules Change Panel)

Past directorships in other listed companies* and principal commitments held in the preceding five years
Nil

Mr Tan joined Ernst & Young LLP ("**EY**") (then known as Ernst & Whinney) in 1981 and became a partner in 1996. He has approximately 35 years of experience in providing audit and business advisory services to clients in a wide range of industries. He retired as an audit partner of EY in June 2016.

Mr Tan holds a Bachelor of Accountancy degree from the National University of Singapore. He is a member of the American Institute of Certified Public Accountants, a Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia. Mr Tan contributes to the non-profit sector, serving as an Honorary Executive Director of Trailblazer.

CORPORATE STRUCTURE



CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Directors
Kwek Leng Peck - *Executive Chairman*
Tan Eng Kwee - *Chief Executive Officer*

Lead Independent Director
Ernest Colin Lee

Non-Executive Directors
Kwong Ka Lo @ Caroline Kwong - *Independent*
Ng Sey Ming - *Independent*
Tan Chian Khong - *Independent*

AUDIT AND RISK COMMITTEE

Tan Chian Khong - *Chairman*
Ernest Colin Lee
Kwong Ka Lo @ Caroline Kwong
Ng Sey Ming

NOMINATING COMMITTEE

Ernest Colin Lee - *Chairman*
Kwek Leng Peck
Kwong Ka Lo @ Caroline Kwong

REMUNERATION COMMITTEE

Ernest Colin Lee - *Chairman*
Ng Sey Ming
Tan Chian Khong

HONG LEONG ASIA SHARE OPTION SCHEME 2000 COMMITTEE

Ernest Colin Lee - *Chairman*
Kwek Leng Peck
Ng Sey Ming
Tan Chian Khong

SECRETARIES

Ng Siew Ping, Jaslin
Yeo Swee Gim, Joanne

INVESTOR RELATIONS

Tan Eng Kwee - *Chief Executive Officer*
Kwek Pei Xuan - *Senior Business Development Manager*
Email: investor_relations@corp.hla-grp.com
Tel: (65) 6220 8411
Fax: (65) 6226 0502

SUSTAINABILITY FEEDBACK

Email: sustainability@hla-grp.com

REGISTERED OFFICE

16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581
Tel: (65) 6220 8411
Fax: (65) 6222 0087 / 6226 0502
Website: www.hlasia.com.sg

SHARE REGISTRAR & SHARE TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6227 6660
Fax: (65) 6225 1452

AUDITORS

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

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

PRINCIPAL BANKERS

CIMB Bank Berhad
DBS Bank Ltd
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

CORPORATE GOVERNANCE REPORT

Hong Leong Asia Ltd. ("**HLA**" or the "**Company**") is committed to maintaining good corporate governance and business integrity in all its business activities, which is essential for the long-term sustainability of the Group's businesses and the enhancement of shareholders' value.

HLA has been placed on the SGX Fast Track programme since April 2018. This programme was launched by Singapore Exchange Regulation (SGX RegCo) in recognition of listed companies which have maintained good corporate governance standing and compliance track record. Companies under this programme will receive prioritised clearance on selected corporate action submissions to SGX RegCo.

The Company has complied with Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**") by describing in this report its corporate governance practices with specific reference to the updated principles and provisions in the revised Code of Corporate Governance 2018 ("**2018 Code**"). Where the Company's practices differ from the principles and guidelines under the 2018 Code, the Company's position and reasons in respect of the same are explained in this report.

The Group's listed subsidiaries, Tasek Corporation Berhad ("**Tasek**") and China Yuchai International Limited ("**CYI**"), including CYI's listed subsidiary HL Global Enterprises Limited ("**HLGE**"), are listed on Bursa Malaysia Securities Berhad, the New York Stock Exchange and the Singapore Exchange respectively. The independent boards and board committees of these listed subsidiaries are responsible to uphold good corporate governance and oversee the effectiveness of their internal controls and risk management systems. Further information on the governance regime, corporate governance practices, and the assurances on the adequacy/effectiveness of the internal controls and risk management systems of these listed subsidiaries can be found in their respective annual reports and/or annual report on Form 20F filing.

BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The Primary Functions of the Board

The Board oversees the Company's business and its performance under its collective responsibility for the long-term success of the Company, working with the Senior Management to achieve the strategic objectives of the Company.

The Board's primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial, operational and human resources are in place for the Company to meet its objectives, review the performance of the Company and its subsidiaries (the "**Group**") and Management's performance, and satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("**IT**") controls) and risk management for the safeguarding of shareholders' interests and the Group's assets. The Board assumes responsibility for good corporate governance and sets the Company's corporate values and ethical standards through the Company's policies with a view to ensuring that its obligations to shareholders and stakeholders are clearly understood and met.

Sustainability

The Board is committed to the Company's strategic approach to integrating sustainability in its business and operations, and to advance the Company's sustainability efforts and achievements. In this regard, the Board has delegated to the Audit and Risk Committee ("**ARC**") the general oversight on sustainability issues and sustainability reporting. Since 2017, the Company published its annual Sustainability Reports which met SGX-ST's sustainability reporting requirements. The Sustainability Committee comprising representatives from the Group's key business units is responsible for identifying, evaluating, monitoring and managing the Group's material environmental, social and governance ("**ESG**") factors, and reports to the ARC. Details on the Company's sustainability practices are presented in the Sustainability Report on pages 44 to 59 of this Annual Report 2019 ("**AR**").

Directors' Objective Discharge of Duties and Declaration of Interests (Provision 1.1)

All Directors, being fiduciaries, are required to objectively discharge their duties and responsibilities in the interests of the Company. This ability to exercise objectivity is one of the assessment criteria in the Nominating Committee's ("**NC**") annual evaluation of the Directors.

Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction, declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and in the case of any conflicts of interests, abstain from participating in the deliberation and decision-making on such transactions, with abstention duly recorded in the minutes and/or the resolutions of the Board and/or the committees established by the Board.

Accountability of the Board and Management (Provision 1.1)
The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has established various corporate policies as necessary which provide a communicable and understandable framework for staff to observe the Company's principles on honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with the Company's stakeholders, including customers, suppliers and employees. Further details of these policies are described in the segment entitled 'Corporate Values and Conduct of Business' at the end of this report.

Board Orientation and Training (Provision 1.2)
Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role, duties and responsibilities of a director and a member of the Board Committees, the Group's principal businesses, the Company's Board processes, corporate governance practices, relevant company policies and procedures as well as a Board and the Board Committees meeting calendar for the year with a brief of the routine agenda for each meeting.

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

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be required to also attend certain specific modules of the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") in order to acquire relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the Listing Manual. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual and the 2018 Code.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretaries in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretaries of the availability of appropriate courses, conferences and seminars such as those conducted by the SID, and the Directors are encouraged to attend such training at the Company's expense. The NC and the Board are kept informed of the trainings attended by the Directors during the year. As part of the NC's annual assessment of the skills set of the Board and the Board Committees, the NC would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to the Directors from time to time.

An in-house seminar was conducted by invited external speakers in 2019, on the following topics:

(a) Climate Change and Sustainability Development Goals (SDGs): Challenges and Opportunities for Businesses;

(b) Are Businesses Well Prepared for Rising Heat & Sea Levels: Climate Change Scenario Planning;

(c) Sustainability Reporting Best Practices: Materiality Study and External Assurance;

(d) Sustainable Financing – Disclosure Strategy and Assurance Processes; and

(e) Sustainability Reporting by SGX-ST listed companies.

The ARC members were also provided with regular briefings from the Company's external auditors on applicable Accounting Standards updates during the year.

CORPORATE GOVERNANCE REPORT

All the Board members attended various training seminars and workshops in 2019 which accounted for more than 140 training hours in aggregate.

In addition to the training courses/programs and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

Board Approval (Provision 1.3)
The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and these include the decisions over the strategic direction and policies of the Group and its financial objectives which have or may have material impact on the profitability or performance of the relevant business units; decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector; corporate or financial restructuring; decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business; material acquisition and disposal of assets/business undertakings; adoption of key corporate policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Constitution. Management is fully apprised of such matters.

Delegation by the Board (Provision 1.4)
The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the ARC, the NC, the Remuneration Committee ("**RC**"), and the Hong Leong Asia Share Option Scheme 2000 ("**SOS**") Committee ("**SOSC**"), all collectively referred to hereafter as the Board Committees.

Specific written terms of reference for each of these Board Committees set out the required composition, authority and responsibilities of the Board Committees and provide for each Board Committee to submit at least an annual report of its activities to the Board. All terms of reference for the Board Committees are approved by the Board and reviewed periodically to ensure their continued relevance taking into consideration the changes in the governance and legal environment.

Board Committee	Composition
Audit and Risk Committee	Tan Chian Khong (chairman) Ernest Colin Lee Kwong Ka Lo @ Caroline Kwong Ng Sey Ming
Nominating Committee	Ernest Colin Lee (chairman) Kwek Leng Peck Kwong Ka Lo @ Caroline Kwong
Remuneration Committee	Ernest Colin Lee (chairman) Ng Sey Ming Tan Chian Khong
Hong Leong Asia Share Option Scheme 2000 Committee	Ernest Colin Lee (chairman) Kwek Leng Peck Ng Sey Ming Tan Chian Khong

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority, without abdicating the Board's overall responsibility.

Please refer to the sections on Principles 4, 5, 6, 7, 9 and 10 in this report for further information on the activities of the ARC, NC and RC. Information on the activities of the SOSC is set out in the Directors' Statement on pages 63 to 67 and the Financial Statements on pages 183 to 186 of the AR.

Board and Board Committees (Provision 1.5)
Meetings of the Board and Board Committees are held regularly, with the Board meetings no less than four times a year. At the regular quarterly Board meetings, the agenda includes updates by the Senior Management on the performance and operations of each business unit of the Group, and the Group's periodic financial performance. Four Board meetings were held in 2019.

During the year, the Lead Independent Director ("**Lead ID**") held discussions with non-executive Directors ("**NEDs**") who are all also the independent Directors ("**IDs**") of the Company, without the presence of Management, as and when necessary.

The proposed meetings for the Board and all Board Committees for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including key deliberations and decisions taken are maintained by the Company Secretaries. The Company's Constitution allows for the meetings of its Board and the Board Committees to be held *via* teleconferencing and video-conferencing. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at the annual general meeting of the Company ("**AGM**") and meetings of the Board and the Board Committees as well as the frequency of such meetings in 2019, are disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused solely on his or her attendance at the AGM and at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group.

The Directors also, whether individually or collectively, engage with the Senior Management/Management team to better understand the challenges faced by the Group and the inputs of the Directors, through such engagement, provide valuable perspective to the Management.

Directors' Attendance at the AGM, and Meetings of the Board and Board Committees in 2019 (Provision 1.5)

Number of meetings held in 2019:	Board	ARC	NC	RC	SOSC	AGM
	4	5	2	2	2	1
Name of Director	**Number of meetings attended in 2019**					
Kwek Leng Peck	4	N.A.	2	2^	2	1
Tan Eng Kwee	4	4^	N.A.	N.A.	N.A.	1
Ernest Colin Lee	4	5	2	2	2	1
Kwong Ka Lo @ Caroline Kwong	4	5	2	N.A.	N.A.	1
Ng Sey Ming	4	5	N.A.	2	2	1
Tan Chian Khong	4	5	1^	2	2	1

N.A. – Not applicable

Note:

^ *Attendance by invitation for all or part of the meeting.*

Directors' Multiple Board Representations and Time Commitments (Provision 1.5)

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

The NC noted that, excluding the directorship held in the Company, the number of listed company board representations currently held by:

- each ID did not exceed four, and
- each ED, Mr Kwek Leng Peck and Mr Tan Eng Kwee, did not exceed four, all being representations on the boards of related corporations of the Company including three listed subsidiaries of the Group.

The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than prescribing a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

CORPORATE GOVERNANCE REPORT

In addition to the current procedures for the review of the attendance records and analysis of directorships/principal commitments, a policy has also been put in place for Directors to consult the Board Chairman and the chairman of the NC prior to accepting any new listed company board appointments or principal commitments and notifying the Board of any changes in their external appointments. This would allow the Director to review his or her time commitments with the proposed new appointment and in the case of an ID, to also ensure that his or her independence would not be affected.

Complete, Adequate and Timely Information (Provision 1.6)
Prior to each meeting, members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by Management, containing where possible and practicable, complete, adequate and timely information such as reports on the operations and financial performances of the various business units respectively, reports from the Risk Committee, Sustainability Committee, internal auditors ("**IA**") and external auditors ("**EA**"), regulatory updates, and/or significant projects/events updates, to enable full deliberation on the issues to be considered at the respective meetings.

Management also provides all Directors with monthly reports of the Group's performance including analysis of the same. Any material variances between the results and the budget and year-on-year for the periods under review are explained in the monthly reports.

Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend Board and/or Board Committees' meetings. Directors have separate and independent access to Management.

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

Access to Management, Company Secretaries and Independent Professional Advisors (Provision 1.7)
All Directors have direct and independent access to Management. To facilitate this access, all Directors are provided the contact details of the key management personnel and other senior management team members.

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

The Company Secretaries' appointment and removal are subject to the Board's approval. At least one of the Company Secretaries attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretaries, together with Management, also ensure that the Company complies with applicable statutory and regulatory rules. Together with Management, the Company Secretaries also advise the Board Chairman, the Board and the Board Committees on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including ensuring adequate and timely information flows within the Board and the Board Committees and between the Directors and Management, facilitating the induction for newly appointed Directors and newly appointed Board Committee members, and assisting in the continuing training and development programmes for the Directors. On an ongoing basis, the Directors have separate and independent access to the Company Secretaries.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Independence (Provisions 2.1, 2.2 and 2.3)
The Board currently comprises six members, two of whom are executive Directors, while the other four members of the Board are NEDs. The NC has determined all four NEDs, being more than half of the Board, to be independent ("**4 IDs**"), thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. The Board concurred with the NC's determination of the independence of the 4 IDs, namely, Mr Ernest Colin Lee, Ms Kwong Ka Lo @ Caroline Kwong, Mr Ng Sey Ming and Mr Tan Chian Khong. No alternate Directors have been appointed in respect of any of the Directors.

When reviewing the independence of the 4 IDs, the NC has considered the applicable Rule 210(5)(d) of the Listing Manual and the guidelines for independence set out in Provision 2.1 of the 2018 Code. As part of the consideration, the NC also took into account their other directorships, declaration regarding their independence, disclosure of interest in transactions in which they have a direct/indirect interest (if any), their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation and decision-making on such transactions, and their ability to maintain objectivity in their conduct as Directors of the Company.

In accordance with Rule 210(5)(d) of the Listing Manual, none of the 4 IDs are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations. None of the 4 IDs have immediate family members who are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations, and whose remuneration is determined by the RC. For purposes of determining independence, the 4 IDs have also provided confirmation that they are not related to the Directors and substantial shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence. The Board concurred with the NC's determination of the independence of the 4 IDs. Each of the 4 IDs abstained from deliberation of their own independence.

Mr Ng Sey Ming, an ID, is a partner of a legal firm, Rajah & Tann Singapore LLP ("**R&T**") (with less than 5% stake) which rendered professional legal services to the Group from time to time. The amount of the fees paid to R&T for FY 2019 was more than $200,000, which was largely for the legal services rendered by R&T to HL Cement (Malaysia) Sdn. Bhd. and Ridge Star Limited (both companies are wholly-owned subsidiaries of the Company) in relation to their unconditional voluntary take-over offer for Tasek. Mr Ng had abstained from the deliberation and decision-making in the engagement of R&T as solicitors for this transaction. The NC has determined, and the Board has concurred, that Mr Ng's independence is not affected by this relationship of the Group with R&T.

Of the 4 IDs, only Mr Ernest Colin Lee has served on the Board for more than nine years since his appointment to the Board on 3 April 2000. The Board members had individually provided their views on the independence of Mr Lee by taking into consideration factors such as whether he has expressed his individual viewpoints and debated issues constructively during meetings of the Board and Board Committees, whether he has constructively challenged and sought clarification from Management as and when necessary and whether he has avoided apparent conflicts of interest by abstaining from deliberation on matters in which he has an interest in. Having considered the feedback from the individual Board members, Mr Lee's other directorships, annual declaration regarding his independence, and his ability to maintain objectivity in his conduct as Director of the Company, the Board (with Mr Lee abstaining in respect of the deliberation of his own independence) has determined him to be independent notwithstanding that he has served on the Board beyond nine years as he has continued to demonstrate independence in character and judgment in the discharge of his responsibilities as Director of the Company. The Company has also benefitted from his years of experience in his field of expertise and his extensive knowledge and familiarity with the business of the Group.

The 4 IDs had also avoided apparent conflicts of interests especially by abstaining from deliberation on transactions in which they had a direct/indirect interest, and were able to maintain objectivity in their conduct as Directors of the Company. They have objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisers on matters pertaining to their area of responsibilities whether on the Board or on the Board Committees.

Board Composition, Size and Diversity (Provision 2.4)

The NC reviews the size and composition mix of the Board and Board Committees annually. At the recommendation of the NC, the Board had adopted in 2018 a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board. The Board recognises that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NC will consider all aspects of diversity to arrive at an optimum balanced composition of the Board.

The Board has adopted the NC's recommended target to achieve a level of at least 20% female representation on its Board by 2021. It further agreed that the new female Director to be appointed be preferably one with human resource ("**HR**") experience who could assist the Board in reviewing the Group's succession planning. In this regard, the NC will strive to ensure that:

(a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates;
(b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration;
(c) female representation on the Board be continually improved over time based on the set objectives of the Board; and
(d) at least one female Director be appointed to the NC.

The final decision on selection of Directors will be based on merit against an objective criterion that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board.

CORPORATE GOVERNANCE REPORT

The Board currently comprises business leaders and professionals with financial (including audit and accounting), legal and business management backgrounds. The Board currently includes one female member, Directors with ages ranging from mid-40s to more than 70 years old, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR.

Having considered the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board provide for sufficient diversity and allow for informed and constructive discussion and effective decision making by the Board and Board Committees. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

NEDs' Participation (Provision 2.5)
NEDs are encouraged to participate actively at Board meetings in the development of the Group's strategic plans and direction, and in the review and monitoring of Management's performance against budgets. To facilitate this, they are kept informed of the Group's businesses and performance through monthly and quarterly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees to provide unbiased and independent views, constructive input and the independent review and monitoring of performance of the Group and Management.

During the year, the Lead ID held discussions with NEDs who are all also the IDs of the Company, without the presence of Management as and when the need arose. The Lead ID collates the feedback from the NEDs and communicates the same to the Board and/or the Board Chairman as appropriate.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Roles of Chairman and the CEO (Provisions 3.1 and 3.2)
The roles of Chairman of the Board and the CEO are separate to ensure a clear division of responsibilities and increased accountability.

Mr Kwek Leng Peck, the Executive Chairman of the Board ("**Board Chairman**") plays an instrumental role in providing the Company with strong leadership and vision, assisting the Board to develop policies and strategies, and ensuring that these are implemented effectively. As the Board Chairman, with written terms of reference approved by the Board, Mr Kwek bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with inputs from Management, ensuring that sufficient time is allocated for discussion of each agenda item at Board meetings, promoting an open environment within the Boardroom for constructive debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. As the Board Chairman, he also promotes and leads the Company in its commitment to achieve and maintain good corporate governance. At AGMs and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. As the Executive Chairman, he is the most senior executive in the Company and bears overall executive responsibility for the Group's business. He is assisted by the CEO, Mr Tan Eng Kwee and other members of the senior management team which comprises:

- Mr Ponnu Jeyasingam, Chief Operating Officer (Building Materials Unit)
- Mr Hoh Weng Ming, President (Diesel Engines Unit, China Yuchai International Limited)
- Mr Lian Ka Siew, Group Chief Operating Officer (Tasek Corporation Berhad)
- Mr Raymond Lim Nguang Seng, General Manager (Air-Conditioning Systems Unit)
- Mr Kwek Ken Wee, General Manager (Group HR)

Mr Tan Eng Kwee took over the role and responsibilities of the CEO with effect from 7 January 2019. The CEO who is a key management staff, bears executive responsibility for the performance of the Group and the achievement of the corporate goals set for the Group. There is a clear division of responsibilities between the Board Chairman and the CEO. The CEO is not related to the Board Chairman.

The Board considered Mr Kwek Leng Peck's role as an executive Board Chairman, the written terms of reference for the Board Chairman approved by the Board, and the strengths he brings to such a role by virtue of his in-depth knowledge of the Group's business. Through the appointment of Lead ID and the establishment of various Board Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Group's business, the Board ensures there is appropriate balance of power which allows the Board to exercise objective decision making in the interests of the Company. The Board is of the view that Mr Kwek's role as an executive Board Chairman would facilitate the Group's decision making and implementation process.

Lead Independent Director (Provision 3.3)
In view that the Board Chairman is not an ID, the Board has appointed Mr Ernest Colin Lee as Lead ID on 26 February 2013 to serve as a sounding board for the Board Chairman and as an intermediary between the NEDs and the Board Chairman. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders where they have concerns and for which contact through the normal communication channels with the Board Chairman or the key Management are inappropriate or inadequate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2019.

During the year, the Lead ID held discussions with the NEDs who are all also the IDs of the Company, as and when the need arose without the presence of Management or the Board Chairman, and the views expressed by the NEDs were communicated by the Lead ID to the Board Chairman and the Management, as appropriate.

PRINCIPLE 4: BOARD MEMBERSHIP

NC Composition and Role (Provisions 4.1 and 4.2)
Two out of the three members of the NC are independent. The NC chairman is also the Lead ID. Please refer to the 'Corporate Directory' section on page 19 of the AR, for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference, approved by the Board, are to examine the Board size, review all Board and Board Committees composition and membership, board succession plans for the Directors (including the Board Chairman) and the key management personnel ("**KMP**"), determine each Director's independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and re-appointments of Directors (including alternate directors, if any) and the reasons for resignations of Directors, review appointments and the reasons for resignations and terminations of the Executive Chairman and the KMP which includes the CEO and the CFO, review and confirm the induction programme for newly appointed Directors and for existing Directors in respect of their appointments to any of the Board Committees, and review the training and continuous professional development programme for the Directors. Two NC meetings were held in 2019. The Company Secretaries maintain records of all NC meetings including records of key deliberations and decisions taken.

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

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

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

Re-nomination of Directors and Determination of Independence (Provisions 4.3 and 4.4)
The NC reviews annually the nomination of the relevant Directors for election/re-election as well as the independence of Directors. When considering the nomination of Directors for election/re-election, the NC takes into account their contribution to the effectiveness of the Board (which include their participations and candour at Board and Board Committees' meetings) as well as their time commitment especially for Directors who have multiple listed company board representations and/or other principal commitments, and also reviews their independence having regard to the provisions in the applicable Rule 210(5)(d) of the Listing Manual and the guidelines for independence set out in Provision 2.1 of the 2018 Code. The recommendation of the NC on the annual nomination of the Directors for election/re-election is submitted to the Board for decision and thereafter put to the shareholders for approval at the AGM.

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

In accordance with the Company's Constitution, Mr Kwek Leng Peck and Mr Ng Sey Ming will be retiring by way of rotation. They being eligible, and have offered themselves for re-election at the 2020 AGM. The NC has considered Mr Kwek's and Mr Ng's contribution and performance and recommended to the Board to nominate their re-election at the 2020 AGM. Detailed information on the Directors who are proposed to be re-elected at the 2020 AGM can be found under the sections on 'Board of Directors' and 'Additional Information on Directors Seeking Re-election' of the AR.

CORPORATE GOVERNANCE REPORT

Criteria and Process for Nomination and Selection of New Directors (Provision 4.3)
The NC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees. Searches for and selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in the related industries, finance, legal and accounting professions. Assistance may also be obtained from SID and professional executive search firms engaged to source for suitable candidates for the NC's consideration.

Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

In reviewing and recommending to the Board any new Director appointments, the NC considers:

(a) the candidate's track record, experience and capabilities or such other factors including age and gender, as may be determined by the NC to be relevant and which would contribute to the Board's collective skills;

(b) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments;

(c) the candidate's independence, in the case of the appointment of an independent NED; and

(d) the composition requirements for the Board and Board Committees after matching the candidate's skill set to the requirement of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Board Committees).

Key Information on Directors (Provision 4.5)
Please refer to the 'Board of Directors' section in the AR for key information on the Directors, including the date of their first appointment and last election/re-election to the Board (if applicable), their academic/professional qualification, directorships held in listed companies and principal commitments for both current and in the preceding five years, and other relevant information, in the notice of AGM, and additional information for Directors proposed for re-election at the 2020 AGM.

Succession Planning for the Board, the Board Chairman and KMP (Provision 4.1)
The Board believes in carrying out succession planning for itself, the Board Chairman and the Senior Management team to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews annually the composition of the Board and Board Committees, which includes size and mix, and recommends to the Board the selection and appointment of new Directors, whether in addition to existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills sets taking into account the Group's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board. The NC also conducts annual review on the succession planning to ensure continuity of leadership for the Group's senior management.

As part of the succession planning for the Board and KMP, Mr Tan Chian Khong was appointed a Director on 1 March 2018 while Mr Tan Eng Kwee (the former CFO of the Company) was appointed a Director and CEO-Designate on 10 December 2018 which he assumed full responsibilities as the CEO of the Company on 7 January 2019. Mr Tan Chian Khong also chairs the ARC of the Company. The NC had considered Mr Tan Chian Khong's audit and business advisory experience and Mr Tan Eng Kwee's extensive operations, corporate, accounting and financial experience respectively and was of the view that their experience would provide further diversity to the core competencies of the Board.

In February 2020, Ms Leong Sook Han resigned as the CFO of the Company. The Company is currently in the process of recruiting a replacement to succeed Ms Leong and will make the necessary announcement in due course.

Board Development (Provision 4.5)
The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. Further training for the Directors in specific areas are also being recommended by the NC, where required, based on the NC's review of the annual evaluation checklists from the Board and the Board Committees. A separate programme is established for new Directors, details of which are set out in the paragraph above under the subject heading "Board Orientation and Training".

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

PRINCIPLE 5: BOARD PERFORMANCE

Board Evaluation Process (Provision 5.1)
The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using objective and appropriate criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the Board composition, the Directors' independence, feedback from individual Directors on areas relating to the Board's role on strategy and performance, the Board's process, governance (including oversight on risk management and internal controls) and the effectiveness of the Board Chairman. The results of the overall evaluation of the Board by the NC including its recommendations, if any, for improvements are presented to the Board.

The NC also undertook an evaluation of the performance of the NC, RC and ARC with the assistance of self-assessment checklists completed by these Board Committees as well as a report provided by the chairman of the SOSC.

The annual evaluation process for the Board Chairman's and the individual Director's performance comprises two parts: (a) review of background information concerning the Directors including their attendance records at Board and Board Committee meetings; and (b) NC's evaluation based on certain assessment parameters, which were recommended by the NC and approved by the Board.

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

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

Board Evaluation Criteria (Provision 5.2)
The qualitative criteria used by the NC to evaluate the Board covers six key areas relating to Board composition, Directors' independence, the Board's review of the Company's strategy and performance, the Board's oversight on the Company's governance including risk management and internal controls, and the effectiveness of the Board Chairman and Board processes.

The quantitative criteria used to evaluate the overall Board performance comprise periodic performance indicators which include a comparison of the Group's performance (including segmental performance) for the financial period under review against the Group's performance for the corresponding period in preceding year and the budget, and also other indicators such as the Company's share price performance over a historical period.

Individual Director Evaluation Criteria (Provision 5.2)
Factors taken into account in the assessment of a Director's performance include his or her abilities and competencies, his or her objectivity and the level of participation at Board and, where applicable, Board Committees' meetings including his or her contributions to Board processes and the business strategies and performance of the Group. The performance evaluation of each Director is taken into account in the NC's consideration with regard to his or her re-election as a Director.

REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

RC Composition and Role (Provisions 6.1, 6.2, 6.3 and 6.4)
The RC comprises three NEDs, all of whom including the chairman of the RC are independent.

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

The Company has in place a remuneration framework for the Directors and the KMP. The Company currently identifies its Executive Chairman, the CEO and the CFO as its KMP. On an annual basis, the RC reviews and recommends the specific remuneration packages for the Directors and the KMP including the annual increments, mid-year and year-end variable bonuses, special bonus, if any, and share options for the KMP for the Board approval. The RC also considers the KMP's contracts of service to ensure that they do not contain any unfair or unreasonable termination clauses.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC has access to appropriate advice from the Head of HR, who attends all RC and SOSC meetings. There being no specific necessity, the RC did not seek expert advice from external remuneration consultants in 2019.

The Company Secretaries maintain records of all RC and SOSC meetings including records of key deliberations and decisions taken. Two meetings each of the RC and SOSC were convened during 2019.

For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("**RC Self-Assessment Checklist**"). The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision-making process at RC meetings.

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

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

Remuneration of Directors and KMP (Provisions 7.1, 7.2 and 7.3)
The Company's remuneration policy for Directors comprises the following distinct objectives:

- to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- to ensure that the level of remuneration is sufficient (without being excessive) to attract and retain Directors to exercise oversight responsibility over the Company; and
- to ensure that no Director is involved in deciding on his/her own remuneration.

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

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

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

Based on the Remuneration Framework, the compensation packages for the KMP comprise a fixed component (in the form of a base salary, annual wage supplement, and where applicable fixed allowances determined by the Company's Human Resource policies), a variable component (comprising short-term incentives in the form of mid-year and year-end variable bonuses, and special bonus, and long-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable. The variable components take into account amongst other factors, the KMP's performance, the Group's performance, the business unit's performance and industry practices. The Company exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company.

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

The Company currently has in place a long-term incentive scheme, which is the SOS. KMP who have a greater ability to influence the Group's outcomes have a greater proportion of overall reward at risk. It is put in place to increase the

Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key good employees to achieve superior performance and to motivate them to continue to strive for the Group's long-term shareholder value. It also aims to strengthen the Group's competitiveness in attracting and retaining talented key management employees. The Company does not require the EDs and KMP to continue to hold their shares upon exercise of the options after the vesting period. Options granted under the SOS to EDs and KMP vest progressively over a period of three years. To-date, the Company has granted only Market Price Options and Incentive Price Options (both as defined in the SOS). Information on the SOS is set out in the Directors' Statement on pages 63 to 67 and the Financial Statements on pages 183 to 186 of the AR.

The SOS would be expiring in December 2020 and approval will be sought from the shareholders at the AGM in 2020 for a further extension of the SOS. The SOS was first approved by the shareholders at an extraordinary general meeting in 2000 for an initial period of ten years commencing on 30 December 2000. At the AGM in April 2010, the shareholders approved an extension of the duration of the SOS for a further period of ten years from 30 December 2010 to 29 December 2020.

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

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

When reviewing the structure and level of Directors' fees, which comprise base director's fee and additional fees for services rendered under the various Board Committees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compared the Company's fee structure against industry practices. Other factors taken into consideration in the fee review includes the frequency of Board and Board Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review and changes. The RC is mindful that the remuneration for IDs should not be excessive so as to compromise or reasonably be perceived to compromise their independence. No Director is involved in deciding his or her own remuneration.

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

The structure of fees paid or payable to Directors of the Company for FY 2019 is as follows:

Appointment	Fees per annum ($)
Board of Directors	50,000 (Base fee)
	Additional Fees:
Board Chairman	20,000
Audit and Risk Committee (ARC)	
- ARC Chairman	58,000
- ARC Member	38,000
Nominating Committee (NC)	
- NC Chairman	18,000
- NC Member	12,000
Remuneration Committee (RC)	
- RC Chairman	18,000
- RC Member	12,000
Lead Independent Director	10,000

PRINCIPLE 8: DISCLOSURE OF REMUNERATION

Disclosure of Remuneration (Provisions 8.1(a) and 8.3)
The compensation packages for employees including the Executive Chairman and the KMP comprise a fixed component (in the form of a base salary and fixed allowances), a variable component (comprising short-term incentives in the form of mid-year and year-end variable bonuses, and special bonus, if any, and longer-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the Group's performance, the business unit's performance and industry practices. During the year, there were no termination, retirement and post-employment benefits granted to any Director or KMP.

The Company's remuneration policies, level and mix of remuneration, as well as the link between the remuneration paid to Directors and the KMP, and performance are as set out under Principle 7 above.

Information on the SOS is set out under Principle 7 above and in the Directors' Statement on pages 63 to 67 and the Financial Statements on pages 183 to 186 of the AR.

Directors' Remuneration for FY 2019 (Provision 8.1(a))
The remuneration of each Director including a breakdown (in percentage terms) earned through base salary, variable bonuses/allowances, fees, share option grants and other benefits for FY 2019 is set out below:

	Total Remuner-ation (nearest thousand) $'000	Base Salary[1] %	Variable Bonuses/ Allow-ances[1] %	Board/ Board Committee Fees[2] %	Share Option Grants[3] %	Other Benefits %	Total %
Executive Directors							
Kwek Leng Peck[4] (Executive Chairman)	1,162	42.7	32.9	18.8	0	5.6	100
Tan Eng Kwee[3, 4 & 5] (CEO)	960	45.8	24.4	20.0	1.4	8.4	100
Philip Ting Sii Tien @ Yao Sik Tien[6] (former CEO)	1	0	0	100	0	0	100
Non-executive Directors							
Ernest Colin Lee	134	0	0	100	0	0	100
Kwong Ka Lo @ Caroline Kwong	100	0	0	100	0	0	100
Ng Sey Ming	100	0	0	100	0	0	100
Tan Chian Khong	120	0	0	100	0	0	100

Notes:
1. *The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.*
2. *These fees comprise Board and Board Committee fees (excluding ARC fees) for FY 2019, which are subject to approval by shareholders as a lump sum at the 2020 AGM, and the ARC fees for FY 2019 that had already been approved by shareholders at the 2019 AGM.*
3. *This relates to options granted during FY 2019. The fair value of the options as at the date of grant ranges from $0.14 to $0.17 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.*
4. *Remuneration of these Directors includes remuneration paid or payable by subsidiary(ies) of the Company.*
5. *Mr Tan Eng Kwee assumed full responsibilities as the CEO after Mr Philip Ting's departure from the Company on 6 January 2019.*
6. *Mr Philip Ting resigned as a Director and the CEO of the Company on 6 January 2019.*

Remuneration of KMP (not being a Director or CEO) for FY 2019 (Provisions 8.1(b) and 8.3)
The Board does not believe it to be in the interest of the Company to disclose the FY 2019 remuneration of its former CFO, Ms Leong Sook Han, being identified as the only Company's KMP (not being a Director), having regard to the highly competitive human resource environment.

Remuneration of Director's, CEO's or Substantial Shareholder's Immediate Family Members for FY 2019 (Provision 8.2)
During FY 2019, there were no employees of the Company who were substantial shareholders of the Company or were immediate family members of a Director, the CEO or a substantial shareholder of the Company.

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management (Provision 9.1)
The Group's approach to risk management is to proactively identify, evaluate and manage significant risks inherent in the business to facilitate a balanced, responsible and informed risk taking. Risk management activities are aligned to the Group's strategic objectives and priorities while protecting the interest of the Board and shareholders.

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

A risk management oversight and reporting structure has been established to enable the management team to effectively carry out their roles and responsibilities under the ERM framework. The risk committees (consisting of cross functional personnel), at both corporate and business unit levels, implement and maintain risk management policies and initiatives across the Group. The risk management processes at the key business units are driven by their respective risk committees, with regular reporting to the corporate risk committee (comprising members of senior management and headed by the CEO), who in turn reports to the ARC. The key steps in the risk management process are risk identification, risk assessment, risk treatment and risk monitoring. On an ongoing basis, Management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits.

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

CORPORATE GOVERNANCE REPORT

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

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
1	Operational	Business continuity planning (Global / Country wide)	Ability to handle major global / country wide disruption and resume operations within the optimum timeframe and minimise losses.	• Maintain sufficient debt headroom and cash runway to sustain the Group's businesses over prolonged period of disruption affecting all companies. • IT disaster recovery plan and remote work arrangement capabilities are in place. However, the Group may not be able to resume full business operations, within a short duration of time after a major global / country wide disruption, due to the lack of fully equipped sites (hot sites).
2	Strategic	Concentration risk - China	Majority of the Group's businesses are based in China.	• Regular review of business strategies and performance of business units in China. • Evaluate new investments opportunities in other geographical regions besides China, when the opportunities arise.
3	Strategic	Change in government policies	The Group is affected by changes in government policies in the countries and markets that it operates in. The ability to respond effectively and adapt its business strategies to changes in government policies and regulation is crucial to the Group's performance.	• Stay updated on new and potential changes in government policies. • Assess impact of policy changes and review business strategies where necessary. • Monitor market conditions and key external indicators which may affect the Group's businesses.
4	Strategic and Operational	Margin pressure risk	Keen market competition resulting in increased margin pressure for the Group's businesses.	• Review of product and operational costs. • Monitor competitors' pricing and continue to strengthen quality and service level to meet customers' requirements. • Develop new sales strategies and implement marketing activities to maintain price advantage.
5	Operational	Land and permit risk	Some of the Group's businesses are subject to strict land controls and land use regulation, and dependent on operating permits issued by the authorities.	• Work closely with authorities to stay updated on new government regulations, policies and changes in political landscape which may affect land use decisions. • Review strategies and land requirements, and formulate long term plan for land acquisitions. • Ensure compliance with regulations to obtain permits and licenses for business continuity.
6	Strategic	Portfolio and investment risk	Balancing risks and returns in making investments decisions and maintaining an appropriate investment mix for the Group.	• Perform due diligence work to identify risks and assist management in making informed decisions on investment proposals. Major investment proposals are tabled and approved by the Board of Directors.

Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and the adequacy and effectiveness of the Group's system of internal controls including financial, operational, compliance and IT controls, and risk management policies and systems. The Group's separately listed subsidiaries, namely Tasek and CYI, including CYI's listed subsidiary HLGE, have separate boards and audit and risk committees which are responsible for the oversight of their respective groups' internal control and risk management systems and the ARC relied on the board of directors and the various board committees of these listed subsidiaries to provide oversight on the adoption and implementation of appropriate corporate governance practices, internal control and risk management systems. These listed subsidiaries, which operate under the governance regime of their respective stock exchanges, provide the relevant assurances on the effectiveness and adequacy of their internal controls and risk management systems in their respective annual reports.

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

Assurances from the KMP (Provision 9.2)

Written assurance was received from the Executive Chairman, the CEO, both being also identified as the Company's KMP, and the Corporate Controller (in the absence of the CFO), not being identified as the Company's KMP, that:

(i) the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) the system of internal controls and risk management systems in place are adequate and effective to address in all material respects the financial, operational, compliance and IT risks within the current scope of the Group's business operations.

The written assurance provided by the Executive Chairman, the CEO and the Corporate Controller on the proper maintenance of financial records so as to give a true and fair view of their operations and finances and the Group's risk management and internal controls systems are supported by written assurances provided by the senior management team of the Group's listed subsidiaries/key business units.

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

Based on the work performed by IA and the risk committees during the financial year, as well as the statutory audit by the EA, Ernst & Young LLP ("**EY**"), and the written assurance from the Executive Chairman, the CEO and the Corporate Controller, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls and risk management systems in place as at 31 December 2019 are adequate and effective to address in all material aspects the financial, operational, compliance and IT risks within the current scope of the Group's business operations.

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

The Board noted that CYI, a subsidiary listed on the New York Stock Exchange, had in its FY 2019 annual report filing on Form 20F on 30 April 2020, disclosed that its Independent Public Accountants, EY, had concluded in their opinion, that CYI maintained, in all material respects, effective internal control over financial reporting as of 31 December 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

CORPORATE GOVERNANCE REPORT

As part of internal audit program for FY 2019, audit findings identified control weaknesses at some of the Group's subsidiaries. Management action plans based on IA's recommendations were developed to address these weaknesses. EY, during the audit of the financial statements of the Group, have also identified certain deficiencies in internal controls, which have been reported to the ARC and are currently in the process of being rectified by Management. Management has assessed and determined that the deficiencies do not have significant financial impact on the financial statements of the Group for FY 2019.

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

PRINCIPLE 10: AUDIT AND RISK COMMITTEE

Composition of ARC (Provisions 10.2 and 10.3)
The ARC comprises four NEDs, all of whom including the chairman of the ARC are independent. Three members including the ARC chairman, namely Mr Tan Chian Khong, Mr Ernest Colin Lee and Ms Caroline Kwong possess the relevant audit, accounting or related financial management expertise and experience whilst the remaining member, Mr Ng Sey Ming possesses a legal background.

Based on the terms of reference of the ARC, a former partner or director of the Company's existing external auditing firm or corporation ("**EA**") should not act as a member of the ARC: (a) within a period of two years commencing on the date of his or her ceasing to be a partner or director of the EA; and (b) in any case for as long as he or she has any financial interest in the EA. Mr Tan Chian Khong had ceased to be a partner of EY, the EA of the Company, in June 2016 and has no financial interest in EY. Besides Mr Tan, none of the remaining ARC members were former partners or directors of or have any financial interest in the Company's existing EA. Please refer to the 'Board of Directors' section in the AR for the academic/professional qualification and experience of the members of the ARC.

With the current composition, the ARC believes that it has the relevant accounting or related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Powers and Duties of the ARC (Provisions 10.1 and 10.5)
The ARC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the EA, the IA, Management and any officer and employee of the Group. It may invite any Director, Management, any officer or employee of the Group, the EA and IA to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate, at the Company's expense.

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

- to review significant financial reporting issues and judgements so as to ensure the integrity of the Company's and the Group's financial statements, and of announcements on the Company's and the Group's financial performance and recommend changes, if any, to the Board;

- to review the adequacy and effectiveness of the Group's risk management and internal controls including financial, operational, compliance and IT controls and report to the Board;

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

- to review annually the scope and results of the external audit and the independence and objectivity of the EA, and in this regard to also review the nature and extent of any non-audit services provided by the EA to the Group;

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

CORPORATE GOVERNANCE REPORT

- to review interested person transactions ("IPTs") to ensure that they are entered on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders;

- to oversee the establishment and operation of the whistle-blowing process in the Group;

- to provide oversight of the risk management framework for the purpose of guiding and providing direction to build up risk management capability within the Group; and

- to provide oversight on the Group's compliance relating to sustainability governance and reporting including reviewing the framework put in place by Management for the identification, assessment, management and monitoring of the material ESG factors, and setting of the targets and key performance indicators for the achievement of the Group's sustainability strategy.

The ARC held five meetings during the year and carried out its duties as set out within its terms of reference. For details of the activities performed by the ARC during the year, please refer to the 'Directors' Statement' section on pages 69 and 70 of the AR. The Company Secretaries maintain records of all ARC meetings including records of key deliberations and decisions taken. The ARC meets with the IA and EA, each separately without the presence of Management, at least once annually.

The ARC members continually keep themselves abreast of changes to accounting standards and issues which have a direct impact on financial statements.

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

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

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

ARC's Commentary on significant financial reporting matters
In the review of the financial statements for the FY 2019, the ARC had discussed with both the Management and the EA the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the EA:

Significant Matters	How did the ARC address these matters
Impairment of property, plant and equipment	The ARC received reports from the Management on the assessment of the recoverable amounts of property, plant and equipment. The ARC had discussed with the Management and the external auditors and assessed the indicators of impairment and also reviewed the appropriateness of the valuation methodologies and reasonableness of the key assumptions used in determining the fair value of the property, plant and equipment.
Impairment of investments in subsidiaries	The ARC held discussions with the Management and the external auditors to review the reasonableness of the Management's assumptions in estimating the recoverable amount of the investments in certain loss-making subsidiaries. This resulted in the recognition of an impairment loss of $8.1 million in the Company's income statement for FY 2019.
Allowance for inventory obsolescence	The ARC reviewed the significant assumptions and estimates used by Management in their assessment of the measurement and valuation of inventory including the amount of the allowance for inventory obsolescence required to be recorded. The ARC noted that about 92% of the inventory relates to CYI. From discussion with Management, the ARC noted that CYI performed an assessment of the measurement and valuation of inventory.

CORPORATE GOVERNANCE REPORT

Capitalisation of development costs	The ARC reviewed the significant assumptions and estimates used by Management in the capitalisation of development expenditure. The ARC noted that about 75% of the intangible assets relates to development expenditure capitalised by CYI. From discussion with Management, the ARC noted that CYI obtained an understanding from management on the recognition criteria and basis for capitalisation and performed an assessment of the appropriateness of development expenditure capitalised in accordance with CYI's R&D capitalisation policy.

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

External Auditors (Provisions 10.1(d) and 10.1(e))
Taking cognizance that the EA should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of EY and gave careful consideration to the Group's relationships with them during 2019. In determining the independence of EY, the ARC reviewed the Group's relationships with them and considered the nature and volume of the provision of the non-audit services in 2019 and the corresponding fees. The ARC is of the opinion that the nature and amount of such non-audit services and fees, which had not exceeded 50% of the aggregate audit fees paid/payable to EY in 2019, did not impair or threaten the audit independence. EY's confirmation of their audit independence was further noted. Based on the review, the ARC is of the opinion that EY is, and is perceived to be, independent for the purpose of the Group's statutory financial audit. For details of the fees paid and/or payable by the Group to EY in respect of audit and non-audit services for FY 2019, please refer to note 25 of the Notes to the Financial Statements on page 178.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2020, the ARC had considered the adequacy of the resources, experience and competence of EY, and had taken into account the Audit Quality Indicators relating to the experience of the engagement partner and key team members' experience in handling the audit of multi-listed entities under different jurisdictions. The size and complexity of the audit of the Group, the level of audit fee, and the number and experience of the supervisory and professional staff assigned were taken into account. The ARC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed time-lines.

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

On the basis of the above, the ARC has recommended to the Board the nomination of EY for re-appointment as EA of the Company at the 2020 AGM.

Interested Person Transactions ("IPTs")
On 30 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons ("**IPs**") have control, to enter into transactions within the categories of IPTs set out in the Company's circular to shareholders dated 5 May 2003, with such persons within the class or classes of IPs as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). The IPT Mandate was last renewed at the AGM held on 26 April 2019. As such IPTs may occur at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the 2020 AGM for the renewal of the IPT Mandate.

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

Particulars of IPTs required to be disclosed under Rule 907 of the Listing Manual are as follows:

Name of IP	Nature of Relationship	Aggregate value of all IPTs in FY 2019 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920) $'000	Aggregate value of all IPTs conducted in FY 2019 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**") group of companies	Subsidiaries of HLIH which are the related corporations of the Company	Provision of the following services by IPs to the Group: (i) Group advisory and trademark services: 105 (ii) Corporate secretarial services: 349 Total 454	Nil

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

Whistle-blowing Policy (Provision 10.1(f))
HLA has in place a whistle-blowing policy where staff of the Group or other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties in matters relating to accounting, financial reporting or other matters such as improper business conduct, fraud or any unlawful practices. The ARC has the responsibility of overseeing this policy which is administered by the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised (where appropriate) and for appropriate follow up action to be taken.

A dedicated whistle-blowing email account at hla999@hla-grp.com has been set up to receive complaints and information from all employees of the Group or other persons in order to facilitate and encourage the reporting of such matters. Details on the dedicated channels of communication (email and postal address) have also been made available on the Company's website and intranet.

The whistle-blowing policy is reviewed by the ARC from time to time to ensure that it remains current.

Anti-fraud, Anti-bribery and Anti-corruption Policy
HLA has adopted an Anti-fraud, Anti-bribery and Anti-corruption Policy. This policy sets out the responsibilities of the Group functions and business units in observing and upholding the Company's position on fraud, bribery and corruption, and it applies to the Group, its affiliates, agents, consultants, business partners as well as officers and employees of the Group (collectively, the "**Employees**"). It provides guidance to the Employees on matters relating to the prevention, detection and reporting of fraudulent or corrupt conduct through the Company's whistle-blowing channel. The Anti-fraud, Anti-bribery and Anti-corruption Policy is posted to the Company's website and incorporated into the existing Code of Business Conduct and Ethics which Employees are required to confirm compliance with on a regular basis.

Internal Audit (Provisions 10.4 and 10.5)
The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the ARC chairman with an administrative line of reporting to the CEO of the Company. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the ARC. The ARC also provides input on the annual performance appraisal of the Head of IA and the ARC chairman is consulted on all bonus payments and salary adjustments for this position. The ARC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the ARC, the Board and Management as well as the Group's documents, records, and properties except for those under the Group's separately listed subsidiaries.

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

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

The ARC approved the annual IA plan and received regular reports during 2019 on the progress of the audit work under the IA plan. Copies of IA reports are extended to relevant members of Management. IA reports are also provided to the external auditors. Processes are in place such that recommendations raised in IA reports are followed up to ensure that they are dealt with within a reasonable time frame, taking into account the severity and nature of the control weaknesses identified. The ARC is apprised regularly on the implementation by Management of the recommendations of IA.

The Company has a well-established IA function with formal procedures for the IA to report their audit findings to the ARC and to Management. The IA attends outside training programmes to keep abreast of developments. As the IA team members are members of the Institute of Internal Auditors of Singapore and/or chartered member of professional bodies, the team receives regular updates on the latest development of IA policies and practices, accounting pronouncements, risk-based audit information and other audit related knowledge from time to time. The ARC reviewed the effectiveness and adequacy of the IA function including its resources through a review of the IA activities on a regular basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation framework modeled on the framework recommended in the Guidebook for Audit Committees in Singapore. The evaluation framework covers IA organisation, resources and continuing training, audit plans, work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, the ARC is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly, and the ARC has continually emphasized the importance of ensuring that the IA function is adequately staffed, especially to handle the review and testing of controls in key risk areas in the Group's operations in China. CYI has its own IA team and the other two China operations of the Group are not material.

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

General Meetings (Provisions 11.1, 11.2 and 11.3)
All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules for the appointment of proxies, including information that the voting will be conducted by way of poll, are set out in the notice of general meetings. In accordance with the Company's Constitution, shareholders who are not relevant intermediaries may appoint not more than two proxies each to attend, speak and vote at general meetings in their absence. In the case of shareholders who are relevant intermediaries, more than two proxies each may be appointed. The proxy forms must be deposited at such place or places specified in the notice or documents accompanying the notice convening the general meetings at least seventy-two (72) hours before the time set for the general meetings. However, with the stricter preventive measures that have been put in place by Singapore authorities prior to the release of this report to deal with the spread of COVID-19 in Singapore, the Company would advise shareholders to take note of further notices which may be issued by the Company from time to time to inform shareholders of changes pertaining to the scheduling and the conduct of the Company's AGM in 2020.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the election/re-election of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM.

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The Board Chairman, the chairmen of all the Board Committees, certain members of the Senior Management team together with the EA were present at the last 2019 AGM and subject to COVID-19 related advisories and directives of the Singapore authorities, will endeavor to be present at the 2020 AGM to assist the Board in addressing queries raised by the shareholders. All Directors attended the 2019 AGM.

Voting at General Meetings (Provision 11.4)
Shareholders are given the opportunity to vote at general meetings either in person or in absentia by way of appointed proxy(proxies). However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by electronic means. However, with the ongoing COVID-19 situation, shareholders should take note of further notices which may be issued by the Company from time to time to inform shareholders of changes pertaining to the conduct of the Company's AGM in 2020.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions to be proposed at the 2020 AGM and at any adjournment thereof shall be put to the vote by way of poll.

In support of greater transparency and to allow for a more efficient voting system, the Company has been conducting electronic poll voting instead of by show of hands since its 2014 AGM and would continue to do so in respect of all resolutions to be proposed at the 2020 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the meeting will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed on-screen at the meeting. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages would be announced *via* SGXNET after the 2020 AGM. The detailed procedures for the electronic poll voting would be explained at the AGM. An external firm which is independent of the firm appointed to undertake the electronic poll voting process, will be appointed as scrutineers for the AGM voting process.

Minutes of General Meetings (Provision 11.5)
The Company also maintains minutes of its general meetings, which include the key comments and queries raised by shareholders and the responses from the Board, Management and/or the EA. The minutes of general meetings are available on the Company's website, and the Company will also furnish the general meeting minutes to any shareholder upon request.

Dividend Policy (Provision 11.6)
The Company has formalized a dividend policy which aims to pay dividends to shareholders at least once a year, balancing returns to shareholders with prudent capital management and consistent with the Company's overall governing objective of maximising shareholder value over time. Before proposing any dividends, the Board will consider a range of factors, including the Group's results of operations, long-term and short-term capital requirements, current balance sheet, future investment plans and the general business conditions and other macro environment factors. The Board will review the dividend policy from time to time and reserves the right to modify, amend and update the policy.

The Company aims to maintain a strong capital position to ensure market confidence, to support its on-going business and to meet the expectations of its stakeholders.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The Board provides shareholders with periodic financial results in accordance with the timelines prescribed in the Listing Manual. The unaudited financial results for the first, second and third quarters of 2019 were released to shareholders within 45 days of the end of each quarter. However, the unaudited financial results for full year 2019 were released on 31 March 2020, pursuant to extension obtained from SGX-ST, due to delay in finalizing the Group's financial statements as the Company's key subsidiaries in China faced logistical difficulties and significant delays in employees returning to their offices as city lockdowns, quarantine measures and other actions were taken by local governments in China to reduce the movement and concentration of people amidst the COVID-19 outbreak.

Following the recent amendments to Rule 705(2) of the Listing Manual of 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. Results for the first half year ("**1H**") are released to shareholders within 45 days of the end of 1H whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and 1H results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

CORPORATE GOVERNANCE REPORT

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

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. Should there be an inadvertent disclosure made to a select group, the Company will release the same information as promptly as possible *via* SGXNET. The Company notifies its investors in advance of the date of release of its financial results *via* SGXNET. The Company's periodic financial results are announced within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released *via* SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET.

Shareholder Communication (Provisions 12.1 and 12.2)
The Company has in place an investor relations ("**IR**") policy (available on the Company's website) which outlines the principles and framework for the Company to provide investors, analysts and other IR stakeholders with balanced, clear and pertinent information on matters pertaining to and/or affecting the Group. Shareholders and investors can contact the Company or access information on the Company at its website at www.hlasia.com.sg which provides, *inter alia*, information on the Board of Directors, key Management team, and the Group's key business units, Annual Reports, corporate announcements, press releases and financial results as released by the Company on SGXNET, and contact details of its IR.

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

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

HLA has grown and diversified its portfolio within the manufacturing space over the decades, which has provided many opportunities to ingrain the importance of proactive and thoughtful engagement with its stakeholders. The stakeholders have been identified as those who are impacted by the Group's business and operations and those who similarly impact the Group's business and operations. The six key stakeholder groups identified are customers, employees, government agencies, local communities, shareholders and suppliers.

The Company acknowledges that success and long-term value across its operations would not be possible without the senior management teams' dedication and careful attention towards managing supplier, customer, government agency and community relationships. This has only strengthened with a combined knowledge across various industries, which has allowed the Group's businesses to both gain vital knowledge and adopt tested, effective policies and measures to evolve supplier collaboration, improve products' standards and enhance customer service. To achieve such standards, the Group's senior management teams adopt industry-specific to create supportive environments and set codes of ethical business conduct that allow employees to thrive and in turn, help cultivate long-term working relationships with all stakeholders that support our business activities.

Into the fourth year of its Sustainability Reporting journey, the Company works towards integrating new learnings in the process to better align with its six key stakeholder groups on value creation. This involves the continuous review of ESG issues and up-to-date practices surrounding to assess the evolving impact on every stakeholder group, reviewed and endorsed by the Board annually.

More details on HLA's approach to stakeholder engagement and materiality assessment are disclosed on pages 44 to 59 of this AR.

The Company has in place arrangements through a variety of channels including the Company's corporate website to engage with the stakeholders.

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

The code which incorporates the Anti-fraud, Anti-bribery and Anti-corruption Policy provides guidance on issues such as:

- conflicts of interest and the appropriate disclosures to be made;
- the Company's stance against corruption and bribery;
- compliance with applicable laws and regulations;
- compliance with the Company's policies and procedures, including those on internal controls and accounting;
- safeguarding and proper use of the Company's assets, confidential information and intellectual property rights, including the respect of the intellectual property rights of third parties;
- competition and fair dealing in the conduct of the Company's business, in its relationships with customers, suppliers, competitors and towards its employees; and
- prevention, detection and reporting of fraudulent or corrupt conduct through the Company's whistle-blowing channel.

In line with the Board's commitment to maintain high ethical standards which are integral to our corporate identity and business, the Company also has the following corporate policies and procedures in place:

(i) Whistle-blowing Policy, which provides guidance to the Group's officers, employees and non-employees of the Group that may have any legitimate bona fide concerns about any possible improprieties in financial reporting or any other matters, the same may be raised without fear of reprisals in any forms, discriminating or adverse consequences; and

(ii) Policy on transactions with IPs which provides guidance to the Group's officers and employees to conduct IPTs on an arm's length basis and on normal commercial terms consistent with its usual business practices and policies, not prejudicial to the interest of the Company and its minority shareholders and on terms which are not more favourable to the IP than those extended to other unrelated third parties under similar circumstances.

Internal Code on Dealing in Securities
The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such securities, and (c) during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the date of announcement of the Company's full year financial statements (when the Company was announcing its quarterly financial statements), and during the period commencing one month before the date of announcement of the Company's 1H and full year financial statements (when the Company ceased the announcement of quarterly financial statements in 2020). The Directors and employees of the Company are notified in advance of the commencement of each "closed period" relating to dealing in the Company's securities.

Rights Issue
In FY 2018, the Company had pursuant to a renounceable non-underwritten rights issue raised net proceeds of $201.1 million. On 13 March 2020, the Company announced that $42.9 million of the net proceeds had been utilised in accordance with the intended uses as stated in the Offer Information Statement dated 3 October 2018. Since then, no further utilisation of the rights proceeds has been made, and other than previously announced, the remaining unutilized 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.

SUSTAINABILITY REPORT

STATEMENT BY THE BOARD OF DIRECTORS

We are in the fourth year of our sustainability-reporting journey. As we progress, we have set in place a process to systematically review our business practices to assess the impact on stakeholders who may be affected by its activities, or whose actions can affect the ability of the Group[1] to conduct its activities. Sustainability is essential to our operations and being a valued and respected corporate citizen, our focus on sustainability will create long-term value for our stakeholders.

The Board has set the strategy and direction for sustainability management through upholding high standards of governance across our value chain, promoting ethical and responsible business practices, prudent financial management, maintaining high standards of health and safety, managing environmental impact, efficient utilisation of resources, and engaging communities we operate in.

The Board drives the Group's sustainability direction and the Sustainability Committee assists the Board in carrying out all its sustainability efforts to continually identify, evaluate, monitor, manage and address environmental, social and governance ("ESG") factors material to our businesses. As sustainability is a journey that takes constant effort, we look forward to your continued support in creating a sustainable future for generations to come.

MESSAGE FROM CHIEF EXECUTIVE OFFICER ("CEO")

We are pleased to publish the HLA's Sustainability Report, which is prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option, and the Sustainability Reporting Guide of Singapore Exchange. Monitoring our sustainability practices has been beneficial as it helps us to quantify the actions that we have taken as a form of measuring the level of the Group's sustainable development.

We remain committed towards our responsibilities in addressing the ESG issues around us. During the year, the Management and Heads of Departments ("HODs") of respective business units continue to initiate, drive and monitor the sustainability practices, which have been embedded into our daily operations. We believe in striking a balance between achieving operational profitability and concurrently managing ESG risks and opportunities in order to sustain long-term business continuity.

We periodically review our approach to ensure that relevant sustainability challenges are appropriately addressed across our value chain. This includes enhancing our approach in engaging with various stakeholders, minimising environmental footprints from our operations, and improving the workplace health and safety of our employees.

Despite challenging business environment faced by the building materials industry in Malaysia, our Malaysian business unit held its annual dinner for its employees in November 2019 in appreciation of their invaluable contributions and continued commitments. 43 employees, who have served the unit for periods ranging from 10 to 40 years, received their long service awards.

43
employees that served **10 to 40** years received long service awards

Whenever feasible and practical, we continue to explore the use of alternative raw materials in our production processes as one of the ways to address environmental issues.

Our diesel engines business unit continues to receive awards during the year in recognition of its research and development in green technology and product innovation, which resulted in the production and sale of better emission standard, higher efficiency and more energy saving engines.

Due to the outbreak of COVID-19, we have taken various measures to safeguard our employees' health and safety, as well as activated our Business Continuity Plan to mitigate any challenges from any business disruption[2].

This report is a compilation of our efforts in 2019 and our aspirations for 2020. We welcome your feedback on this report as we continue our journey to improve our reporting and sustainability practices. Please send in your comments or questions to sustainability@hla-grp.com.

1 The reporting entity is Hong Leong Asia Ltd. ("HLA") and "the Group" refers to the business units in building materials and diesel engines segments, which are the principal business segments of the Group.

2 Refer to the Chairman's Message in the Annual Report for details of the sustainability efforts on COVID-19.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report has been prepared in accordance with the GRI Standards: Core option, and complies with the SGX requirements on sustainability reporting.

Information contained in this report reflects the sustainability progress of the Group's building materials and diesel engines units from 1 January 2019 to 31 December 2019, unless otherwise specified. The 2018 Sustainability Report was issued in March 2019. We will continue to publish our progress on an annual basis.

A historical comparison to the previous years has also been presented where possible. We seek to continue to assess and improve our data collection systems over time.

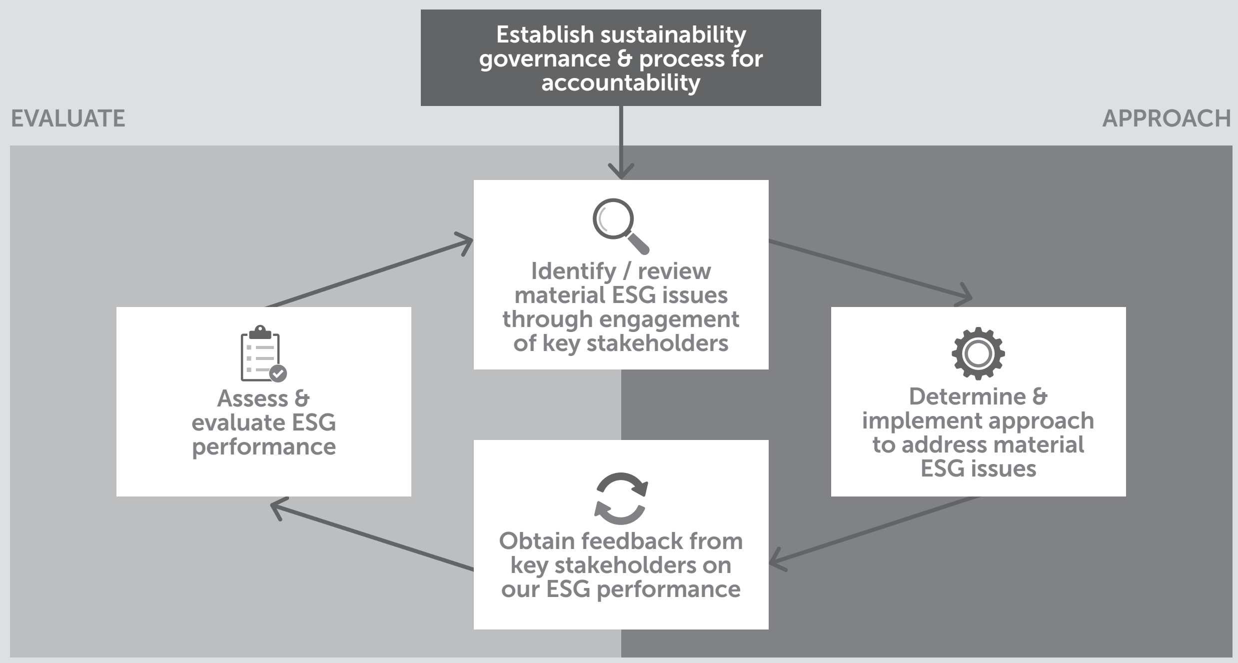
There is no significant change to the organization's size, structure, ownership, or supply chain during the year.

SUSTAINABILITY FRAMEWORK AND GOVERNANCE

As a means to ensure reliability, adequacy and effectiveness of the internal controls and risk management processes over our sustainability practices and reporting aspects, the Group has developed a framework to formalise the oversight procedures (Figure 1).

The Sustainability Committee is tasked to identify the material ESG issues and manage them, including target setting and reporting. The Management, led by the CEO, manages the internal control and risk management processes of the Group's operations.

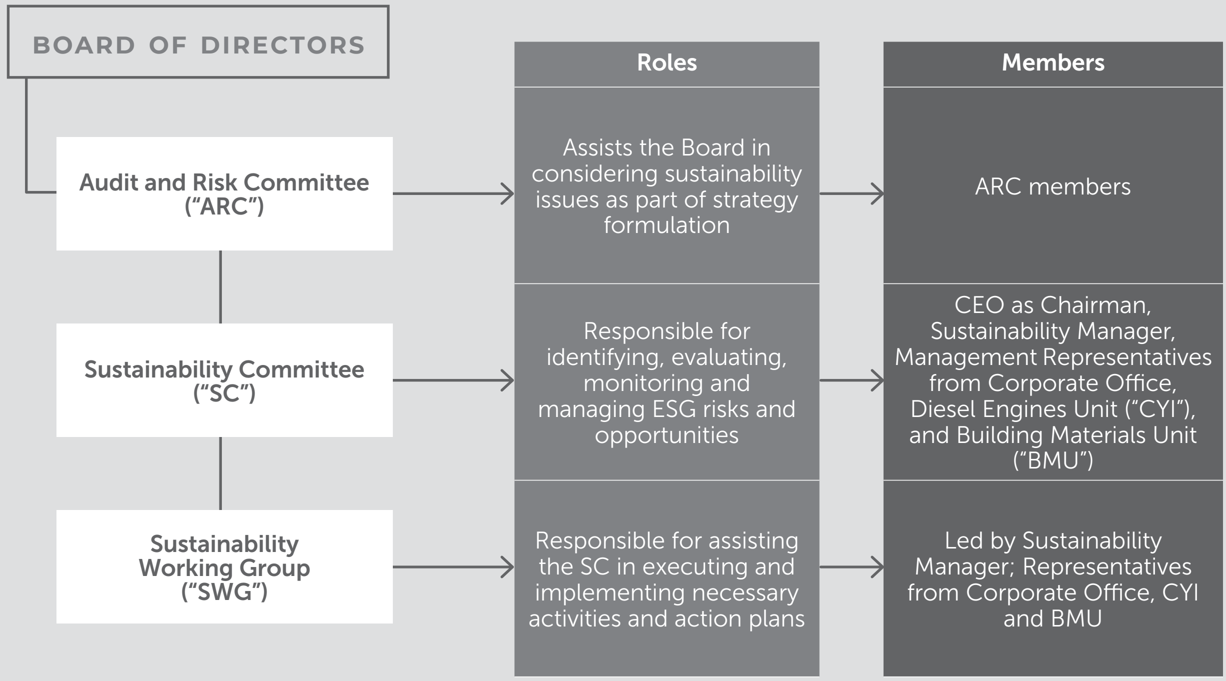
Figure 1: The Group's Sustainability Framework



On a quarterly basis, the Sustainability Committee provides a progress update on performance to the Audit and Risk Committee ("ARC"), and makes recommendations to improve the sustainability of its businesses. The ARC evaluates and reviews the process and performance annually and ensures that all requirements for sustainability compliance are met before reporting to the Board. The ARC also assists the Board in considering sustainability issues as part of its strategy formulation of the Group (Figure 2).

SUSTAINABILITY REPORT

Figure 2: HLA's Sustainability Governance Structure



THE GROUP'S KEY STAKEHOLDERS AND MATERIALITY ASSESSMENT PROCESS

KEY STAKEHOLDERS

The main purpose of any business is to create value for its shareholders. Value is commonly generated by providing products and services to customers, and this is supported by employees and suppliers of the business. The impact of the business on these stakeholders and the local communities affected is often managed by regulations from the government. The Group's business is typical of such a model. Therefore, our key stakeholders are identified as shareholders, customers, employees, government agencies, suppliers and the local communities.

Understanding issues affecting our relationships with our key stakeholders is important for the business to create value. As our business segments are diverse in industry and geography, a significant amount of input on material issues is obtained from the management teams of the business units. They have the most interaction with our key stakeholders on the ground and are therefore in the best position to assess the material ESG issues that need to be addressed by the Group Management.

MATERIALITY ASSESSMENT

In 2016, with the assistance of external consultants, the Group conducted and formalised the process of our first sustainability materiality assessment (Figure 3), and derived the results of the key ESG concerns of our key stakeholders.

With the adoption of the new GRI Standards in 2018, the Group took the opportunity to reassess the material issues, using the same Material Assessment Process. Our focus remains on stakeholders' inclusiveness and sustainability context just as when the initial materiality assessment was conducted.

Figure 3: Material Assessment Process

To facilitate the exercise, the management of each business units was first informed on the requirements of the GRI Standards, along with the updated sustainability reporting peer-benchmarking review. Interviews were also conducted with representatives of the business units on the potential relevant items to internal stakeholders. A universe of relevant sustainability issues was established through the benchmarking reviews and management-representative interviews, on which HODs voted for the priority sustainability issues to the Group. The HODs have the insights to both internal and external key stakeholders through their regular engagements and have the capacity to represent them.

From a pool of twenty two relevant sustainability issues, eight issues were identified as material and significant to the Group's operations and were reported in accordance with the GRI Standards reporting framework.

This year, the Sustainability Committee reviewed the ESG issues and validated that the eight material issues identified and determined in 2018 remain unchanged for the current reporting period (Table 1). Our Sustainability Report centres on the management's approach towards addressing our material ESG issues within the boundaries of the key stakeholder impacts, including gaps identified and our plans to address them.

SUSTAINABILITY REPORT

Table 1: Key stakeholders, their respective impacts, sustainability concerns and boundaries

Key Stakeholders	Boundary, Impact & Significance	Material Sustainability Issues
CUSTOMERS	Our customers are the reason for our business existence. Our customers' feedback and concerns are important inputs for our business decisions.	• Customer Satisfaction • Product & Service Quality
EMPLOYEES	Our employees are the backbone of the Group's success. The sustainability of our business is reliant upon their running of our day-to-day business.	• Employee Health & Safety • Fair Employment • Business Succession Plan
GOVERNMENT AGENCIES	Beyond meeting regulatory requirements, we recognize the importance of building working relationships with government agencies and strive to engage them both positively and regularly.	• Dust Emissions Management • Employee Health & Safety • Energy & Carbon Footprint • Regulatory Compliance • Ethical Business Conduct
LOCAL COMMUNITIES	Local communities are directly affected by our business operations. With such immediate reach, we strive to create positive impact on the local communities through our business.	• Dust Emissions Management • Regulatory Compliance
SHAREHOLDERS	Shareholders are owners of our company, and their views are crucial in determining the future directions of the Group.	• Ethical Business Conduct • Regulatory Compliance • Employee Health & Safety • Customer Satisfaction • Business Succession Plan
SUPPLIERS	We recognise the part we play in influencing the business practices of our suppliers. Right collaborations with our suppliers help to create a more sustainable value chain for the Group.	• Regulatory Compliance

OUR BUSINESS ENVIRONMENT

ETHICAL BUSINESS CONDUCT

Management Approach
To ensure the accountability of the Group to its shareholders, we conduct business with the highest ethical standard and have zero tolerance towards fraud, corruption, bribery and money laundering. Our commitment is reiterated through HLA's "I – ACE – IT" corporate values[3] and Code of Business Conduct ("COBC"). We expect our employees to be exemplary in maintaining high level of professionalism and ethical behaviour when conducting the Group's operations.

The COBC is available to our employees, who are required to agree with it on joining the Group and make annual declarations that they have abided by the COBC during the year. The policy governs aspects including avoiding potential conflicts of interests, compliance with legal and regulatory provisions and ensuring proper internal controls within the organisation. Any breaches or misconduct with the COBC may result in termination of the employee. This policy is managed and reviewed periodically by the Human Resource ("HR") Department and approved by CEO.

3 Refer to the cover page of the Annual Report for more information on our "I – ACE – IT" corporate values, and Corporate Governance Report on Corporate Value and Conduct of Business.

SUSTAINABILITY REPORT

Our suppliers and business partners are also expected to adhere to the Group's ethical requirements when we enter into a contract with them. We have in place whistle-blowing procedures[4] where employees or any other persons can raise, in confidence, concerns about possible improprieties in matters relating to financial reporting, or other malpractices and misconduct. The ARC has the responsibility of overseeing this, supported by the Head of Internal Audit. There is a mechanism in place to provide appropriate protection to the whistle-blower against any reprisals if disclosures are made in good faith. More information about the HLA's Whistle-blowing Policy can be found in the Corporate Governance Report[4].

Performance

We take every credible whistle-blowing report very seriously. In 2019, despite our best efforts in reinforcing the zero-tolerance policy on unethical behaviour within the organisation, there was one confirmed incident of unethical business conduct raised through the whistle-blowing channel. Resultantly, after due investigation, an employee of a business unit had his services terminated and the matter was referred to the relevant enforcement agency. In the upcoming year, we plan to reinforce awareness programmes on this important subject, in particular to the employees of the said business unit. In line with the new Malaysian law on liability of corporations and directors regarding corrupt practices concerning employees, which will take effect in June 2020, policies and procedures on the subject matter will be strengthened to ensure that a more robust framework is in place to handle unethical conduct of employees. We plan to adopt similar framework throughout the Group including those of our plastic packaging and air-conditioning business units.

In upholding high standards of ethics and integrity across our value chain, we continue to increase our efforts in driving the awareness of COBC to our suppliers. During the year, they have been reminded of the various business units' whistle-blowing channels and ethical conduct policy.

There have been no cases of legal actions for non-competitive behaviour, anti-trust and monopoly practices in 2019.

REGULATORY COMPLIANCE

Management Approach

Compliance with government and local authority regulatory requirements is critical in maintaining the business units' licence to operate. This responsibility principally lies with the heads of each of the business units, and is delegated to the respective HODs to ensure that regulations within their scope of work are complied.

They liaise with the relevant government agencies and coordinate periodic inspections as required. The HODs will then report to the head of the business unit for an annual evaluation, or as and when there are regulatory changes.

Through the COBC for Suppliers, the Group communicates to our business partners and vendors the importance for them to comply with regulations when dealing with us.

Performance

Save as disclosed, the Group did not incur any material fines and sanctions related to environmental and social aspects during the year. The Group's building materials division received a notice of non-compliance of regulations from the local regulatory body pertaining to certain sale transactions conducted prior to 2018 due to administrative oversight. The business unit concerned had since taken the necessary corrective actions and put in place policies and procedures to prevent recurrence. Appeal had been submitted to the regulatory body to reconsider the penalty imposed on the business unit, on the basis that the non-compliance relates to failure to submit proper documentation without any financial loss to the government agency. The outcome of the appeal is pending at the date of this report. The business unit will continue to engage with the regulatory body to seek an amicable solution on this matter.

The Group understands the importance of adhering to the regulations of each jurisdiction that we operate in, and we will continue to work hard to ensure full compliance with rules and regulations.

4 Refer to the Corporate Governance Report in the Annual Report for further details on the Group's whistle-blowing policy and procedures.

SUSTAINABILITY REPORT

UNDERSTANDING OUR CUSTOMERS' NEEDS

Management Approach

Our customers are diverse across geography in the building materials and diesel engines industries, spanning mainly across China, Malaysia and Singapore. Therefore, the management teams of the business units, who know the customers best, set their own individual benchmarks on delivering quality products and services to achieve a high level of customer satisfaction, the latter primarily influenced by the quality of the product supplied and the associated services rendered.

Our customers are diverse across geography in the building materials and diesel engines industries, spanning mainly across China, Malaysia and Singapore

Gaining customers' confidence and trust in our products is key to the Group's continued success and growth. The ability to produce quality products to meet our customers' requirements begins with ensuring that our supply chain is well managed. Our business units have each established a pre-qualification process for significant tenders to include criteria such as only selecting suppliers which comply with local regulations and preference is given to those with relevant certifications on quality management systems. Major suppliers are evaluated at least once a year for quality of goods and services provided and ad hoc visits to our suppliers' sites are part of the evaluation, especially for new suppliers. When necessary, we also performed due diligence on our suppliers and those who do not meet the minimum benchmarks set are counselled or issued warning letters to improve; and those found with serious lapses terminated.

Throughout our manufacturing process, we have established strict standard operating procedures on quality assurance and control, using the ISO 9001 standard on quality management systems, to safeguard the level of quality of our outputs.

Our Sales & Marketing teams are proactive in engaging our customers to ensure that the products as well as pre and post order services meet or exceed our customers' requirements. This close interaction allows our Sales & Marketing teams, together with the Project teams, to address any issues promptly. The Marketing Department of each business unit conducts formal surveys to obtain an understanding of our customers' satisfaction with our products and services. Depending on the business units, some surveys are performed either monthly, at the end of each project, or annually. Through these surveys, we are able to assess the success of our previous strategies and identify areas for improvement.

Feedback on the need of new products and features is captured in these surveys, which are evaluated by the Management and the Research & Development ("R&D") personnel of the business unit for further action. For the diesel engines unit, the R&D team continually innovates to improve the safety and environmental aspects of the design of our engines. Customers are provided with detailed user manual and after-sales service is an integral part of our business operation. We also conduct maintenance training for Original Equipment Manufacturers and large customers as preventive measures for machine failures and reminders on safety. For the building materials unit, the R&D teams conduct various tests on the use of new or alternative materials or mixing formulas to produce products that meet the demand and requirements of customers.

Performance

From the surveys conducted with the customers of our various business units in 2019, we are pleased to report that all of the Group's business units surpassed the internal benchmarks set for customer satisfaction.

The high quality of service provided by our Sales & Marketing teams and good coordination with the Operation teams in production and delivery have been highlighted by our customers in the surveys. We are pleased to say that our employees are able to react promptly and deal with our customers professionally on any issues relating to our products and services. Notwithstanding, there were some constructive feedbacks received from our customers on our ready-mixed concrete operation to enhance on delivery intervals, to consider supplying at night, at certain project sites and increase frequency on truck maintenance. To address these issues, we have worked with our cartage contractors on improving the monitoring process of truck availability and productivity. When available and feasible, we would also look into setting up more site plants to meet customers' demand, reduce delivery lead-time and fulfil orders placed after normal operation hours. On our cement business, there were customers' feedbacks on the plant not being able to fulfil orders during certain periods such as when the plant was under maintenance or when there was sudden surge in demand. We are working to enhance our production planning, order allocation and delivery systems to address the feedback.

SUSTAINABILITY REPORT

We pride ourselves on being able to deliver quality products and services to our customers and for the need of the nations. Through R&D in green technology and product innovation, our diesel engines unit has built a series of engine products with better emission standard, higher efficiency and more energy saving. In 2019, the business unit won the 2019 China Agricultural Machinery Industry Product Gold Award from the Ministry of Agriculture and Rural Affairs for one of its engine products. It has also been awarded the 2019 National Quality Benchmark Award, 2019 Guangxi Industrial Enterprise Quality Management Benchmark Award, and the 2018-2019 Advance Unit Award by Guangxi Quality Management Equipment Supervision Association in recognition of its continuous improvements in engine production quality control systems.

DIESEL ENGINES
2019 National Quality Benchmark Award, Ministry of Industry and Information Technology

BUILDING MATERIALS
2019 *Green Building Product Leader, Singapore Green Building Council

**Awarded for select ready-mix concrete products*

As for our building materials unit, certain ready-mixed concrete products under the product brand of I-Envirocrete were awarded the top green building product rating by the Singapore Green Building Council based on the assessment criteria of The Singapore Green Building Product Certification Scheme.

During the year, the Group did not receive any reports regarding any incidents from the users of our products or visitors to our sites. The Group endeavours to improve on our customer satisfaction year- on-year and will continue to work with our customers and suppliers to increase the value creation for all parties.

LOOKING AFTER OUR PEOPLE

FAIR EMPLOYMENT PRACTICES

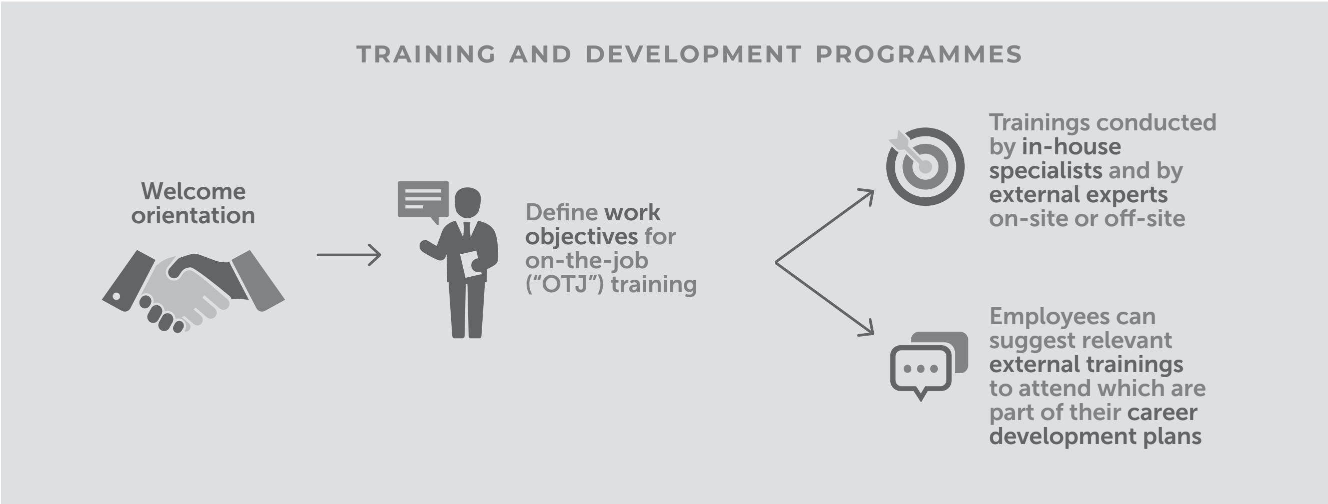
Management Approach
Employees are essential to our value chain and to the success of the Group. As a responsible corporate citizen, we treat all our employees equally and provide opportunities to qualified individuals based on their merits, competency, experience and other relevant qualities for their development within the organisation. We hope to retain high-performing employees to progress with the business, and keep our people motivated, as motivated employees tend to achieve more.

We recognise the importance of working diversity as it promotes innovation and sustainability, which are significant to respond to the evolving needs of customers and markets. We are committed to building a workforce and workplace that nurtures inclusion, equality and respect for all. Our COBC for Employees clearly states our commitment to respecting everyone in our culturally diverse workforce. This document is agreed by the employees at the beginning of their employment and is acknowledged annually. We do not practice discrimination in our recruitment, training and career opportunities.

We strive to maintain healthy relations with our employees. Dialogue between management and employees is integral to our work practices; employees are encouraged to voice any concerns and feedback in a timely manner to the Management either directly or through their supervisors, HODs, unions or during annual appraisals. For more serious grievances, our employees can use the whistle-blowing channel.

The HR Department along with the senior management teams of the business units are responsible for creating a positive working environment for our employees. Part of the growth of our employees is linked to the organisation's business succession plan. Key positions and employees are identified by the senior management to ensure that there is proper succession planning. The Group has a formal process in place to ensure a smooth transition and continued business operations as part of our business succession plan.

SUSTAINABILITY REPORT



We acknowledge that the sustainability of our business is highly dependent on strong human capital. Training and development programmes are essential to increase the work knowledge and skills of employees at each level and in building a pool of employees who can develop into management roles as part of the business' succession plan. This process also contributes to the long-term growth of our business.

Training begins when an employee joins a business unit within the Group and is given a welcome orientation. Thereafter, their supervisors will go through with them their work objectives and provide on-the-job ("OTJ") training for their respective positions. Other than OTJ training, there are trainings conducted by in-house specialists and by external experts on-site or off-site. Our employees can also suggest to their supervisors on the external trainings they would like to attend, are relevant to their work or which are part of their career development plans.

Performance

As at the end of 2019, the Group employed 8,290 full-time staff (Table 2), of whom approximately 87% are covered by collective bargaining agreements. The headcount in the respective business units has remained stable during the year at less than 5% variance from the previous year.

For our diesel engines business unit in China, as at 31 December of the respective years, there is an increase of 210 employees year-on-year, from 6,721 employees in 2018 to 6,931 employees in 2019. The increase was primarily due to the changes in production capacity and operation requirements. More employees with the necessary skill sets and knowledge were also recruited during the year as the unit continues to innovate and use advance technology and artificial intelligence in its manufacturing operations.

The turnover rate in 2019 was relatively lower as the Group operated at an optimal size for the business growth. The business units monitored labour productivity along with business growth plans to make adjustments to new headcount, on top of replacement positions.

During the year, we organised more than 2,500 training sessions, equivalent to 400,000 hours[5], in our diesel engines and building materials business units. The training encompassed inter alia, areas such as health and safety, laws and regulations, quality management systems, risk management, anti-bribery management system, scheduled waste management, specialised technical skills for production and operation personnel, energy management, financial and enterprise resource planning systems and process control improvements.

In the coming year, we will continue to invest in human capital by providing professional trainings in various skill sets for staff development. Business succession planning is an ongoing process. We will endeavour to develop and identify a pool of qualified personnel for important positions within the Group to ensure smooth running of our operations or to undertake new business opportunities.

5 Training sessions and hours disclosed in 2018 Sustainability Report were for building materials business unit only.

Table 2: Summary of People Performance

EMPLOYEE PROFILE

Employment Type	China		Malaysia		Singapore		Total
	Male	Female	Male	Female	Male	Female	
Permanent	4,167	785	729	88	462	50	6,281
Temporary	1,742	238	22	5	2	0	2,009
							8,290

EMPLOYEE MOVEMENTS

Region	New Hires						Departures					
	Age Group			Gender		Total	Age Group			Gender		Total
	<30	30-50	>50	Male	Female		<30	30-50	>50	Male	Female	
China	**374**	**51**	**5**	**384**	**46**	430	**112**	**81**	**27**	**186**	**34**	220
(Rate[6])	4.5%	0.6%	0.1%	4.6%	0.6%		1.4%	1.0%	0.3%	2.2%	0.4%	
Malaysia	**65**	**37**	**6**	**93**	**15**	108	**50**	**51**	**16**	**99**	**18**	117
(Rate[6])	0.8%	0.4%	0.1%	1.1%	0.2%		0.6%	0.6%	0.2%	1.2%	0.2%	
Singapore	**10**	**21**	**2**	**24**	**9**	33	**13**	**38**	**9**	**55**	**5**	60
(Rate[6])	0.1%	0.3%	0.0%	0.3%	0.1%		0.2%	0.5%	0.1%	0.7%	0.1%	
						571						397

Health and Safety

Management Approach

One of the common vital ESG issues of the manufacturing industry is the safety of employees as there are heavy machineries and equipment used in the operations. Employees operating the equipment need to be well trained in using them, and employees on-site are made aware of the risk and safe zones.

All the business units have their dedicated Safety, Health & Environment ("SHE") Department. Their works include ensuring compliance with local rules and regulations, identification of health and safety risks and the corresponding mitigating actions, conducting regular on-site inspections, as well as organising and providing health and safety trainings for our employees.

New employees are given basic safety trainings upon joining the business units as part of the induction programme which includes on-site training where applicable. There are further OTJ trainings as and when necessary, and refresher training courses are conducted periodically particularly for technical, engineering and operations personnel. Employees working at high-risk areas typically undergo health checks before starting at their positions, and yearly health reviews conducted. Common health hazards, which may occur in the Group's manufacturing industries, include respiratory diseases and hearing loss. Wearing the correct personal protective equipment ("PPE") is a major part in mitigating both health and safety risks. Any employee caught not wearing the appropriate PPE is first given a warning. Repeated offenders face disciplinary actions including termination of employment.

For each major work site and work step, a risk assessment of the severity and likelihood of an injury is performed. Using the risk prioritisation matrix, work steps with a higher severity and likelihood of injury are required to implement risk controls. This includes assessing risk of developing occupational diseases such as respiratory diseases and hearing loss. The SHE Department works with the teams involved in the work steps to reduce the risk level to an acceptable level such that with appropriate PPE and safety training, that work steps are safe enough for our employees to operate.

6 The rates of new employee hires and employee turnover are calculated using the total employee numbers at the end of the reporting period.

Our employees are encouraged to speak up and report whenever they observe any risks, hazards or offenders as we want all our employees to have a "Safety First" mind set and the assurance that the Group is committed to providing a safe environment for them to work. In the event of any safety incidents, regardless of whether anyone was injured, or whether the party is an employee, contractor or visitor, SHE Department will conduct investigation on the cause and details of the incident, and report to the Management together with recommendations for prevention of the incidents.

Performance

In 2019, our cement plant and precast concrete facilities which have in place a sound management system for occupational health and safety, have successfully migrated from OHSAS 18001 certification to the new ISO 45001 certification. This is a demonstration of our continuing efforts and commitment on the health and safety of our employees, and any persons working on site, including visitors, suppliers and subcontractors.

Our diesel engines business unit has not recorded any reportable work-related incident[7] in 2018 and 2019. The number of incidents reported in Table 3 below refers to incidents happened in our building materials business unit. The number of injury incidents and injury rate for employees have reduced in 2019. Our contractors continued to report to us any injuries sustained at any of our work sites. Together with our contractors, we took preventive actions by implementing stringent measures to improve workplace safety and this joint effort has seen both the number of injury incidents and injury rate for contractors reduced in 2019 compared to 2018.

Health and safety remains a key focus area for the Group and we continue to make great efforts to increase awareness of our practices through training and regular communication to employees and contractors.

Table 3: HLA Statistics on Reportable Incident

Year	Employees				Contractors			
	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities
2019	11	20,057,840	0.55	0	2	1,327,973	1.51	0
2018[7]	12	20,041,142	0.60	0	4	1,620,579	2.47	0

CARING FOR THE PHYSICAL ENVIRONMENT

ENERGY & CARBON FOOTPRINT[8,9,10]

Management Approach

As a manufacturer, we understand the impact of our environmental footprint and have continuously put in effort to make certain changes within the Group. We remain committed in doing our part to make our manufacturing process cleaner and greener.

The more significant components of our environmental impact are the Group's energy consumption, carbon emissions and dust emissions. As such, we have put in place key indicators to measure and monitor the performance efficiency of our business units in these areas. There are systems in place to track and alert the relevant personnel in the event that the indicator exceeds our internal benchmarks.

The Production and Electrical & Energy Departments work together to manage our energy consumption. Devices are used to track and monitor consumption. Usage trends are compared to the production levels and any anomalies are reported to the Management for further investigation and prompt remedial actions.

7 Reportable incident refers to work-related accident, workplace accident, dangerous occurrence and occupational disease that require statutory reporting to the relevant local authorities as mandated by the local regulations. The number of injury incidents for 2018 had been restated to be in line with the reporting basis of 2019.

8 Source of default net calorific values for fuels used: 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

9 Source of Scope 1 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative database.

10 Source of Scope 2 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Singapore Energy Statistics, and International Energy Agency's CO2 Emissions from Fuel Combustion Highlights.

SUSTAINABILITY REPORT

The Group's cement manufacturing business unit is the largest consumer of energy within the Group as it requires a significant amount of energy in its manufacturing process. Coal is the main source of energy used to fire up the kiln for making clinker, a key input into the making of cement. The calcination process of clinker manufacturing is a significant contributor to the cement unit's greenhouse gas ("GHG") emission.

The Management at the cement plant is aware of the environmental impact and had established the Industrial Ecology Department ("IED") in 2016. The IED is tasked to explore alternative raw materials and fuel sources to manufacture cement, with the intention to decrease the quantity of clinker produced thereby reducing carbon emissions from calcination and to be part of the circular economy by using the by-products generated by other industries. We have been using ISO 14064 to measure our GHG emissions as a means to evaluate existing and new approaches towards managing our emissions.

Since the establishment of the IED at our cement plant in 2016, the business unit has tried and used numerous alternative raw materials such as fly ash and copper slag, as well as alternative fuels including waste oil, refuse-derived fuels, saw dust and soap sludge. The alternative raw materials reduce the amount of limestone required in clinker production which in turn reduces carbon dioxide emissions, while the use of alternative fuels involve burning industrial waste which would otherwise require separate treatment before dumping into the landfills.

Our diesel engines business unit is committed to use clean and green energy in its operation, and we have been harvesting solar energy from the solar panels installed at the roofs of our factory buildings

Our diesel engines business unit is committed to use clean and green energy in its operation, and we have been harvesting solar energy from the solar panels installed at the roofs of our factory buildings. The use of this zero carbon emission energy amounted to approximately 10% of the total annual electricity consumption by the business unit.

+140%
in scheduled waste conversion to raw materials under cement manufacturing process from 2017 to 2019

Performance
Our cement manufacturing business unit has adopted the Guidelines on Environmentally Sound Co-Processing of Scheduled Waste in Cement Industry developed by the Department of Environment of Malaysia and the cement industry players.

With this co-processing, we use scheduled wastes generated by other industries as alternative raw materials or fuels as a source to natural mineral resources and fossil fuels. This contributes positively to the environment by reducing the need to have more landfills and separate treatment for the waste. While there is a reduction in the use of alternative materials as alternative fuels as stated in "Others" fuel type (Table 4), primarily due to suitability and availability of such materials as well as processing issues, the use of scheduled wastes as alternative raw materials in our cement manufacturing process has grown from 10,000 metric tons in 2017 to about 24,000 metric tons in 2019. The business unit plans to install more facilities in the plant for co-processing in the coming years.

The decrease in overall energy consumption, Scope 1 and Scope 2 emissions intensities in 2019 (Table 4) is mainly due to the decrease in clinker production of our cement manufacturing business unit and higher quantity of blended cement produced using alternative raw materials, thus reduced clinker consumption.

We will continue to look into managing our electricity consumption more effectively in the coming year as it not only contributes significantly to the operational expenses of our building materials units but is also a major source of greenhouse gas emissions.

Table 4: HLA's Energy and Carbon Footprint, by Fuel Type and Business Unit

ENERGY CONSUMPTION (NON-RENEWABLE)

	Unit measurement	2019	2018	2017[11]
By Business Unit				
BMU	TJ	7,947	8,099	8,399
Diesel Engine	TJ	458	375	370
By Fuel Type				
Coal	TJ	7,064	6,962	6,727
Gas and Diesel Oil	TJ	720	629	586
Others	TJ	621	883	1,456
Total Energy Consumption	TJ	**8,405**	**8,474**	**8,769**
Overall Energy Intensity	TJ/S$ million	**2.07**	**2.24**	**2.39**
Scope 1 Emissions (By Business Unit)				
BMU	tCO_2	1,759,408	1,841,504	1,740,384
Diesel Engine	tCO_2	33,038	27,425	26,841
Scope 1 Total Emissions	tCO_2	**1,792,446**	**1,868,929**	**1,767,225**
Scope 1 Emissions Intensity	tCO_2/S$ million	**442**	**494**	**481**

ELECTRICITY CONSUMPTION (BY BUSINESS UNIT)

	Unit measurement	2019	2018	2017[11]
BMU	MWh	242,499	256,899	230,672
Diesel Engine	MWh	264,493	244,376	268,553
Electricity Generated from Solar Energy	*%*	*9.3*	*9.9*	*9.1*
Total Electricity Consumption	MWh	**506,992**	**501,275**	**499,225**
Overall Electricity Intensity	MWh/S$ million	**125**	**132**	**136**
Scope 2 Emissions (By Business Unit)				
BMU	tCO_2	167,691	176,737	158,581
Diesel Engine	tCO_2	184,997	169,728	188,249
Scope 2 Total Emissions	tCO_2	**352,688**	**346,465**	**346,830**
Scope 2 Emissions Intensity	tCO_2/S$ million	**87**	**92**	**94**

11 For consistency of presentation, the energy consumption and revenue data for 2017 had been restated to exclude the consumer products unit which had been deconsolidated from the Group in 2018.

Dust Emissions

Management Approach
Dust emissions is a by-product of our building materials business units as there is grinding and mixing of clinker, cement, concrete and other raw materials in the production process. The dust emitted from our operations could affect the local communities around our work sites, and hence the heads of the plants are tasked to ensure dust emission mitigation actions are efficient and effective at all times, and to work towards an internal benchmark that meets or exceeds the requirement set by the local government.

Specific to our cement manufacturing business unit in Malaysia, the unit has established multi-department collaborations to implement and review the different fuel and raw material combinations as well as dust emissions mitigating technologies to control dust emissions more effectively in compliance with the more stringent dust emissions regulations, which came into effect in 2019.

The cement plant is equipped with online real time continuous dust emission monitoring system, which is linked to the local Authority's monitoring system with emission readings transmitted at regular intervals. Any dust emissions exceeding the internal limit set by the plant will trigger an alert to the Production Department for investigation and prompt remedial action. The neighbouring communities have a direct communication channel with the plant's SHE Manager such that any inconvenience caused by our plant to the communities are addressed in a timely manner.

Performance
With the new revised mandatory regulations, which came into effect in 2019, limiting the dust emissions from 100 mg/Nm^3 to 50 mg/Nm^3, our cement manufacturing business unit completed the first phase of upgrading the dust collectors from electrostatic precipitator to a European filter technology. The existing and upgraded dust filtering systems have been performing well during the year, meeting the dust emissions below the 50 mg/Nm^3 level. In rare occasions of a spike in dust emission due to unexpected break down of certain plant processes, the operation personnel took prompt actions to rectify the issue and notified the regulators accordingly.

The cement manufacturing business unit will proceed with the second phase of upgrading in 2020 to continuously improve the dust filtering system to ensure that it is operating optimally at all times, in addition to strengthening the plant maintenance effort to reduce down time.

Other than the cement manufacturing business unit, we also placed equal emphasis across our ready-mixed concrete batching operations and precast plants, to ensure that our processes and maintenance of equipment to control dust emissions were working as required, and we will continue to do so in the coming years.

MOVING FORWARD

Since we started the sustainability reporting in 2016, we have successfully created a sustainable development culture within the Group and with our other stakeholders. We are committed to embedding sustainability considerations in all aspects of our operations across all business units. We endeavour to continuously advance in our sustainability reporting to track the sustainable growth of our businesses, and improve our processes by setting targets and achieving them.

This report is made in accordance with a resolution passed by the Board of Directors at its meeting held on 31 March 2020.

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX FOR 'IN ACCORDANCE' – CORE

GRI Standards Disclosure Number	Description	Page Reference / Reasons for Omission, if Applicable
GENERAL STANDARD DISCLOSURES		
Organizational Profile		
102-1	Name of the organization	Cover page, 44
102-2	Activities, brands, products, and services	1
102-3	Location of headquarters	19
102-4	Location of operations	1, 2, 18
102-5	Ownership and legal form	Note 1 to the Financial Statements
102-6	Markets served	1-2
102-7	Scale of the organization	1-2, 18, 52-53, Balance Sheets, Note 24 to the Financial Statements
102-8	Information on employees and other workers	52-53
102-9	Supply chain	50
102-10	Significant changes to the organization and its supply chain	45
102-11	Precautionary principle or approach	45-47, Corporate Governance Report
102-12	External initiatives	Nil
102-13	Membership of associations	The Cement & Concrete Association of Malaysia
Strategy		
102-14	Statement from senior decision-maker	44
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Cover page, Corporate Governance Report
Governance		
102-18	Governance structure	45-47
Stakeholder Engagement		
102-40	List of stakeholder groups	48
102-41	Collective bargaining agreements	52
102-42	Identifying and selecting stakeholders	46-48
102-43	Approach to stakeholder engagement	48-57
102-44	Key topics and concerns raised	48
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Notes 7, 8, 9 to the Financial Statements
102-46	Defining report content and topic boundaries	45-48
102-47	List of material topics	48
102-48	Restatements of information	54, 56
102-49	Changes in reporting	Nil
102-50	Reporting period	45
102-51	Date of most recent report	45
102-52	Reporting cycle	45
102-53	Contact point for questions regarding the report	sustainability@hla-grp.com
102-54	Claims of reporting in accordance with the GRI Standards	44-45

GRI Standards Disclosure Number	Description	Page Reference / Reasons for Omission, if Applicable
102-55	GRI content index	58-59
102-56	External assurance	We have not sought external assurance for our 2019 sustainability report
TOPIC SPECIFIC DISCLOSURES		
Business Environment, Ethics and Regulatory Compliance		
103-1	Explanation of the material topic and its boundary	48-49
103-2	The management approach and its components	48-49
103-3	Evaluation of the management approach	49
201-1	Direct economic value generated and distributed	Consolidated Income Statement, Notes to the Financial Statements
205-3	Confirmed incidents of corruption and actions taken	49
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	49
307-1	Non-compliance with environmental laws and regulations	49
419-1	Non-compliance with laws and regulations in the social and economic area	49
Understanding Our Customers' Needs		
103-1	Explanation of the material topic and its boundary	50
103-2	The management approach and its components	50
103-3	Evaluation of the management approach	50-51
Looking After Our People		
103-1	Explanation of the material topic and its boundary	51-54
103-2	The management approach and its components	51-54
103-3	Evaluation of the management approach	52-54
401-1	New employee hires and employee turnover	52-53
403-9	Work-related injuries	54
Dust Emissions, Energy & Carbon Footprint		
103-1	Explanation of the material topic and its boundary	54-57
103-2	The management approach and its components	54-57
103-3	Evaluation of the management approach	55-57
302-1	Energy consumption within the organization	55-56
302-3	Energy intensity	55-56
305-4	GHG emissions intensity	55-56

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members of Hong Leong Asia Ltd. (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In our opinion:

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 76 to 212 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

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

Directors

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

Kwek Leng Peck
Tan Eng Kwee
Ernest Colin Lee
Kwong Ka Lo @ Caroline Kwong
Ng Sey Ming
Tan Chian Khong

Directors' interests

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

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

DIRECTORS' STATEMENT

Directors' interests (cont'd)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	At end of the year
Kwek Leng Peck		
The Company		
Hong Leong Asia Ltd. *	3,826,600	3,826,600
- Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000	300,000	300,000
Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd. *	10,921	10,921
Related Corporations		
Hong Leong Finance Limited *	517,359	517,359
Hong Leong Holdings Limited *	381,428	381,428
Hong Realty (Private) Limited *	150	150
City Developments Limited *	43,758	43,758
Tan Eng Kwee		
The Company		
Hong Leong Asia Ltd. *	1,000	1,000
- Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000	–	200,000
Related Corporation		
City Developments Limited *	4,400	4,400
Ernest Colin Lee		
The Company		
Hong Leong Asia Ltd. *	80,000	80,000

* Ordinary shares

Directors' interests (cont'd)

The directors' interests in the Company as at 31 December 2019 disclosed above remained unchanged as at 21 January 2020.

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

Share options

By the Company

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

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

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

Ernest Colin Lee – Chairman
Kwek Leng Peck
Ng Sey Ming
Tan Chian Khong

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

As the HLA Share Option Scheme remains an integral part of the Company's long-term incentive scheme, the Company will be seeking shareholders' approval at its annual general meeting to be held on 18 June 2020, for a further extension of the duration for 10-year period from 30 December 2020 to 29 December 2030 (please refer to the Letter to Shareholders dated 27 May 2020 for more details on the proposed further extension of the HLA Share Option Scheme.

DIRECTORS' STATEMENT

Share options (cont'd)

By the Company (cont'd)

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

Under the HLA Share Option Scheme,

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

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

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

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

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

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

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

Share options (cont'd)

By the Company (cont'd)

(b) **Options granted under the HLA Share Option Scheme**

(i) During the financial year, the following options were granted to Group Employees under the HLA Share Option Scheme:

Date of grant	Exercise price per Share	Number of Shares under options	Exercise period
3/6/2019	$0.53	350,000	3/6/2020 to 2/6/2029

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

Name of director	Aggregate Shares under option granted since commencement of the HLA Share Option Scheme to end of financial year	Aggregate Shares under option exercised since commencement of the HLA Share Option Scheme to end of financial year	Aggregate Shares under option lapsed/ cancelled since commencement of the HLA Share Option Scheme to end of financial year	Aggregate Shares under option outstanding as at end of financial year
Kwek Leng Peck	2,150,000	1,680,000	170,000	300,000
Tan Eng Kwee	200,000	–	–	200,000
Ernest Colin Lee	150,000	150,000	–	–

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

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

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

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

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

Share options (cont'd)

By the Company (cont'd)

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

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

Market Price Options:

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

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

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

Incentive Price Options:

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

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

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

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

Share options (cont'd)

By the Company (cont'd)

(c) **Unissued Shares under option**

There were a total of 920,000 unissued Shares under option granted pursuant to the HLA Share Option Scheme at the end of the financial year. Details of the options to subscribe for Shares including those granted to the directors of the Company are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2019	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 December 2019	Number of option holders at 31 December 2019	Exercise period
5/1/2011	$3.17	380,000	–	–	–	380,000	3	5/1/2012 to 4/1/2021
28/1/2014	$1.31	190,000	–	–	–	190,000	4	28/1/2015 to 27/1/2024
3/6/2019	$0.53	–	350,000	–	–	350,000	3	3/6/2020 to 2/6/2029
Total		570,000	350,000	–	–	920,000		

DIRECTORS' STATEMENT

Share options (cont'd)

By Subsidiary

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

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

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

The CYI Equity Plan contains the following key terms:

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

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

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

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

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

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

- the par value of the Ordinary Shares;

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

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

Share options (cont'd)

<u>By Subsidiary (cont'd)</u>

(b) **Options granted under the CYI Equity Plan**

No option was granted under the CYI Equity Plan during the financial year under review. As at the end of the year, there were a total of 470,000 unissued Ordinary Shares under option granted pursuant to the CYI Equity Plan. Details of the options to subscribe for Ordinary Shares in CYI are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2019	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2019	Exercise Period
29/7/2014	US$21.11	470,000	–	–	–	470,000	29/7/2015 to 28/7/2024

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

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

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

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

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

Audit and Risk Committee

The Audit and Risk Committee ("ARC") comprises four members who are independent. The members of the ARC at the date of this statement are:

Tan Chian Khong – Chairman
Ernest Colin Lee
Kwong Ka Lo @ Caroline Kwong
Ng Sey Ming

The ARC performs the functions of an audit and risk committee under its terms of reference including those specified in the Act, the Listing Manual of Singapore Exchange Securities Trading Limited ("Listing Manual") and the Code of Corporate Governance 2018.

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

DIRECTORS' STATEMENT

Audit and Risk Committee (cont'd)

The ARC also reviewed the following:

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

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

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

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

Auditor

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

On behalf of the Board of Directors

Kwek Leng Peck
Executive Chairman

Tan Eng Kwee
Director

30 April 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Independent Auditor's Report to the Members of Hong Leong Asia Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hong Leong Asia Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Independent Auditor's Report to the Members of Hong Leong Asia Ltd.

Key Audit Matters (cont'd)

Impairment of property, plant and equipment

As at 31 December 2019, the carrying amount of the Group's property, plant and equipment is $951.8 million. Given the magnitude of the amount and the significant management judgements involved in the impairment assessment, we have identified this as a key audit matter.

We carried out procedures to understand management's process for identifying impairment triggers, and considered management's impairment assessment of property, plant and equipment. For those with impairment indicators, our audit procedures included, amongst others, assessing the appropriateness of the recoverable amount determined by management and the valuation method used.

For recoverable amounts determined based on fair value less cost to sell, we involved our internal valuation specialists to assist us in evaluating the appropriateness of the valuation methodology, which also included an assessment on the fair value based on the market comparable approach. We tested the reasonableness of certain key assumptions used in the valuation such as market rental rate, vacancy rate and discount rates.

For recoverable amounts determined based on value-in-use calculations, we evaluated the reasonableness of the key assumptions used by management in the underlying cash flow forecasts, which include the discount rate, long-term growth rates, budgeted revenue and expected margins by comparing against historical performance and macroeconomic information. We also involved our internal valuation specialists to assist us in reviewing the reasonableness of the discount rates used.

We further assessed the adequacy of the disclosures on the key assumptions and their sensitivity analysis in Note 38 Significant accounting judgements and estimates and Note 6 Impairment assessment of intangible assets and property, plant and equipment to the financial statements.

Allowance for inventory obsolescence

As at 31 December 2019, the carrying amount of inventories amounted to $594.2 million, net of allowance for inventory obsolescence of $28.1 million.

The assessment process in determining allowance for inventory obsolescence involved significant estimation of the net realisable value of the inventory as this is dependent on expected future market and economic conditions. Accordingly, we have identified this as a key audit matter.

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

We also assessed the adequacy of the Group's disclosures concerning this in Note 38 Significant accounting judgements and estimates and Note 14 Inventories to the financial statements.

Independent Auditor's Report to the Members of Hong Leong Asia Ltd.

Key Audit Matters (cont'd)

Impairment of investment in subsidiaries

As at 31 December 2019, the carrying amount of investment in subsidiaries amounted to $212.4 million, representing 41.2% of the total assets of the Company.

Management has considered that the continued losses suffered by certain subsidiaries, in particular those in the air-conditioning systems segment, provide indication that the investments in such subsidiaries may not be recoverable. Management has undertaken an impairment assessment and estimated the recoverable amount of the investments in subsidiaries based on fair value less cost to sell. Based on the estimated recoverable amount, impairment loss of $8.1 million was recorded during the year. Given the magnitude of the amount and the significant management judgements involved in the impairment assessment, we have identified this as a key audit matter.

Our audit procedures included, amongst others, reviewing management's assessment of the valuation of major non-movable assets of the relevant subsidiary. We involved our internal valuation specialists to assist us in evaluating the appropriateness of the valuation methodology, which also included an assessment on the fair value based on the market comparable approach. We tested the reasonableness of certain key assumptions used in the valuation such as market rental rate, vacancy rate and discount rates.

Further, we considered the adequacy of the disclosures in respect of the impairment assessment of investments in subsidiaries in Note 38 Significant accounting judgements and estimates and Note 7 Investment in subsidiaries to the financial statements.

Capitalisation of development costs

As at 31 December 2019, the carrying amount of the Group's intangible assets amounted to $145.6 million, of which $108.6 million pertained to development costs that were capitalised by the diesel engines segment. There was significant management judgement involved in determining whether the development costs met the recognition criteria for capitalisation. This included assessing the technical feasibility, intention and ability to complete the development project and the ability to measure the costs reliably.

Our audit procedures included, amongst others, obtaining an understanding from management on the recognition criteria and basis for capitalisation. We tested the key assumptions made by management in the capitalisation assessment by checking that the engine prototypes developed to date have met the national emissions standards and authorisation of the stage of the project by appropriate personnel. We enquired and discussed with the engineers in the research and development department to obtain an understanding on the status and technical aspects of the project. For costs capitalised, on a sampling basis, we checked to underlying documents.

We also assessed the adequacy of the Group's disclosures concerning this in Note 38 Significant accounting judgements and estimates and Note 5 Intangible assets to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Independent Auditor's Report to the Members of Hong Leong Asia Ltd.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Independent Auditor's Report to the Members of Hong Leong Asia Ltd.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 April 2020

BALANCE SHEETS

As at 31 December 2019

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	3	951,772	893,959	112	93
Land use rights	4	–	105,405	–	–
Intangible assets	5	145,609	43,942	72	109
Investment in subsidiaries	7	–	–	212,367	201,935
Interests in associates	8	43,688	45,380	14,605	13,726
Interests in joint ventures	9	67,972	59,509	–	–
Investment property	10	1,265	1,344	–	–
Other investments	11	16,198	2,914	–	–
Non-current receivables	12	5,811	4,897	10,000	20,000
Capitalised contract costs	24	26,350	8,825	–	–
Right-of-use assets	21	127,944	–	56	–
Deferred tax assets	13	82,029	72,934	–	–
Long-term deposits	17	9,655	13,902	–	–
		1,478,293	1,253,011	237,212	235,863
Current assets					
Inventories	14	594,208	562,729	–	–
Development properties	15	3,422	4,025	–	–
Other investments	11	1,785	4,353	–	–
Trade and other receivables	16	1,718,514	1,684,345	269,712	245,506
Cash and short-term deposits	17	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

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

BALANCE SHEETS

As at 31 December 2019

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Current liabilities					
Trade and other payables	22	1,738,047	1,479,583	3,035	9,160
Contract liabilities	24	74,594	56,956	–	–
Lease liabilities	21	11,309	–	41	–
Provisions	23	45,168	38,556	–	–
Loans and borrowings	20	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	20	113,789	230,308	100,000	226,900
Deferred tax liabilities	13	35,068	34,741	2,631	2,333
Deferred grants		126,823	116,285	–	–
Other non-current payables	22	34,044	31,794	–	–
Contract liabilities	24	10,391	10,666	–	–
Lease liabilities	21	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	18	467,890	467,890	467,890	467,890
Reserves	19	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

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Continuing operations			
Revenue	24	4,104,089	3,785,641
Cost of sales		(3,388,191)	(3,085,031)
Gross profit		715,898	700,610
Other item of income			
Other income		71,509	48,774
Other items of expense			
Selling and distribution expenses		(296,492)	(247,115)
Research and development expenses		(98,589)	(92,734)
General and administrative expenses		(173,956)	(174,298)
Finance costs	26	(39,021)	(37,030)
Other expenses		(1,756)	(2,894)
Share of profit of associates and joint ventures, net of income tax		4,966	3,462
Profit before income tax from continuing operations	25	182,559	198,775
Income tax expense	28	(36,789)	(38,949)
Profit from continuing operations, net of tax		145,770	159,826
Discontinued operation			
Loss from discontinued operation, net of tax	7(e)	–	(33,162)
Profit for the year		145,770	126,664
Attributable to:			
Owners of the Company			
- Profit from continuing operations, net of tax		34,443	24,759
- Loss from discontinued operation, net of tax		–	(30,776)
		34,443	(6,017)
Non-controlling interests			
- Profit from continuing operations, net of tax		111,327	135,067
- Loss from discontinued operation, net of tax		–	(2,386)
		111,327	132,681
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
- Basic	29	4.61	5.63
- Diluted	29	4.61	5.63
Earnings/(loss) per share (cents per share)			
- Basic	29	4.61	(1.37)
- Diluted	29	4.61	(1.37)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Group	
	2019	**2018**
	$'000	$'000
Profit for the year	145,770	126,664
Other comprehensive income		
Item 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)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	(58,069)	(62,014)
Net fair value changes of debt instruments at fair value through other comprehensive income	602	6,646
Realisation of reserves upon de-consolidation of subsidiaries	–	(10,250)
Exchange differences on monetary items forming part of net investment in foreign entities	–	1,303
Other comprehensive income for the year, net of income tax	(50,984)	(67,718)
Total comprehensive income for the year	94,786	58,946
Attributable to:		
Owners of the Company	26,211	(77,439)
Non-controlling interests	68,575	136,385
Total comprehensive income for the year	94,786	58,946
Attributable to:		
Owners of the Company		
- Total comprehensive income from continuing operations, net of tax	26,211	4,503
- Total comprehensive income from discontinued operation, net of tax	–	(81,942)
	26,211	(77,439)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group	Note	Share capital	Capital reserve	Statutory reserve	Fair value reserve
		$'000	$'000	$'000	$'000
At 1 January 2019		467,890	4,351	15,425	2,192
Profit for the year		–	–	–	–
Other comprehensive income					
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–
Net fair value changes of equity instruments at FVOCI		–	–	–	5,994
Net fair value changes of debt instruments at FVOCI		–	–	–	192
Other comprehensive income for the year, net of tax		–	–	–	6,186
Total comprehensive income for the year		–	–	–	6,186
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–
Cost of share-based compensation		–	–	–	–
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interests		–	–	–	–
Others					
Transfer to statutory reserve		–	–	376	–
At 31 December 2019		467,890	4,351	15,801	8,378

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Share option reserve	Translation reserve	Surplus/ (deficit) on changes of non-controlling interests	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952
–	–	–	34,443	34,443	111,327	145,770
–	(14,418)	–	–	(14,418)	(43,651)	(58,069)
–	–	–	–	5,994	489	6,483
–	–	–	–	192	410	602
–	(14,418)	–	–	(8,232)	(42,752)	(50,984)
–	(14,418)	–	34,443	26,211	68,575	94,786
–	–	–	–	–	(68,427)	(68,427)
24	–	–	–	24	–	24
–	–	(8,263)	–	(8,263)	(23,908)	(32,171)
–	–	–	(376)	–	–	–
5,267	(40,812)	43,035	260,914	764,824	1,488,340	2,253,164

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group	Note	Share capital	Capital reserve	Statutory reserve	Fair value reserve
		$'000	$'000	$'000	$'000
At 1 January 2018 (FRS framework)		266,830	4,391	33,753	45,859
Cumulative effects of adopting SFRS(I)		–	–	–	(8,601)
At 1 January 2018 (SFRS(I) framework)		266,830	4,391	33,753	37,258
(Loss)/profit for the year		–	–	–	–
Other comprehensive income					
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		–	–	–	–
Net fair value changes of equity instruments at FVOCI		–	–	–	(2,654)
Net fair value changes of debt instruments at FVOCI		–	–	–	1,902
Exchange differences on monetary items forming part of net investment in foreign entities		–	–	–	–
Realisation of reserves upon de-consolidation of subsidiaries		–	(40)	(18,608)	(34,314)
Other comprehensive income for the year, net of tax		–	(40)	(18,608)	(35,066)
Total comprehensive income for the year		–	(40)	(18,608)	(35,066)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued during the year	18	201,911	–	–	–
Share issuance expenses	18	(851)	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interests		–	–	–	–
Others					
Transfer to statutory reserve		–	–	280	–
At 31 December 2018		467,890	4,351	15,425	2,192

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Share option reserve	Translation reserve	Surplus/ (deficit) on changes of non-controlling interests	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
$'000	$'000	$'000	$'000	$'000	$'000	$'000
5,243	(60,354)	35,397	286,025	617,144	1,529,645	2,146,789
–	51,668	–	(52,881)	(9,814)	(21,856)	(31,670)
5,243	(8,686)	35,397	233,144	607,330	1,507,789	2,115,119
–	–	–	(6,017)	(6,017)	132,681	126,664
–	(23,058)	–	–	(23,058)	(38,956)	(62,014)
–	–	–	–	(2,654)	(749)	(3,403)
–	–	–	–	1,902	4,744	6,646
–	1,303	–	–	1,303	–	1,303
–	4,047	–	–	(48,915)	38,665	(10,250)
–	(17,708)	–	–	(71,422)	3,704	(67,718)
–	(17,708)	–	(6,017)	(77,439)	136,385	58,946
–	–	–	–	201,911	–	201,911
–	–	–	–	(851)	–	(851)
–	–	–	–	–	(102,871)	(102,871)
–	–	15,901	–	15,901	(29,203)	(13,302)
–	–	–	(280)	–	–	–
5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Company	Note	Share capital $'000	Capital reserve $'000	Share option reserve $'000	Accumulated (losses)/ profits $'000	Total equity $'000
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
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 during the year	18	201,911	–	–	–	201,911
Share issuance expenses	18	(851)	–	–	–	(851)
At 31 December 2018		467,890	9,199	2,467	(273,718)	205,838

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 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 profit 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 inventory obsolescence, net		8,391	(195)
Impairment losses recognised/(written back) for trade and other receivables		7,418	(1,793)
Impairment losses on property, plant and equipment and intangible assets		3,341	10,046
Impairment losses recognised for development properties		600	–
Property, plant and equipment written off	25	877	268
Finance costs		39,021	39,965
Dividend income from other investments	25	(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	25	(221)	700
Fair value loss/(gain) on derivatives	25	1,138	(922)
Provisions 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	23	(74,190)	(52,216)
Cash flows from operations		487,288	125,749
Income taxes paid		(45,933)	(40,271)
Net cash flows generated from operating activities		441,355	85,478

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Investing activities			
Additional investment in joint ventures		(8,126)	(15,267)
Dividends received from:			
- associates and joint ventures		3,180	2,885
- other investments	25	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 from de-consolidation/disposal of:			
- subsidiaries, net of cash de-consolidated/disposed	7(e)	–	(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 in subsidiaries		(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
Repayments 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 the beginning of the financial year	17	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 the end of the financial year	17	1,204,236	1,224,105

Note:

Cash and cash equivalents totalling $1,056,048,000 (2018: $1,039,086,000) are held in countries which have foreign exchange controls.

The cash flow effect of acquisitions and disposals of subsidiaries in 2018 are shown in Note 7.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information

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

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

The principal activities of the subsidiaries are those relating to the manufacturing and distribution of diesel engines and related products, building materials, rigid plastic packaging products, air-conditioning systems, consumer products (discontinued operation – See Note 7(e)), and of investment holding and dealing.

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases,* SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease,* SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies (cont'd)

<u>SFRS(I) 16 *Leases (cont'd)*</u>

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption of SFRS(I) 16 on the Group as at 1 January 2019 is as follows:

	Group		
	31 December 2018	**SFRS(I) 16 adjustments**	**1 January 2019**
	$'000	$'000	$'000
Non-current assets			
Property, plant and equipment	893,959	(5,126)	888,833
Land use rights	105,405	(105,405)	–
Right-of-use assets	–	138,874	138,874
Other non-current assets	253,647	–	253,647
	1,253,011	28,343	1,281,354
Current assets			
Trade and other receivables	1,684,345	(351)	1,683,994
Other current assets	1,880,082	–	1,880,082
	3,564,427	(351)	3,564,076
Total assets	4,817,438	27,992	4,845,430
Current liabilities			
Trade and other payables	1,479,583	(3,793)	1,475,790
Lease liabilities	–	14,113	14,113
Loans and borrowings	544,657	(906)	543,751
Other current liabilities	110,450	–	110,450
	2,134,690	9,414	2,144,104

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

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 *Leases (cont'd)*

	Group		
	31 December 2018	**SFRS(I) 16 adjustments**	**1 January 2019**
	$'000	$'000	$'000
Non-current liabilities			
Loans and borrowings	230,308	(408)	229,900
Lease liabilities	–	18,986	18,986
Other non-current liabilities	193,488	–	193,488
	423,796	18,578	442,374
Total liabilities	2,558,486	27,992	2,586,478
Equity attributable to owners of the Company			
Share capital	467,890	–	467,890
Accumulated profits	226,847	–	226,847
Other reserves	52,115	–	52,115
	746,852	–	746,852
Non-controlling interests	1,512,100	–	1,512,100
Total equity	2,258,952	–	2,258,952
Total equity and liabilities	4,817,438	27,992	4,845,430

The Group has lease contracts for various items of property, plant and equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.25 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.25 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 *Leases (cont'd)*

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of $138,874,000 were recognised and presented separately in the balance sheet. This included previous land use rights of $105,405,000 and leasehold land of $5,126,000 that were reclassified to right-of-use assets.
- Additional lease liabilities of $33,099,000 were recognised. This included previous finance lease liabilities of $1,314,000 that were reclassified from loans and borrowings.
- Prepaid expenses of $351,000 and trade and other payables of $3,793,000 related to previous operating leases were derecognised.

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

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 *Leases (cont'd)*

The lease liabilities of the Group as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	Group
	$'000
Operating lease commitments as at 31 December 2018	34,603
Less:	
Commitments relating to short-term leases	(471)
Commitments relating to leases of low-value assets	(9)
Commitments that does not contain leases	(1,210)
Lease consideration revisions	(2,756)
	30,157
Weighted average incremental borrowing rate as at 1 January 2019	3.9%
Discounted operating lease commitments as at 1 January 2019	28,343
Less:	
Prepayment adjusted to lease liabilities	(351)
Add:	
Commitments relating to leases previously classified as finance lease	1,314
Accrual adjusted to lease liabilities	3,793
Lease liabilities as at 1 January 2019	33,099

The effect of adoption of SFRS(I) 16 on the Company as at 1 January 2019 is as follows:

	Company		
	31 December 2018	**SFRS(I) 16 adjustments**	**1 January 2019**
	$'000	$'000	$'000
Non-current assets			
Right-of-use assets	–	101	101
Other non-current assets	235,863	–	235,863
	235,863	101	235,964
Current assets	274,781	–	274,781
Total assets	510,644	101	510,745

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 *Leases (cont'd)*

	Company		
	31 December 2018	**SFRS(I) 16 adjustments**	**1 January 2019**
	$'000	$'000	$'000
Current liabilities			
Lease liabilities	–	44	44
Other current liabilities	75,573	–	75,573
	75,573	44	75,617
Non-current liabilities			
Lease liabilities	–	57	57
Deferred tax liabilities	2,333	–	2,333
Other non-current liabilities	226,900	–	226,900
	229,233	57	229,290
Total liabilities	304,806	101	304,907
Equity attributable to owners of the Company			
Share capital	467,890	–	467,890
Accumulated losses	(273,718)	–	(273,718)
Other reserves	11,666	–	11,666
Total equity	205,838	–	205,838
Total equity and liabilities	510,644	101	510,745

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

2.2 Changes in accounting policies (cont'd)

<u>SFRS(I) 16 *Leases (cont'd)*</u>

Based on the above, as at 1 January 2019:

- Right-of-use assets of $101,000 were recognised and presented separately in the balance sheet.
- Additional lease liabilities of $101,000 were recognised.

The lease liabilities of the Company as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	Company
	$'000
Operating lease commitments as at 31 December 2018	1,319
Less:	
Commitments relating to leases of low-value assets	(3)
Commitments that does not contain leases	(1,210)
	106
Weighted average incremental borrowing rate as at 1 January 2019	3.0%
Discounted operating lease commitments as at 1 January 2019	101
Lease liabilities as at 1 January 2019	101

2.3 Standards issued but not yet effective

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

Description	***Effective for annual periods beginning on or after***
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.4 Basis of consolidation and business combinations

(a) ***Basis of consolidation***

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

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

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

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

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

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

(b) ***Business combinations***

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

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

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

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

(b) ***Business combinations (cont'd)***

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

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

2.7 Joint arrangements

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

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

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

Joint ventures

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

The Group has not entered into any joint operation arrangement.

2.8 Associates and joint ventures

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

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

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

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

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

2.8 Associates and joint ventures (cont'd)

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2.9 Foreign currency

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

(a) ***Transactions and balances***

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.9 Foreign currency (cont'd)

(b) ***Consolidated financial statements***

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

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

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

2.10 Property, plant and equipment

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

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

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.10 Property, plant and equipment (cont'd)

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

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

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

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

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

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

2.11 Investment property

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

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

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

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

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

2.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to income statement over the expected useful life of the relevant asset by equal annual instalments. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Deferred grants

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

2.13 Intangible assets

(a) ***Goodwill***

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.13 Intangible assets (cont'd)

(b) ***Other intangible assets***

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

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

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

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

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

(i) Trademarks

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.13 Intangible assets (cont'd)

(b) ***Other intangible assets (cont'd)***

(ii) Research and development costs

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

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs is amortised over the estimated useful lives of the period of expected pattern of future economic benefits embodied in the development. The amortisation expense is recognised in profit or loss. During the period of development, the asset is tested for impairment annually.

(iii) Technology know-how

Technology know-how is amortised on a straight line basis over its finite useful life of 10 years.

(iv) Club membership

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

(v) Computer softwares

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

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

2.14 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only, when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.14 Financial instruments (cont'd)

(a) ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

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

2.14 Financial instruments (cont'd)

(b) ***Financial liabilities (cont'd)***

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

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

(ii) Financial liabilities at amortised cost

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

Derecognition

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

(c) ***Offsetting of financial instruments***

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

2.15 Share capital and share issuance expenses

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.16 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.19 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.17 Inventories

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

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

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

2.18 Development properties

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

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

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred. Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties.

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

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

2.19 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and capitalised contract costs, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For bill receivables at fair value through OCI, the Group assesses the credit risk of the financial institution, which issue the bills, at every reporting date. The Group evaluates whether the bills are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Group considers a financial asset in default when contractual payments are more than 360 days from the invoice date. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.20 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.21 Employee benefits

(a) ***Defined contribution plans***

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

(b) ***Short-term benefits***

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

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

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

2.21 Employee benefits (cont'd)

(c) ***Share-based payments***

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

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

2.22 Provisions

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

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

(a) ***Claims***

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

(b) ***Restoration costs***

A provision is recognised for restoration costs associated with the obligations to restore the lands at the end of the tenancy period.

(c) ***Warranties***

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

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

(d) ***Onerous contracts***

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

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

2.23 Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point of time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Sale of engines***

Revenue from sale of engines is recognised when the engines are delivered to the customer and all criteria for acceptance have been satisfied.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties).

- Service-type warranty

  The Group provides certain warranties for both repairs and maintenance service as part of the sales of engines. For general repairs, such warranties will be assurance-type warranties which will continue to be accounted for under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. Warranty for maintenance service is a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specifications. Under SFRS(I) 15, the Group accounts for service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the consideration allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue upon the service rendered.

- Variable consideration

  The Group provides certain customers with rebates based on the quantity of products sold during the period. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for each individual contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a liability in "Trade and other payables" for the expected future rebates to be utilised by the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.23 Revenue from contracts with customers (cont'd)

(b) ***Sale of cement and related products***

Revenue from sale of cement and related products is recognised at the point in time when control of the goods is transferred to the customer. Sale of cement and related products are generally on 30 to 90 days terms.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of cement and related products, the Group considers the effects of variable consideration.

- Variable consideration

  If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which they will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of cement and related products provide customers with prompt payment rebates and volume rebates. The prompt payment rebates and volume rebates give rise to variable consideration.

- Early payment rebates

  The Group provides prompt payment rebates to customers who settle the payments within certain period of time specified in the contract.

- Volume rebates

  The Group provide retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract.

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

2.23 Revenue from contracts with customers (cont'd)

(c) ***Sale of rigid plastic packaging products and air-conditioning systems***

Revenue from sale of rigid plastic packaging products and air-conditioning systems is recognised at the point in time when control of the goods is transferred to the customer.

(d) ***Rendering of services***

Revenue from rendering services relates to project management contracts, and hotel room and restaurant operations. Revenue is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(e) ***Development properties for sale***

Revenue is recognised when control over property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and practices in the legal jurisdiction.

(f) ***Rental income***

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

(g) ***Dividend income***

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

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

(h) ***Interest income***

Interest income is recognised using the effective interest method.

<u>Contract balances</u>

Capitalised contract costs

The capitalised contract costs are costs which have been capitalised and are directly related to a contract, for which resources were used in satisfying the contract and are expected to be recovered.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Refer to Note 2.14 for details.

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

2.23 Revenue from contracts with customers (cont'd)

Contract balances (cont'd)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.24 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 15 to 50 years.

2.25 Leases

Policy applicable from 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) ***As lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.25 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(a) ***As lessee (cont'd)***

<u>Right-of-use assets (cont'd)</u>

Leasehold land and land use rights	1 to 64 years
Building and office space	1 to 6 years
Plant and machinery	2 to 3 years
Office furniture, fittings and equipment	2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to accounting policies in Note 2.20.

<u>Lease liabilities</u>

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.25 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the income statement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Policy applicable before 1 January 2019

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

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

(a) ***As lessee***

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

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

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

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

2.25 Leases (cont'd)

Policy applicable before 1 January 2019 (cont'd)

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.23 (f). Contingent rents are recognised as revenue in the period in which they are earned.

2.26 Borrowing costs

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

2.27 Taxes

(a) ***Current income tax***

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

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

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

2.27 Taxes (cont'd)

(b) ***Deferred tax***

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.27 Taxes (cont'd)

(b) ***Deferred tax (cont'd)***

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

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

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

(c) ***Sales tax***

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

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

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

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

2.28 Cash and cash equivalents

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

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

2.29 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.30 Earnings per share

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

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Property, plant and equipment

Group	Freehold land	Buildings and leasehold land
	$'000	$'000
Cost		
At 1 January 2018	58,974	636,175
Translation differences	(4)	(13,000)
Additions	–	742
Transfers	–	4,603
Disposals	–	(448)
Write-off	–	(48)
De-consolidation of subsidiaries (Note 7(e))	–	(125,392)
At 31 December 2018	58,970	502,632
Adjustments on initial application of SFRS(I) 16	–	(7,553)
At 1 January 2019	58,970	495,079
Translation differences	(23)	(13,662)
Additions	–	3,026
Transfers	–	9,261
Disposals	–	(150)
Write-off	–	(5,510)
At 31 December 2019	58,947	488,044

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

Leasehold improvements	Plant and machinery	Office furniture, fittings and equipment	Motor and transport vehicles	Construction-in-progress	Total
$'000	$'000	$'000	$'000	$'000	$'000
1,846	1,030,668	61,142	43,728	68,756	1,901,289
–	(25,156)	(150)	(574)	(2,131)	(41,015)
70	4,465	4,595	2,274	86,089	98,235
–	38,379	556	5	(43,543)	–
–	(3,257)	(1,013)	(1,047)	(460)	(6,225)
–	(11,992)	(742)	(1,102)	(2,479)	(16,363)
–	(155,246)	(27,894)	(9,932)	(572)	(319,036)
1,916	877,861	36,494	33,352	105,660	1,616,885
–	(121)	(13)	–	–	(7,687)
1,916	877,740	36,481	33,352	105,660	1,609,198
–	(20,737)	(187)	(266)	(5,056)	(39,931)
2	1,427	2,243	1,985	188,545	197,228
–	69,242	3,011	272	(81,786)	–
–	(5,989)	(427)	(2,592)	–	(9,158)
(1)	(46,057)	(2,129)	(536)	–	(54,233)
1,917	875,626	38,992	32,215	207,363	1,703,104

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Group	Freehold land	Buildings and leasehold land
	$'000	$'000
Accumulated depreciation and impairment losses		
At 1 January 2018	1,555	222,424
Translation differences	–	(3,933)
Charge for the year	–	19,912
Impairment losses made	–	–
Disposals	–	(205)
Write-off	–	(47)
De-consolidation of subsidiaries (Note 7(e))	–	(81,263)
At 31 December 2018	1,555	156,888
Adjustments on initial application of SFRS(I) 16	–	(2,490)
At 1 January 2019	1,555	154,398
Translation differences	–	(5,031)
Charge for the year	–	23,731
Impairment losses made	–	–
Disposals	–	(56)
Write-off	–	(5,010)
At 31 December 2019	1,555	168,032
Net book value		
At 31 December 2018	57,415	345,744
At 31 December 2019	57,392	320,012

* An amount of $4,261,000 (2018: $3,131,000) and $1,733,000 (2018: $1,080,000) were capitalised as intangible assets and capitalised contract costs respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

Leasehold improvements	Plant and machinery	Office furniture, fittings and equipment	Motor and transport vehicles	Construction-in-progress	Total
$'000	$'000	$'000	$'000	$'000	$'000
1,546	580,865	50,183	35,996	3,056	895,625
–	(15,132)	(124)	(92)	(37)	(19,318)
144	83,794	5,045	2,986	–	111,881*
–	6,142	33	–	1,303	7,478
–	(3,039)	(826)	(970)	–	(5,040)
–	(11,668)	(785)	(1,030)	(2,479)	(16,009)
–	(135,820)	(25,097)	(8,939)	(572)	(251,691)
1,690	505,142	28,429	27,951	1,271	722,926
–	(66)	(5)	–	–	(2,561)
1,690	505,076	28,424	27,951	1,271	720,365
(1)	(11,613)	(215)	(14)	(37)	(16,911)
90	72,506	6,420	3,473	–	106,220*
–	2,356	456	10	115	2,937
–	(5,040)	(380)	(2,447)	–	(7,923)
–	(45,754)	(2,041)	(551)	–	(53,356)
1,779	517,531	32,664	28,422	1,349	751,332
226	372,719	8,065	5,401	104,389	893,959
138	358,095	6,328	3,793	206,014	951,772

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Company	Leasehold improvements	Office furniture, fittings and equipment	Total
	$'000	$'000	$'000
Cost			
At 1 January 2018	594	1,115	1,709
Additions	65	5	70
Disposals	–	(2)	(2)
At 31 December 2018 and 1 January 2019	659	1,118	1,777
Additions	2	58	60
At 31 December 2019	661	1,176	1,837
Accumulated depreciation			
At 1 January 2018	573	1,058	1,631
Charge for the year	21	34	55
Disposals	–	(2)	(2)
At 31 December 2018 and 1 January 2019	594	1,090	1,684
Charge for the year	23	18	41
At 31 December 2019	617	1,108	1,725
Net book value			
At 31 December 2018	65	28	93
At 31 December 2019	44	68	112

Assets held under finance leases

The carrying amount of plant and equipment held under finance leases as at 31 December 2018 was $7,000. Upon the adoption of SFRS(I) 16 on 1 January 2019, the Group has reclassified the carrying amount of this asset to right-of-use assets (Note 21).

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

Assets pledged as security

As at 31 December 2019, there was no fixed asset pledged to secure the Group's loans and borrowings (2018: $7,000).

4. Land use rights

	Group
	$'000
Cost	
At 1 January 2018	169,272
Translation differences	(3,258)
De-consolidation of subsidiaries (Note 7(e))	(24,818)
At 31 December 2018	141,196
Adjustments on initial application of SFRS(I) 16	(141,196)
At 1 January 2019 and 31 December 2019	–
Accumulated amortisation	
At 1 January 2018	40,390
Amortisation for the year	3,067
Translation differences	(954)
De-consolidation of subsidiaries (Note 7(e))	(6,712)
At 31 December 2018	35,791
Adjustments on initial application of SFRS(I) 16	(35,791)
At 1 January 2019 and 31 December 2019	–
Net carrying value	
At 31 December 2018	105,405
At 31 December 2019	–

	2018
	$'000
Amount to be amortised:	
- Not later than one year	2,814
- Later than one year but not later than five years	11,219
- Later than five years	91,372
	105,405

As at 31 December 2018, the Group has land use rights over 45 plots of land in the PRC, Singapore and Malaysia where the Group's manufacturing and storage facilities reside. The transferable land use rights have a remaining tenure of 22 to 46 years and the non-transferable land use rights have a remaining tenure of 7 to 13 years.

No land use rights have been mortgaged to any financial institution as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Intangible assets

Group	Patents and development expenditure, technology know-how and computer software with finite useful lives	Trade-marks with indefinite useful lives	Trade-marks with finite useful lives	Club Membership	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2018	46,368	63,208	7,403	313	11,569	128,861
Additions	40,313	–	–	–	–	40,313
Write-off	(14)	–	–	–	–	(14)
Translation differences	(1,827)	40	(206)	–	–	(1,993)
De-consolidation of subsidiaries (Note 7(e))	(2,139)	(59,584)	–	–	–	(61,723)
At 31 December 2018 and 1 January 2019	82,701	3,664	7,197	313	11,569	105,444
Additions	72,860	33,525	–	–	–	106,385
Write-off	(48)	–	–	–	–	(48)
Translation differences	(3,433)	(759)	(183)	–	–	(4,375)
At 31 December 2019	152,080	36,430	7,014	313	11,569	207,406
Accumulated amortisation and impairment losses						
At 1 January 2018	42,441	18,615	5,084	192	10,236	76,568
Amortisation charge for the year	987	–	172	30	–	1,189
Write-off	(13)	–	–	–	–	(13)
Impairment losses	–	784	1,784	–	–	2,568
Translation differences	(752)	38	(184)	–	–	(898)
De-consolidation of subsidiaries (Note 7(e))	(2,139)	(15,773)	–	–	–	(17,912)
At 31 December 2018 and 1 January 2019	40,524	3,664	6,856	222	10,236	61,502
Amortisation charge for the year	860	–	28	30	–	918
Write-off	(48)	–	–	–	–	(48)
Impairment losses	38	–	312	–	54	404
Translation differences	(772)	(25)	(182)	–	–	(979)
At 31 December 2019	40,602	3,639	7,014	252	10,290	61,797
Net carrying amount						
At 31 December 2018	42,177	–	341	91	1,333	43,942
At 31 December 2019	111,478	32,791	–	61	1,279	145,609

5. Intangible assets (cont'd)

Patents and development expenditure

Patents and development expenditure relate to costs incurred for the following:
- exploration and evaluation expenditure of quarries.
- removal of waste to enable access to the mineral ore.
- design, construction and testing of new diesel engines.

The patents and development expenditure have remaining amortisation period of 1 to 5 years (2018: 1 to 6 years). Development expenditure amounting to $108,596,000 (2018: $38,902,000) was not amortised as the development has not been completed and is not available for use.

Technology know-how

Technology know-how relates to an intellectual property right of a technology for building of new heavy duty diesel engines and has remaining amortisation period of 10 years.

Trademarks

Trademarks belonging to the Group's diesel engines segment, consumer product segment (discontinued operation – see Note 7(e)) and lifestyle appliances unit are estimated to have an indefinite useful life because management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group. Trademark acquired in respect of the Group's air-conditioning systems segment are estimated to have remaining useful life of 13 years (2018: 14 years).

Amortisation expense

The amortisation of trademark with finite useful lives and club membership are included in the "Selling and distribution expenses" and "General and administrative expenses" line items in the income statement respectively. The amortisation of patents and development expenditure and computer software is included mainly in the "Cost of sales" and "General and administrative expenses" line items in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Intangible assets (cont'd)

Company	Computer software and related costs	Club Membership	Total
	$'000	$'000	$'000
Cost			
At 1 January 2018	1,495	313	1,808
Additions	7	–	7
At 31 December 2018, 1 January 2019 and 31 December 2019	1,502	313	1,815
Accumulated amortisation and impairment losses			
At 1 January 2018	1,478	192	1,670
Amortisation charge for the year	6	30	36
At 31 December 2018 and 1 January 2019	1,484	222	1,706
Amortisation charge for the year	7	30	37
At 31 December 2019	1,491	252	1,743
Net carrying amount			
At 31 December 2018	18	91	109
At 31 December 2019	11	61	72

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

Diesel engines segment

Technology know-how

The Group has an intangible asset representing technology development costs held by Jining Yuchai Engine Company Limited ("Jining Yuchai").

In 2018, the development of the engine platform was completed and the related technology development costs with carrying amount of $2,010,000 as at 31 December 2018 were recognised as technology know-how. As at 31 December 2019, the carrying amount was $1,759,000 (net of accumulated impairment losses, accumulated amortisation and exchange difference).

In late 2018, the Group had commenced production of the engines in view of the market demand. Management believed that there was no indicator for further impairment as at 31 December 2018.

In 2019, the production volume had been gradually ramped up to meet market demand. As such, management believed that there was no indicator for further impairment as at 31 December 2019. Given that this model of engines is in the process of penetrating the market, management is currently assessing the future demand and concluded that no reversal of impairment was necessary in 2019.

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

Diesel engines segment (cont'd)

<u>Development expenditure</u>

During 2019, the Group capitalised technology development costs of $70,811,000 (2018: $38,902,000) (net of exchange difference) for new engines that comply with National VI and Tier 4 emission standards.

Annually, the Group performs an impairment test on the development costs that have not yet been brought into use. No impairment was identified in 2018 and 2019.

The recoverable amount was determined based on its value in use using the discounted cash flow approach. Cash flows were projected based on historical growth, past experience and management best estimation of future business outlook.

In 2018, the Group used an 11-year forecast which was based on the financial budgets approved by the management covering the 8-year period from 2019 to 2026, and a further 3-year forecast with no terminal value.

In 2019, the Group used a 10-year forecast which was based on the financial budgets approved by the management covering the 6-year period from 2020 to 2025, and a further 4-year forecast with no terminal value. Management has assessed the useful life of the development costs to be 10 years commencing after 2020, the year which National VI and Tier 4 emission standards are expected to be implemented.

The assumptions used in the assessment for the development costs in 2019 were:

- Profit from operation was based on management's estimate with reference to historical revenue generated, growth rate and estimation of future business outlook. The revenue was estimated to grow significantly from 2020 to 2022 due to enforcement of implementation of new emission standard. From 2023 to 2025, the growth was estimated to slow down and is expected to be in the range of 10% to 15%. It is expected to remain constant with a growth rate of 0% from 2026 to 2029 after the expected commercial deployment of technology (2018: The revenue growth rate was estimated to be 5% year on year).
- Discount rate of 13.3% (2018: 14.0%) which reflects management's estimate of the risks specific to the cash-generating unit ("CGU") and was estimated based on weighted average cost of capital.

A decrease in demand can lead to a decline in profit from operation. If the demand decreases by 4.5% (2018: 3.3%) from management's estimate, it would result in impairment of the development costs. If the pre-tax discount rate increases by 0.8% (2018: 12.3%) from management's estimate, it would result in impairment of the development costs.

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to materially fall below the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Diesel engines segment (cont'd)

Trademark

In 2019, the Group entered into a trademark licence agreement under which the Group was granted an exclusive and perpetual use of the trademarks listed in the trademark license agreement for a one-time usage fee of $32,791,000 (net of exchange difference).

Management has assessed the right to use of the trademark licence according to the clauses, terms and conditions in the agreement and is of the view that the right to use of the trademarks licence is indefinite.

Annually, the Group performs an impairment test on the trademark, which has been identified as a separate CGU for impairment testing purposes. No impairment was identified in 2019.

The recoverable amount of the unit was determined based on a value in use calculation using cash flow projections from financial budgets approved by the management covering a ten-year period.

The assumptions used in the assessment for the trademark in 2019 were:

- Profit from operation was based on management's estimate with reference to historical performance and future business outlook of Diesel engines segment.
- Discount rate of 13.3% which reflects management's estimate of the risks specific to the CGU and was estimated based on weighted average cost of capital.
- Growth rate was based on management's estimate with reference to general available indication of long-term gross domestic product growth rate of China. The long-term rates used to extrapolate the budget was 5.7%.

A decrease in demand can lead to a decline in profit from operation. If the demand decreases by 17.6% from management's estimate, it would result in impairment of the trademark. If the pre-tax discount rate increases by 1.5% from management's estimate, it would result in impairment of the trademark. Management recognised that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. If the long-term growth rate decreases by 3.3%, it would result in impairment of the trademark.

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to materially fall below the carrying value.

Property, plant and equipment

Separately, the Group recognised an impairment loss of $780,000 (2018: $6,142,000) in the income statement under the line item "Cost of sales" in respect of specific plant and equipment which are no longer in use.

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

Air-conditioning systems segment

Trademark (air-conditioning appliances)

Trademark relates to the Group's air-conditioning systems unit, which has been identified as a separate CGU for impairment testing purposes.

The impairment test was triggered in 2018 and 2019 in view of losses incurred and a slowdown in the PRC economy.

The recoverable amount of trademark was determined based on the fair value less cost to sell using the relief-from-royalty method (income approach).

As at 31 December 2018, the carrying amount of trademark for this CGU was $341,000 (net of accumulated impairment losses, accumulated amortisation and exchange difference).

In 2019, management performed an impairment assessment based on its updated business plans and projections. As a result, the Group recognised an impairment loss of $312,000 (2018: $1,784,000) in the income statement under the line item "General and administrative expenses". The trademark was fully impaired in 2019.

The assumptions used in the assessment for the trademark in 2019 were:

- Royalty rate of 0.5% (2018: 0.5%) based on assessment of royalty rates of similar trademarks.
- Discount rate of 20.0% (2018: 20.0%) which reflects the current market assessment of the risks specific to the CGU.
- Revenue growth rate of 3% (2018: 3%) per annum perpetually.

For 2018 and 2019, with regard to the valuation of the recoverable amount, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the trademark to materially exceed its recoverable amount.

Trademark (lifestyle appliances)

Trademark (lifestyle appliances) has been identified as a separate CGU for impairment testing purposes. The recoverable amount of the trademark was determined based on the value in use using the relief-from-royalty method.

In 2018, management performed an impairment assessment based on its updated business plans and projections. As a result, the Group recognised an impairment loss of $784,000 in the income statement under the line item "General and administrative expenses". The trademark was fully impaired in 2018.

The recoverable amount of trademark was determined based on the value in use using the relief-from-royalty method (income approach). The Group used a revenue perpetual growth rate of 2% per annum from 2019 onwards. A royalty rate of 3% and a discount rate of 13% were used.

For 2018, with regard to the valuation of the recoverable amount, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the trademark to materially exceed its recoverable amount.

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

Property, plant and equipment

In 2018 and 2019, management carried out a review of the recoverable amount of its property, plant and equipment, in view of losses incurred and a slowdown in the PRC economy. As a result, the Group recognised an impairment loss of $1,136,000 (2018: Nil) in the income statement under the line item "General and administrative expenses". The recoverable amounts were based on its fair value less cost to sell.

Separately, in 2019, the Group recognised impairment loss of $1,021,000 (2018: $1,303,000) in the income statement under the line item "General and administrative expenses" in respect of plant and machineries, which are no longer in use or obsolete.

7. Investment in subsidiaries

	Company	
	2019	**2018**
	$'000	$'000
Shares, at cost	232,387	232,387
Amounts due from subsidiaries	93,946	75,414
Impairment losses	(113,966)	(105,866)
	212,367	201,935

Impairment of investment in subsidiaries

During the financial year ended 31 December 2019, management performed an impairment review of its investment in subsidiaries, which have been incurring operating losses. As a result of the review, the Company recognised an impairment loss of $8,100,000 (2018: $39,434,000).

The Company assessed the recoverable amount of its investment in subsidiaries based on the amounts estimated to be recoverable from the assets and liabilities of the subsidiaries.

Assets pledged as security

As at 31 December 2019, the Group's investment in subsidiary with a carrying amount of $107,000,000 (2018: Nil) are pledged to secure the Group's loans and borrowings (Note 20).

7. Investment in subsidiaries (cont'd)

(a) Composition of the Group

The Group has the following significant investment in subsidiaries:

Names of subsidiaries	Country of incorporation	Effective equity interest Group 2019	Effective equity interest Group 2018
		%	%
Held by the Company			
Hayford Holdings Sdn. Bhd.	Malaysia	100	100
HL Building Materials Pte. Ltd.	Singapore	100	100
HL-Manufacturing Industries Sdn. Bhd.	Malaysia	100	100
Hong Leong (China) Limited	Singapore	100	100
Island Concrete (Private) Limited	Singapore	100	100
Held by the Group			
Airwell Air-conditioning Technology (China) Co., Ltd.	The People's Republic of China	67	67
China Yuchai International Limited ("CYI") (1)	Bermuda	41.75	41.75
Dongguan Rex Packaging Company Limited (5)	The People's Republic of China	100	100
Fedders International Pte. Ltd.	Singapore	100	100
Guangxi Yuchai Accessories Manufacturing Company Limited (2)	The People's Republic of China	31.90	31.90
Guangxi Yuchai Equipment Mould Company Limited (2)	The People's Republic of China	31.90	31.90
Guangxi Yuchai Machinery Company Limited (2)	The People's Republic of China	31.90	31.90
Guangxi Yuchai Machinery Monopoly Development Co., Ltd (2)	The People's Republic of China	22.91	22.91

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

The Group has the following significant investment in subsidiaries (cont'd):

Names of subsidiaries	Country of incorporation	Effective equity interest Group 2019	2018
Held by the Group (cont'd)		%	%
Guangxi Yulin Hotel Company Limited [(2)]	The People's Republic of China	31.90	31.90
HL Global Enterprises Limited ("HLGE") [(2)] [(3)]	Singapore	20.94	20.94
Jining Yuchai Engine Company Limited [(2)]	The People's Republic of China	31.90	31.90
Rex Plastics (Malaysia) Sdn. Bhd.	Malaysia	100	100
Tasek Corporation Berhad [(4)]	Malaysia	88.16	74.28
Tianjin Rex Packaging Co., Ltd. [(6)]	The People's Republic of China	100	100
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. [(2)]	The People's Republic of China	31.90	31.90

Ernst & Young LLP, Singapore, is the auditor of all significant Singapore-incorporated subsidiaries while other member firms of Ernst & Young Global are auditors of significant foreign incorporated subsidiaries.

(1) The directors consider CYI as a subsidiary of the Company as the Group owns 17,059,154 (2018: 17,059,154) or 41.75% (2018: 41.75%) of the ordinary shares and a special share of CYI that entitles the Group to elect a majority of directors in CYI. Accordingly, the Group is exposed to, and has rights, to variable returns from its involvement with CYI, and has the ability to affect those returns through its power over CYI.

(2) These companies are subsidiaries of CYI.

(3) The Group considers HLGE a subsidiary as it has the power to exercise effective control and direct the activities of HLGE that most significantly affect its economic performance and has the exposure or rights to receive benefits from HLGE from its involvement. CYI Group has effective equity interest in HLGE of 50.16% (2018: 50.16%), excluding the ordinary shares held by Amicorp Trustees (Singapore) Limited under the HL Global Enterprises Share Option Scheme 2006 Trust as of 31 December 2019.

(4) The effective equity interest was computed based on the total number of ordinary shares excluding treasury shares.

(5) Audited by Dongguan City Changxin Certified Public Accountants and is not considered a significant foreign incorporated subsidiary.

(6) Audited by Tianjin Dongsheng Accounting Agent Co., Ltd and is not considered a significant foreign incorporated subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Investment in subsidiaries (cont'd)

(b) Interest in subsidiaries with material non-controlling interests (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interests	Profit/ (loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2019:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	68.10%	118,926	1,451,152	40,071
Tasek Corporation Berhad	Malaysia	11.84%	(1,765)	20,276	–
31 December 2018:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	68.10%	140,357	1,465,780	26,991
Tasek Corporation Berhad	Malaysia	25.72%	(1,876)	45,465	2,095

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of $987,995,000 (2018: $996,230,000) held in the PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Current				
Assets	3,175,457	3,075,445	105,697	98,686
Liabilities	(2,155,565)	(1,884,614)	(42,023)	(26,767)
Net current assets	1,019,892	1,190,831	63,674	71,919
Non-current				
Assets	1,189,538	980,666	106,635	109,300
Liabilities	(186,165)	(164,638)	(1,526)	(5,585)
Net non-current assets	1,003,373	816,028	105,109	103,715
Net assets	2,023,265	2,006,859	168,783	175,634

Summarised income statement and statement of comprehensive income

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Revenue	3,549,762	3,299,770	198,192	185,573
Profit/(loss) before income tax	202,537	241,921	(10,426)	(9,467)
Income tax (expense)/credit	(27,902)	(35,817)	2,085	2,174
Profit/(loss) after tax	174,635	206,104	(8,341)	(7,293)
Other comprehensive income	(59,403)	(65,616)	(248)	(34)
Total comprehensive income	115,232	140,488	(8,589)	(7,327)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI (cont'd)

Other summarised information

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Net cash flows generated from/ (used in) operations	356,782	201,098	14,240	(6,777)
Net cash flows (used in)/generated from investing activities	(207,374)	(125,720)	(7,144)	3,567
Net cash flows (used in)/generated from financing activities	(129,624)	(13,597)	1,536	(7,435)
Acquisition of significant property, plant and equipment	(181,291)	(82,447)	(8,820)	(12,211)

7. Investment in subsidiaries (cont'd)

(d) Acquisition of ownership in subsidiaries

As reported in the Company's announcement 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.

Following the close of the Revised Offer on 19 August 2019, the Joint Offerors acquired an additional 13.88% equity interest in Tasek from its non-controlling interests for a cash consideration of $32,171,000.

The difference of $8,263,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "deficit on changes of non-controlling interests" within equity.

In 2018, the Group's subsidiary company, Well Summit Investments Limited, acquired an additional 1.71% equity interest in CYI from its non-controlling interests for a cash consideration of $13,302,000.

The difference of $15,901,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "surplus on changes of non-controlling interests" within equity.

The following summarises the effect of the changes in the Group's ownership interest in subsidiaries on the equity attributable to owners of the Company:

	2019	**2018**
	$'000	$'000
Consideration paid for acquisition of non-controlling interests	(32,171)	(13,302)
Decrease in equity attributable to non-controlling interests	23,908	29,203
(Decrease)/Increase in equity attributable to owners of the Company	(8,263)	15,901

7. Investment in subsidiaries (cont'd)

(e) De-consolidation of subsidiaries and discontinued operation

As reported in the Company's announcement on 26 June 2018, Xinfei Companies had ceased to be subsidiaries of the Group with effect from 21 May 2018. Accordingly, the Xinfei Companies, which constitute the Group's Consumer Products Unit ("Xinfei") were de-consolidated 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 SFRS(I) 10 *Consolidated Financial Statements*, the Xinfei Companies were de-consolidated from the Group. The de-consolidation involved de-recognition of the assets and liabilities of the Xinfei Companies and recognition of other related obligations. The financial effect of the de-consolidation was a loss of $9,303,000 which was recognised in the year ended 31 December 2018.

The value of assets and liabilities de-consolidated in the consolidated financial statements, and the cash flow effect and effects of the de-consolidation of the Xinfei Companies were:

	2018
	$'000
Property, plant and equipment	67,345
Land use rights	18,106
Intangible asset	43,811
Inventories	38,103
Trade and other receivables	57,558
Cash and cash equivalents	5,201
	230,124
Trade and other payables	(114,446)
Provisions	(6,002)
Loans and borrowings	(81,289)
Deferred tax liabilities	(8,834)
Carrying value of net assets	19,553
Less: Non-controlling interests	38,665
Realisation of reserves	(48,915)
Net assets de-consolidated	9,303
Consideration	–
Less: Cash and cash equivalents of subsidiaries de-consolidated	(5,201)
Net cash outflow on de-consolidation of subsidiaries	(5,201)
Loss on de-consolidation:	
Consideration	–
Net assets de-consolidated	(9,303)
Loss on de-consolidation of subsidiaries	(9,303)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Investment in subsidiaries (cont'd)

(e) De-consolidation of subsidiaries and discontinued operation (cont'd)

The operating performance of the Xinfei Companies, together with the net loss on de-consolidation of $9,303,000, has been presented separately under "loss from discontinued operation, net of tax" on the income statement. Comparative figures have been restated to conform to the current period's presentation. The results of discontinued operation for the period are presented below:

	Group 2018 $'000
Revenue	7,873
Expenses	(31,732)
Loss from operations before tax	(23,859)
Income tax expense	–
Loss from operations after tax	(23,859)
Loss on de-consolidation of subsidiaries	(9,303)
Loss from discontinued operation, net of tax	(33,162)
Attributable to:	
Owners of the Company	(30,776)
Non-controlling interests	(2,386)
	(33,162)
Loss per share (cents per share) from discontinued operation	
- Basic	(7.00)
- Diluted	(7.00)

The net cash flows incurred by discontinued operation are as follows:

	Group 2018 $'000
Operating	(4,223)
Investing	(137)
Financing	(225)
Net cash outflow	(4,585)

8. Interests in associates

The Group and Company's material investments in associates are summarised below:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Singapore Cement Manufacturing Company (Private) Limited	21,098	20,052	14,605	13,726
Cement Industries (Sabah) Sdn. Bhd.	20,690	23,305	–	–
Other associates	1,900	2,023	–	–
	43,688	45,380	14,605	13,726

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest	
			2019	**2018**
			%	%
Held by the Company				
Singapore Cement Manufacturing Company (Private) Limited [1]	Singapore	Storage, packaging and distribution of cement	50	50
Held by the Group				
Cement Industries (Sabah) Sdn. Bhd. [2] [3]	Malaysia	Manufacture and sale of cement	26.45	22.28

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of Ernst & Young Global.

(3) Proportion of ownership interest held by the Group in Cement Industries (Sabah) Sdn. Bhd. is 30% (2018: 30%) as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Interests in associates (cont'd)

The summarised financial information in respect of Singapore Cement Manufacturing Company (Private) Limited and Cement Industries (Sabah) Sdn. Bhd., based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	32,324	29,543	36,182	47,799		
Non-current assets	22,679	17,228	41,571	40,381		
Total assets	55,003	46,771	77,753	88,180		
Current liabilities	(8,571)	(6,184)	(5,721)	(8,015)		
Non-current liabilities	(4,237)	(483)	(3,067)	(2,483)		
Total liabilities	(12,808)	(6,667)	(8,788)	(10,498)		
Net assets	42,195	40,104	68,965	77,682		
Proportion of the Group's ownership	50%	50%	30%	30%		
Carrying amount of significant associates	21,098	20,052	20,690	23,305	41,788	43,357
Carrying amount of other associates					1,900	2,023
Carrying amount of the investment in associates					43,688	45,380

8. Interests in associates (cont'd)

Summarised income statement and statement of comprehensive income

	Singapore Cement Manufacturing Company (Private) Limited		Cement Industries (Sabah) Sdn. Bhd.		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	82,065	76,331	118,061	121,343		
Profit after tax	2,190	212	1,275	3,634		
Group's share of profit of significant associates	1,095	106	383	1,090	1,478	1,196
Group's share of loss of other associates					(111)	(94)
Group's share of profit of associates for the year					1,367	1,102
Other comprehensive income of significant associates	–	–	–	–	–	–
Other comprehensive income of other associates					–	–
Group's share of profit for the year representing the Group's share of total comprehensive income for the year					1,367	1,102

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. Interests in joint ventures

	Group	
	2019	**2018**
	$'000	$'000
Y&C Engine Co., Ltd.	34,001	30,918
MTU Yuchai Power Company Limited	11,573	11,843
Eberspaecher Yuchai Exhaust Technology Co. Ltd	6,140	–
Other joint ventures	16,258	16,748
	67,972	59,509

Particulars of the significant joint venture entities are as follows:

Names of significant joint venture entity	Country of incorporation	Principal activities	Effective equity interest	
			2019	**2018**
			%	%
Joint venture entity of China Yuchai International Limited ("CYI")				
MTU Yuchai Power Company Limited ("MTU Yuchai") (1) (2)	The People's Republic of China	Manufacture off-road diesel engines	15.95	15.95
Y&C Engine Co., Ltd. (1) (3)	The People's Republic of China	Manufacture and sale of heavy duty diesel engines, spare parts and after-sales services	14.36	14.36
Eberspaecher Yuchai Exhaust Technology Co. Ltd ("Eberspaecher Yuchai") (1) (4)	The People's Republic of China	Application development, production, sales and service on engine exhaust control system	15.63	15.63

(1) Audited by member firms of Ernst & Young Global.

(2) Proportion of ownership interest held by the Group in MTU Yuchai Power Company Limited is 50% (2018: 50%) as at 31 December 2019.

(3) Proportion of ownership interest held by the Group in Y&C Engine Co., Ltd. is 45% (2018: 45%) as at 31 December 2019.

(4) Proportion of ownership interest held by the Group in Eberspaecher Yuchai is 49% (2018: 49%) as at 31 December 2019. Eberspaecher Yuchai was incorporated on 5 December 2018. In 2019, the Group injected RMB41.1 million (approximately $7.9 million) into Eberspaecher Yuchai as payment of its investment.

9. Interests in joint ventures (cont'd)

As at 31 December 2019, the Group's share of joint ventures' capital commitment that are contracted but not paid for was $15,636,000 (2018: $7,540,000).

As at 31 December 2019, the Group's share of outstanding bill receivables discounted with banks for which a joint venture retained a recourse obligation were $8,681,000 (2018: $19,460,000).

As at 31 December 2019, the Group's share of outstanding bill receivables endorsed to suppliers for which a joint venture retained a recourse obligation were $2,207,000 (2018: $330,000).

Significant restrictions

As at 31 December 2019, the nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of joint ventures are:

- The Group's share of cash and cash equivalents of $8,656,000 (2018: $5,413,000) held in the PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends, trade and service related transactions.

- The Group's share of restricted cash of $11,740,000 (2018: $6,716,000) was used as collateral by the banks for the issuance of bills to suppliers. The Group's share of bill receivables of $9,810,000 (2018: nil) was used as collateral by the banks for the issuance of bills to suppliers.

- There was no restricted cash (2018: $134,000) used as collateral by the banks for letter of credit facilities granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. Interests in joint ventures (cont'd)

Summarised financial information, in respect of Y&C Engine Co., Ltd., MTU Yuchai Power Company Limited and Eberspaecher Yuchai Exhaust Technology Co. Ltd, based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Y&C Engine Co., Ltd.		MTU Yuchai Power Company Limited		Eberspaecher Yuchai Exhaust Technology Co. Ltd		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and short-term deposits	31,850	22,454	1,789	4,311	10,537	–		
Other current assets	204,841	128,445	42,768	41,512	1,539	–		
Total current assets	236,691	150,899	44,557	45,823	12,076	–		
Non-current assets	149,468	150,076	15,132	14,367	4,635	–		
Total assets	386,159	300,975	59,689	60,190	16,711	–		
Current financial liabilities (excluding trade and other payables and provisions)	–	(10,235)	–	–	–	–		
Other current liabilities	(269,590)	(187,142)	(34,696)	(34,604)	(4,181)	–		
Non-current liabilities	(16,250)	(9,255)	–	–	–	–		
Total liabilities	(285,840)	(206,632)	(34,696)	(34,604)	(4,181)	–		
Net assets	100,319	94,343	24,993	25,586	12,530	–		
Proportion of the Group's ownership	45%	45%	50%	50%	49%	–		
Group's share of net assets	45,144	42,454	12,497	12,793	6,140	–		
Unrealised profit on transactions with joint venture	(11,143)	(11,536)	(924)	(950)	–	–		
Carrying amount of significant joint ventures	34,001	30,918	11,573	11,843	6,140	–	51,714	42,761
Carrying amount of other joint ventures							16,258	16,748
Carrying amount of the investment in joint ventures							67,972	59,509

9. Interests in joint ventures (cont'd)

Summarised income statement and statement of comprehensive income

	Y&C Engine Co., Ltd.		MTU Yuchai Power Company Limited		Eberspaecher Yuchai Exhaust Technology Co. Ltd		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	474,658	293,783	35,299	32,687	693	–		
Depreciation and amortisation	(5,153)	(9,212)	(1,259)	(762)	(5)	–		
Interest income	336	434	23	39	11	–		
Interest expense	(5,845)	(5,442)	(990)	(344)	–	–		
Profit/(loss) after tax	8,782	8,826	118	(854)	(3,774)	–		
Group's share of profit/(loss)	3,952	3,972	59	(427)	(1,849)	–		
Unrealised loss/(profit) on transactions with joint venture	1,671	(387)	58	(974)	–	–		
Group's share of profit/(loss) of significant joint ventures	5,623	3,585	117	(1,401)	(1,849)	–	3,891	2,184
Group's share of (loss)/profit of other joint ventures							(292)	176
Group's share of profit of joint ventures for the year							3,599	2,360
Other comprehensive income of significant joint ventures	–	–	–	–	–	–	–	–
Other comprehensive income of other joint ventures							(161)	(163)
Group's share of profit for the year representing the Group's share of total comprehensive income for the year							3,438	2,197

10. Investment property

	Group 2019 $'000	Group 2018 $'000
Cost		
At 1 January and 31 December	6,747	6,747
Accumulated depreciation		
At 1 January	5,403	5,225
Charge for the year	75	180
Translation differences	4	(2)
At 31 December	5,482	5,403
Net carrying amount	1,265	1,344
Fair value	2,204	2,162
Income statement		
Rental income	74	89
Direct operating expenses (including repairs, maintenance and depreciation expense) arising from the rental generating property	(133)	(233)

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The fair value is determined by independent professional valuers that has the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. In valuing the investment property, due consideration is given to factors such as location and size of building, building infrastructure, market knowledge, historical transactions and other relevant factors to arrive at their opinion of value.

The following table shows information about fair value measurement of the investment property using significant unobservable inputs (Level 3):

	Valuation techniques	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
2019	Market comparison and cost method	Comparable price: $32 to $85 per square foot	The estimated fair value increases with higher comparable price
2018	Market comparison and cost method	Comparable price: $31 to $85 per square foot	The estimated fair value increases with higher comparable price

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Other investments

Financial instruments as at 31 December

	Group	
	2019	**2018**
	$'000	$'000
Non-current		
At fair value through other comprehensive income		
Quoted equity securities		
- related corporations (quoted in Singapore)	1,851	1,532
- other companies (quoted in Singapore, Malaysia and United States of America)	14,347	1,382
	16,198	2,914
Current		
At fair value through profit or loss		
Quoted equity securities		
- other company (quoted in Singapore)	1,785	4,353

Investment in equity instruments designated at fair value through other comprehensive income

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

12. Non-current receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Amounts due from subsidiaries	–	–	308,773	318,744
Lease receivables	70	401	–	–
Retention sums	5,660	4,388	–	–
Others	81	108	–	–
Less: Impairment losses	–	–	(298,773)	(298,744)
	5,811	4,897	10,000	20,000

12. Non-current receivables (cont'd)

Group

Lease receivables relate to receivables from the lease of cement trucks to ownership drivers under the owner driver scheme. The lease receivables are unsecured and are to be settled in cash. Full payment of the purchase price of cement trucks will be made over a period of approximately five years.

	Group			
	2019		2018	
	Gross lease receivables	Present value of minimum lease payments receivables	Gross lease receivables	Present value of minimum lease payments receivables
	$'000	$'000	$'000	$'000
Within 1 year (Note 16)	421	396	967	903
After 1 year but within 5 years	75	70	422	401
Total gross lease receivables	496	466	1,389	1,304
Less: Amounts representing unearned finance income	(30)	–	(85)	–
Present value of minimum lease payments receivables	466	466	1,304	1,304

Other non-current receivables include non-trade amounts due from third parties for the disposal of vehicles under the lorry-owned driver schemes on a deferred payment basis.

Company

The amounts due from subsidiaries are non-trade in nature, unsecured and non-interest bearing except for an amount of $10,000,000 (2018: $20,000,000) which bears interest at weighted average rate of 3.4% (2018: 3.4%) per annum and is due in 2021. The settlement of the other amounts is neither planned nor likely to occur in the foreseeable future.

During the year ended 31 December 2018, management has performed an impairment review of non-current amounts due from certain subsidiaries in view of continued operating losses incurred by these business units in the PRC. As a result of the review, the Company recognised an impairment loss on amounts due from subsidiaries of $190,944,000 for the year ended 31 December 2018.

The impairment assessment process is complex and involved significant judgements and estimates of expected future market and economic conditions that may have an impact on the valuation of the business.

12. Non-current receivables (cont'd)

Company (cont'd)

Consumer products segment

As at 31 December 2018, in view of the Restructuring Exercise, management has assessed the recoverable amount of this subsidiary against the total debts of the consumer products segment and recognised an impairment loss of $190,944,000 in the Company's income statement for the year ended 31 December 2018.

The impairment was made having considered the estimated recovery rate of the receivables by the Company. The estimated recovery rate was based on the net realisable amounts of the underlying assets and liabilities of the consumer products segment.

13. Deferred tax

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1 January 2019	Recognised in income statement	Withholding taxes paid on remittance of dividends	Translation differences	At 31 December 2019
	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities					
Property, plant and equipment	(11,177)	(60)	–	236	(11,001)
Unremitted income	(2,332)	(1,108)	–	17	(3,423)
Withholding tax on dividend income	(21,232)	(6,065)	6,065	588	(20,644)
Total	(34,741)	(7,233)	6,065	841	(35,068)
Deferred tax assets					
Property, plant and equipment	2,658	(1,835)	–	(33)	790
Inventories	3,252	463	–	(100)	3,615
Intangible assets	1,587	282	–	(50)	1,819
Trade and other receivables	1,097	967	–	(50)	2,014
Provisions	40,539	9,097	–	(1,318)	48,318
Deferred grants	12,727	2,616	–	(410)	14,933
Other items	11,074	(248)	–	(286)	10,540
Total	72,934	11,342	–	(2,247)	82,029

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Deferred tax (cont'd)

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1 January 2018	Recognised in income statement	Withholding taxes paid on remittance of dividends	De-consolidation of subsidiaries	Translation differences	At 31 December 2018
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
Property, plant and equipment	(11,269)	(66)	–	–	158	(11,177)
Unremitted income	(3,962)	(222)	–	1,852	–	(2,332)
Withholding tax on dividend income	(18,733)	(7,938)	4,782	–	657	(21,232)
Indefinite life intangible assets	(6,982)	–	–	6,982	–	–
Other items	(551)	538	–	–	13	–
Total	(41,497)	(7,688)	4,782	8,834	828	(34,741)
Deferred tax assets						
Property, plant and equipment	3,305	(571)	–	–	(76)	2,658
Inventories	3,648	(288)	–	–	(108)	3,252
Intangible assets	1,083	551	–	–	(47)	1,587
Trade and other receivables	1,529	(397)	–	–	(35)	1,097
Provisions	38,629	3,182	–	–	(1,272)	40,539
Deferred grants	10,583	2,525	–	–	(381)	12,727
Other items	6,568	4,777	–	–	(271)	11,074
Total	65,345	9,779	–	–	(2,190)	72,934

13. Deferred tax (cont'd)

The following table represents the classification of the Group's net deferred tax assets:

	Group	
	2019	**2018**
	$'000	$'000
Deferred tax assets	82,029	72,934
Deferred tax liabilities	(35,068)	(34,741)
	46,961	38,193

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company	
	2019	**2018**
	$'000	$'000
Deferred tax liabilities		
Property, plant and equipment	(18)	(16)
Unremitted income	(2,623)	(2,325)
	(2,641)	(2,341)
Deferred tax assets		
Provisions	10	8

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Company	
	2019	**2018**
	$'000	$'000
Deferred tax assets	10	8
Deferred tax liabilities	(2,641)	(2,341)
	(2,631)	(2,333)

13. Deferred tax (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	**2018**
	$'000	$'000
Unutilised tax losses	136,039	140,495
Unutilised capital allowances and investment allowances	33,199	34,099
Other unrecognised temporary differences relating to provisions and deferred grants	41,573	44,262
	210,811	218,856

Unutilised tax losses and unabsorbed capital allowances for the Group are subject to agreement with the tax authorities and compliance with tax regulations in the respective countries in which the Group operates. The unabsorbed capital allowances do not expire under current tax legislation. The unutilised tax losses will expire within the next 5 to 7 years, except for an amount of $10,691,000 (2018: $11,239,000) with no expiry date. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

14. Inventories

	Group	
	2019	**2018**
	$'000	$'000
Raw materials and consumables	324,844	289,893
Manufacturing work-in-progress	12,128	16,278
Finished goods	257,236	256,558
Total inventories at the lower of cost and net realisable value	594,208	562,729

	2019	**2018**
	$'000	$'000
Inventories recognised as an expense in cost of sales (Note 25)	2,827,255	2,530,848
Inclusive of the following charge/(credit):		
- Inventory obsolescence	11,558	5,566
- Reversal of inventory obsolescence	(3,167)	(6,888)

The reversal of inventory obsolescence was made when the related inventories were sold above their carrying value.

15. Development properties

	Group	
	2019	**2018**
	$'000	$'000
Freehold land	2,922	2,931
Development costs	11,061	11,086
Allowance for anticipated losses	(10,561)	(9,992)
	3,422	4,025

Movements in the carrying amounts of development properties are as follows:

	Group	
	2019	**2018**
	$'000	$'000
At 1 January	4,025	4,881
Sale of development property	–	(860)
Translation adjustments	(17)	–
Provision for impairment	(600)	–
Capitalisation of costs during the year	14	4
At 31 December	3,422	4,025

No borrowing cost has been capitalised in 2019 and 2018.

The change in allowance for anticipated losses in respect of development properties during the year is as follows:

	Group	
	2019	**2018**
	$'000	$'000
At 1 January	9,992	9,992
Translation adjustments	(31)	–
Provision recognised during the year	600	–
At 31 December	10,561	9,992

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Trade and other receivables

	Group 2019 $'000	Group 2018 $'000
Trade receivables	273,191	181,410
Bill receivables	1,352,875	1,386,734
Less: Impairment losses	(8,686)	(3,201)
Net trade receivables	1,617,380	1,564,943
Amounts receivable from:		
- ultimate holding company (non-trade)	33	34
- immediate holding company (non-trade)	1	–
- associates and joint ventures (trade)	118	35
- associates and joint ventures (non-trade)	2,259	11,184
- other related corporations (trade)	14,927	8,174
- other related corporations (non-trade)	249	434
Advances paid to suppliers	10,341	21,885
Prepaid expenses	5,125	4,586
Refundable deposits	3,106	3,061
Tax recoverable	46,425	33,171
Lease receivables (Note 12)	396	903
Other receivables	313,824	335,270
Less: Impairment losses	(295,670)	(299,335)
Net other receivables	101,134	119,402
Total trade and other receivables	1,718,514	1,684,345

	Company 2019 $'000	Company 2018 $'000
Amounts receivable from:		
- ultimate holding company (non-trade)	33	34
- immediate holding company (non-trade)	46	9
- subsidiaries (non-trade)	272,378	247,299
- other related corporations (non-trade)	6	6
Prepaid expenses	26	30
Refundable deposits	9	36
Other receivables	12,331	13,251
Less: Impairment losses	(15,117)	(15,159)
Total trade and other receivables	269,712	245,506

16. Trade and other receivables (cont'd)

Group

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Bill receivables have contractual maturities of up to 12 months from the date of bills issuance.

The non-trade balances due from ultimate and immediate holding companies, associates, joint ventures and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

As at 31 December 2019, other receivables included an amount of approximately $281,337,000 (2018: $321,761,000) due from subsidiaries of the consumer products segment. Upon the de-consolidation of these subsidiaries in 2018 (Note 7(e)), the amount, which had been largely provided for, was reported as other receivables on the Group's balance sheet. As at 31 December 2019, the balance had been fully provided for, pending the outcome of the liquidation process in China.

The maximum exposure to credit risk for trade receivables at the reporting date is as follows:

	Group	
	2019	**2018**
	$'000	$'000
Diesel engines	1,495,037	1,467,477
Building materials	116,466	90,517
Rigid plastic packaging	5,877	6,457
Air-conditioning systems	–	492
	1,617,380	1,564,943

Company

The non-trade balances due from subsidiaries include loans and advances of $142,886,000 (2018: $110,879,000) which bear interest at rates ranging from 2.41% to 3.64% (2018: 2.08% to 3.19%) per annum. The weighted average effective interest rate per annum at the balance sheet date in respect of the interest-bearing balances is 2.60% (2018: 2.30%) per annum. Interest rates will be repriced within 12 months. These balances are repayable on demand and are to be settled in cash.

The remaining non-trade balances are unsecured, interest-free, repayable on demand and are to be settled in cash.

16. Trade and other receivables (cont'd)

Ageing analysis

The ageing of trade and other receivables (excluding advances paid to suppliers, prepaid expenses, refundable deposits and tax recoverable), non-current receivables (Note 12) and amounts due from subsidiaries at reporting date is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Neither past due nor impaired	1,574,783	1,535,686	279,677	265,440
Past due but not impaired				
- Past due 0 to 30 days	35,692	26,726	–	–
- Past due 31 to 120 days	28,975	24,263	–	–
- Past due 121 days to one year	9,298	12,150	–	–
- More than one year	11,275	27,714	–	–
Impaired	303,661	302,536	313,890	313,903
	1,963,684	1,929,075	593,567	579,343

The Group's and Company's movement in allowances for trade and other receivables and non-current receivables at the end of the reporting period is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
At 1 January	302,536	21,493	313,903	144,800
Impairment losses made/(written back)	7,418	(2,050)	–	206,103
Amounts written off	(170)	(475)	–	–
Transfer to investment in subsidiaries (Note 7)	–	–	–	(37,000)
Reclassified due to de-consolidation of subsidiaries	–	288,442	–	–
Translation differences	(5,428)	(4,874)	(13)	–
At 31 December	304,356	302,536	313,890	313,903

The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances. Due to this factor, management believes that no additional credit risks beyond the amount provided for collection losses are inherent in the Group's trade and other receivables.

16. Trade and other receivables (cont'd)

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the reporting date, the Group received financial guarantees up to a limit of $13,515,000 (2018: $29,972,000) for certain trade receivables. These guarantees included cash collateral held from certain customers of $7,982,000 (2018: $10,449,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

As at 31 December 2019, outstanding bill receivables discounted with banks for which the Group retained a recourse obligation were $438,021,000 (2018: $252,703,000). All bill receivables discounted have contractual maturities of less than 12 months at the time of discounting.

As at 31 December 2019, outstanding bill receivables endorsed to suppliers with recourse obligation were $216,403,000 (2018: $323,216,000).

Assets pledged as security

As at 31 December 2019, there were no bill receivables pledged to secure the Group's loans and borrowings (Note 20) (2018: $104,092,000).

Receivables subject to offsetting arrangements

The Company had certain counterparties with receivables and payables that are off-set as follows:

	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
	$'000	$'000	$'000
Company			
31 December 2019			
Current			
Amounts due from subsidiaries	7,694	(200)	7,494
Amounts due to subsidiaries	(200)	200	–
31 December 2018			
Current			
Amounts due from subsidiaries	448	(136)	312
Amounts due to subsidiaries	(136)	136	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Trade and other receivables (cont'd)

Receivables subject to an enforceable master netting arrangement that are not otherwise set-off

The Group had certain counterparties with receivables and payables subject to an enforceable master netting arrangement that are not otherwise set-off as follows:

	Gross carrying amounts	Related amounts not set off in the balance sheet	Net amounts
	$'000	$'000	$'000
Group			
31 December 2019			
Trade and other receivables	13,904	(4,485)	9,419
Trade and other payables	(20,404)	4,485	(15,919)
31 December 2018			
Trade and other receivables	13,854	(2,516)	11,338
Trade and other payables	(5,568)	2,516	(3,052)

17. Cash, short-term deposits and long-term deposits

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Short-term fixed deposits	245,780	239,248	4,989	14,360
Cash at banks and in hand	1,073,203	1,068,828	3,568	14,915
	1,318,983	1,308,076	8,557	29,275
Long-term fixed deposits	9,655	13,902	–	–
	1,328,638	1,321,978	8,557	29,275
Long-term fixed deposits	(9,655)	(13,902)		
Short-term deposits*	(68,849)	(70,891)		
Restricted deposits	(45,898)	(13,080)		
Cash and cash equivalents in the cash flow statement	1,204,236	1,224,105		

* Relate to certain bank deposits with initial maturities of more than three months and subject to more than insignificant risk of changes in value upon withdrawal before maturity.

17. Cash, short-term deposits and long-term deposits (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

Restricted deposits represent bank balances of certain subsidiaries placed with banks to obtain credit facilities and loans. Long-term deposits are placed with banks with tenure above 12 months and earn interest at the respective long-term deposit rates.

The weighted average effective interest rates per annum of the fixed deposits at the balance sheet date are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	%	%	%	%
Fixed deposits	2.52	1.62	1.77	0.84

Interest rates will be repriced within 12 months.

18. Share capital

	Group and Company			
	2019		**2018**	
	No. of shares	**Amount**	**No. of shares**	**Amount**
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January	747,817	467,890	373,908	266,830
Shares issued during the year	–	–	373,909	201,911
Share issuance expenses	–	–	–	(851)
At 31 December	747,817	467,890	747,817	467,890

In 2018, the Company allotted and issued 373,908,559 ordinary shares at $0.54 per share for an aggregate cash consideration of $201,911,000 pursuant to a Rights Issue exercise. During the year, there was no option exercised under its Hong Leong Asia Share Option Scheme 2000 (the "HLA Share Option Scheme") (Note 31).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

19. Reserves

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Capital reserve	4,351	4,351	9,199	9,199
Statutory reserve	15,801	15,425	–	–
Fair value reserve	8,378	2,192	–	–
Share option reserve	5,267	5,243	2,491	2,467
Translation reserve	(40,812)	(26,394)	–	–
Surplus on changes of non-controlling interests	43,035	51,298	–	–
Accumulated profits/(losses)	260,914	226,847	(264,769)	(273,718)
	296,934	278,962	(253,079)	(262,052)

(a) Capital reserve comprises:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Merger reserve	392	392	–	–
Business participation fee and realised capital gain on disposal of investments	3,046	3,046	9,199	9,199
Adjustment relating to shares of the Company issued to an associate for assets transferred to the Company	(11,380)	(11,380)	–	–
Others	12,293	12,293	–	–
	4,351	4,351	9,199	9,199

The merger reserve relates to reserve arising from certain acquisitions accounted for under the pooling of interests method.

(b) Statutory reserve comprises the Group's share of general reserves of its subsidiaries in the PRC which are not available for dividends or other payments. The transfers are required to be made at the rate of 10% (2018: 10%) of profit after tax of subsidiaries arrived at under generally accepted accounting principles applicable in the PRC. The transfer to the statutory reserve is mandatory until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to the approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The statutory reserve is not available for dividend distribution to shareholders.

19. Reserves (cont'd)

(c) The fair value reserve includes:

- the cumulative net change in the fair value of equity instruments designated at fair value through OCI;
- the cumulative net change in the fair value of debt instruments at fair value through OCI until the assets are derecognised or reclassified; and
- the Group's share of the post-acquisition fair value adjustments arising from the allocation of purchase price to the identifiable net assets and contingent liabilities of subsidiaries.

(d) The share option reserve comprises the cumulative value of employee services received for the issue of share options. The amount in the reserve is retained when the option is exercised or expired.

(e) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the translation of monetary items used to form part of the Group's net investments in foreign entities.

20. Loans and borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Current liabilities				
Unsecured bank loans	647,510	444,250	194,875	66,324
Secured bank loans	–	99,501	–	–
Obligations under finance leases (Note 32)	–	906	–	–
	647,510	544,657	194,875	66,324
Non-current liabilities				
Unsecured bank loans	100,000	229,900	100,000	226,900
Secured bank loans	13,789	–	–	–
Obligations under finance leases (Note 32)	–	408	–	–
	113,789	230,308	100,000	226,900
Total loans and borrowings	761,299	774,965	294,875	293,224

The obligations under finance leases are secured by a charge over the leased assets (Note 3). As at 31 December 2018, the average discount rate implicit in the leases is 1.32% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Loans and borrowings (cont'd)

The secured bank loans are secured on assets with the following carrying values:

	Group	
	2019	**2018**
	$'000	$'000
Property, plant and equipment (Note 3)	–	7
Investment in a subsidiary (Note 7)	107,000	–
Bill receivables (Note 16)	–	104,092

These loans and borrowings have externally imposed capital requirements on certain subsidiaries of the Group which have been complied with or waiver of compliance obtained by the respective subsidiaries before reporting dates for the financial years ended 31 December 2019 and 2018.

Terms and conditions of outstanding loans and borrowings are as follows:

	31 December 2019		
Group	**Weighted average interest rate**	**Year of maturity**	**Carrying amount**
	%		$'000
Secured bank loans:			
- MYR floating rate loans	4.6	2024	13,789
Unsecured bank loans:			
- RMB floating rate loans	5.5	2020	17,124
- USD floating rate loans	2.5	2020	2,121
- SGD floating rate loans	2.8	2020	226,325
- SGD floating rate loans	3.1	2021	40,000
- SGD floating rate loans	2.3	2022	60,000
- RMB fixed rate loans	4.0	2020	369,782
- USD fixed rate loans	2.5	2020	26,942
- HKD fixed rate loans	3.8	2020	156
- MYR fixed rate loans	3.4	2020	5,060
			747,510
			761,299
Company			
Unsecured bank loans:			
- SGD floating rate loans	2.8	2020	194,875
- SGD floating rate loans	3.1	2021	40,000
- SGD floating rate loans	2.3	2022	60,000
			294,875

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Loans and borrowings (cont'd)

	31 December 2018		
Group	**Weighted average interest rate**	**Year of maturity**	**Carrying amount**
	%		$'000
Secured bank loans:			
- USD floating rate loans	3.5	2019	99,501
Unsecured bank loans:			
- RMB floating rate loans	4.4	2019	338,083
- HKD floating rate loans	3.6	2019	262
- SGD floating rate loans	2.4	2019	102,159
- SGD floating rate loans	3.0	2020	189,900
- SGD floating rate loans	3.4	2021	40,000
- MYR fixed rate loans	3.7	2019	3,746
			674,150
Obligations under finance leases:			
- SGD fixed rate loans	1.3	2019	906
- SGD fixed rate loans	1.4	2020	289
- SGD fixed rate loans	1.3	2021	10
- SGD fixed rate loans	1.4	2022	109
			1,314
			774,965
Company			
Unsecured bank loans:			
- SGD floating rate loans	2.8	2019	66,324
- SGD floating rate loans	3.0	2020	186,900
- SGD floating rate loans	3.4	2021	40,000
			293,224

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2018	Adoption of SFRS(I) 16	Cash flows	Non-cash changes			2019
				Foreign exchange movement	New leases	Other	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans							
- current	543,751	–	(67,708)	(12,115)	–	183,582	647,510
- non-current	229,900	–	67,539	(68)	–	(183,582)	113,789
Obligations under finance leases							
- current	906	(906)	–	–	–	–	–
- non-current	408	(408)	–	–	–	–	–
Lease liabilities							
- current	–	14,113	(15,902)	(70)	1,719	11,449	11,309
- non-current	–	18,986	–	(108)	4,274	(11,449)	11,703
	774,965	31,785	(16,071)	(12,361)	5,993	–	784,311

	2017	Cash flows	Non-cash changes			2018
			Foreign exchange movement	De-consolidation of subsidiaries	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Loans						
- current	676,704	(100,040)	(11,624)	(81,289)	60,000	543,751
- non-current	216,607	73,293	–	–	(60,000)	229,900
Obligations under finance leases						
- current	1,005	(786)	–	–	687	906
- non-current	1,094	–	1	–	(687)	408
	895,410	(27,533)	(11,623)	(81,289)	–	774,965

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases and lease liabilities (Note 21) due to passage of time.

20. Loans and borrowings (cont'd)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount	Contractual cash flows	Cash flows Within 1 year	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
31 December 2019					
Floating interest rate loans	359,359	376,184	255,945	120,239	–
Fixed interest rate loans	401,940	408,128	408,128	–	–
Trade and other payables	1,738,047	1,738,047	1,738,047	–	–
Non-current payables	34,044	34,044	–	34,044	–
Lease liabilities	23,012	24,567	12,088	12,298	181
	2,556,402	2,580,970	2,414,208	166,581	181
31 December 2018					
Floating interest rate loans	769,905	801,574	562,944	238,630	–
Fixed interest rate loans	3,746	3,884	3,884	–	–
Obligations under finance leases	1,314	1,399	970	429	–
Trade and other payables	1,479,583	1,479,583	1,479,583	–	–
Non-current payables	31,794	31,794	–	31,794	–
	2,286,342	2,318,234	2,047,381	270,853	–

20. Loans and borrowings (cont'd)

Company	Carrying amount	Cash flows: Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
31 December 2019					
Floating interest rate loans	294,875	306,873	202,949	103,924	–
Trade and other payables	3,035	3,035	3,035	–	–
Lease liabilities	57	58	42	16	–
	297,967	309,966	206,026	103,940	–
31 December 2018					
Floating interest rate loans	293,224	310,331	75,128	235,203	–
Trade and other payables	9,160	9,160	9,160	–	–
	302,384	319,491	84,288	235,203	–

21. Leases

As a lessee

The Group has lease contracts for various items of land, building, office spaces and equipment used in its operations. Leases generally have lease terms between 1 and 6 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of 12 months or less and leases of low-value assets. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

21. Leases (cont'd)

As a lessee (cont'd)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Leasehold land and land use rights $'000	Building and office space $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Total $'000
At 31 December 2018	–	–	–	–	–
Adjustments on initial application of SFRS(I) 16	118,421	20,359	55	39	138,874
At 1 January 2019	118,421	20,359	55	39	138,874
Additions	3,285	2,594	114	–	5,993
Disposal	(350)	–	–	–	(350)
Depreciation expense	(8,643)	(5,336)	(28)	(12)	(14,019)
Translation differences	(2,200)	(354)	–	–	(2,554)
At 31 December 2019	110,513	17,263	141	27	127,944

Company	Building and office space $'000	Office furniture, fittings and equipment $'000	Total $'000
At 31 December 2018	–	–	–
Adjustments on initial application of SFRS(I) 16	75	26	101
At 1 January 2019	75	26	101
Depreciation expense	(39)	(6)	(45)
At 31 December 2019	36	20	56

21. Leases (cont'd)

As a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group	Company
	$'000	$'000
At 31 December 2018	–	–
Adjustments on initial application of SFRS(I) 16	33,099	101
At 1 January 2019	33,099	101
Additions	5,993	–
Accretion of interest	1,056	(2)
Payments	(16,958)	(42)
Translation differences	(178)	–
At 31 December 2019	23,012	57
Current	11,309	41
Non-current	11,703	16
At 31 December 2019	23,012	57

The lease liabilities included $472,000 which are secured by a charge over the leased assets.

	31 December 2019		
Group	**Interest rate**	**Year of maturity**	**Carrying amount**
	%		$'000
Lease liabilities	1.3 – 6.4	2020 - 2025	23,012
Company			
Lease liabilities	3.0	2020 - 2023	57

The following are the amounts recognised in profit or loss:

	Group
	2019
	$'000
Depreciation expense of right-of-use assets	14,019
Interest expenses on lease liabilities	1,056
Expenses relating to short-term leases	2,830
Expenses relating to leases of low-value assets	2
Total amount recognised in profit or loss	17,907

21. Leases (cont'd)

As a lessee (cont'd)

The Group had total cash outflows for leases of $19,790,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of $5,993,000 in 2019.

As a lessor

The Group has entered into commercial property leases on its surplus office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Within 1 year	1,037	982
After 1 year but within 5 years	2,450	2,300
After 5 years	1,261	1,932
	4,748	5,214

22. Trade and other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Trade payables	1,140,523	934,855	–	–
Accrued expenses	307,461	258,173	2,587	2,278
Other payables (i)	26,788	28,595	8	4,147
Refund liabilities	146,303	151,271	–	–
Deferred grants	3,853	4,386	–	–
Amounts due to:				
- immediate holding company (non-trade)	190	228	135	137
- subsidiaries (trade)	–	–	292	301
- subsidiaries (non-trade)	–	–	–	2,297
- associates and joint ventures (trade)	69,378	66,719	–	–
- associates and joint ventures (non-trade)	16	13	–	–
- other related corporations (trade)	42,755	28,945	–	–
- other related corporations (non-trade)	780	6,398	13	–
Total trade and other payables (current)	1,738,047	1,479,583	3,035	9,160

(i) As at 31 December 2018, other payables for the Company included an obligation to a bank on behalf of subsidiaries pursuant to a guarantee arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Trade and other payables (cont'd)

	Group	
	2019	**2018**
	$'000	$'000
Other payables (non-current)		
Provision for bonus	34,044	31,794

Trade payables/other payables

Current trade and other payables are normally settled on agreed credit terms ranging from 7 to 90 days' terms and are non-interest bearing.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities at the end of each reporting period.

Amounts due to related corporations

The balances with the immediate holding company, subsidiaries, associates, joint ventures and other related corporations are unsecured, interest-free, repayable on demand and are to be settled in cash.

Purchases from related corporations are made at terms agreed between the parties.

23. Provisions

Group	**Claims and restoration costs**	**Warranties**	**Onerous contracts**	**Total**
	$'000	$'000	$'000	$'000
At 1 January 2018	4,583	46,455	1,979	53,017
Provision made	464	46,129	83	46,676
Provision utilised	(379)	(51,837)	–	(52,216)
Provision reversed	(1,368)	(130)	(452)	(1,950)
De-consolidation of subsidiaries (Note 7(e))	–	(6,002)	–	(6,002)
Translation differences	(11)	(958)	–	(969)
At 31 December 2018 and 1 January 2019	3,289	33,657	1,610	38,556
Provision made	787	83,446	798	85,031
Provision utilised	(409)	(73,781)	–	(74,190)
Provision reversed	(1,800)	(24)	(1,253)	(3,077)
Translation differences	1	(1,143)	(10)	(1,152)
At 31 December 2019	1,868	42,155	1,145	45,168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Provisions (cont'd)

Claims and restoration costs

The provision for claims consists of costs arising from delays in the completion of contracts or complaints from customers. The provision is made based on estimates from prior experience on similar projects with customers.

The provision for restoration costs relates to costs associated with the obligations to restore the lands at the end of the tenancy period.

Warranties

The provision for warranties relates to products sold over the warranty period. The provision is made based on estimates from historical warranty data.

Onerous contracts

The provision for onerous contracts relates to the expected losses arising from existing customers' contracts, whereby the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received.

24. Revenue

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2019					
Segments	**Diesel engines**	**Building materials**	**Rigid plastic packaging**	**Air-conditioning systems**	**Others**	**Consolidated total**
	$'000	$'000	$'000	$'000	$'000	$'000
Major product or service lines						
Sale of heavy-duty engines	1,225,424	–	–	–	–	1,225,424
Sale of medium-duty engines	1,109,220	–	–	–	–	1,109,220
Sale of light-duty engines	483,442	–	–	–	–	483,442
Sale of precast concrete products	–	46,931	–	–	–	46,931
Sale of ready-mix concrete	–	242,774	–	–	–	242,774
Sale of cement	–	194,847	–	–	–	194,847
Sale of other goods	–	21,235	–	–	–	21,235
Sale of rigid plastic packaging products	–	–	31,835	–	–	31,835
Sale of air-conditioning systems	–	–	–	9,641	–	9,641
Hospitality operations	–	–	–	–	7,064	7,064
Others (1)	731,676	–	–	–	–	731,676
	3,549,762	505,787	31,835	9,641	7,064	4,104,089

(1) Included sales of power generator sets, engine components, maintenance services and others.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Revenue (cont'd)

Disaggregation of revenue (cont'd)

Set out below is the disaggregation of the Group's revenue from contracts with customers (cont'd):

	2019					
Segments	**Diesel engines**	**Building materials**	**Rigid plastic packaging**	**Air-conditioning systems**	**Others**	**Consolidated total**
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical markets						
The PRC	3,536,596	–	30,517	5,907	–	3,573,020
Singapore	9	307,091	1,276	–	–	308,376
Malaysia	127	198,696	–	–	7,064	205,887
Others	13,030	–	42	3,734	–	16,806
	3,549,762	505,787	31,835	9,641	7,064	4,104,089
Timing of revenue recognition						
Goods and services transferred at a point in time	3,549,762	505,787	31,835	9,641	–	4,097,025
Goods and services transferred over time	–	–	–	–	7,064	7,064
	3,549,762	505,787	31,835	9,641	7,064	4,104,089

24. Revenue (cont'd)

Disaggregation of revenue (cont'd)

Set out below is the disaggregation of the Group's revenue from contracts with customers (cont'd):

	2018					
Segments	**Diesel engines**	**Building materials**	**Rigid plastic packaging**	**Air-conditioning systems**	**Others**	**Consolidated total**
	$'000	$'000	$'000	$'000	$'000	$'000
Major product or service lines						
Sale of heavy-duty engines	1,004,444	–	–	–	–	1,004,444
Sale of medium-duty engines	1,127,134	–	–	–	–	1,127,134
Sale of light-duty engines	505,140	–	–	–	–	505,140
Sale of precast concrete products	–	53,417	–	–	–	53,417
Sale of ready-mix concrete	–	170,917	–	–	–	170,917
Sale of cement	–	183,356	–	–	–	183,356
Sale of other goods	–	20,501	–	–	–	20,501
Sale of rigid plastic packaging products	–	–	32,604	–	–	32,604
Sale of air-conditioning systems	–	–	–	14,332	–	14,332
Hospitality operations	–	–	–	–	10,744	10,744
Others [(1)]	663,052	–	–	–	–	663,052
	3,299,770	428,191	32,604	14,332	10,744	3,785,641

[(1)] Included sales of power generator sets, engine components, maintenance services and others.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Revenue (cont'd)

Disaggregation of revenue (cont'd)

Set out below is the disaggregation of the Group's revenue from contracts with customers (cont'd):

	2018					
Segments	**Diesel engines**	**Building materials**	**Rigid plastic packaging**	**Air-conditioning systems**	**Others**	**Consolidated total**
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical markets						
The PRC	3,280,735	–	30,157	7,300	–	3,318,192
Singapore	–	238,937	1,575	–	3,300	243,812
Malaysia	166	189,254	766	–	7,444	197,630
Others	18,869	–	106	7,032	–	26,007
	3,299,770	428,191	32,604	14,332	10,744	3,785,641
Timing of revenue recognition						
Goods and services transferred at a point in time	3,299,770	428,191	32,604	14,332	–	3,774,897
Goods and services transferred over time	–	–	–	–	10,744	10,744
	3,299,770	428,191	32,604	14,332	10,744	3,785,641

Contract balances

	Group	
	2019	**2018**
	$'000	$'000
Trade receivables (Note 16)	264,505	178,209
Capitalised contract costs	26,350	8,825
Contract liabilities	84,985	67,622

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $5,698,000 (2018: $2,018,000).

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms.

Capitalised contract costs are the costs incurred in fulfilling a contract for the development of technology know-how for heavy-duty engines platforms for a joint venture company of the Group. Capitalised contract costs will be expensed off when the Group performs the contract.

24. Revenue (cont'd)

Contract balances (cont'd)

	Group	
	2019	**2018**
	$'000	$'000
Capitalised contract costs relating to service fee charges on development of technology know-how		
At 1 January	8,825	–
Addition	18,469	9,045
Utilisation	(301)	–
Translation differences	(643)	(220)
At 31 December	26,350	8,825

Contract liabilities comprise short-term advances from customers and unfulfilled maintenance services. The advances from customers are recognised as revenue upon the delivery of goods, and the contract liability arising from unfulfilled service-type warranty is recognised upon the completion of the maintenance services. According to the business customary practice, the remaining performance obligations (unfulfilled maintenance service) at the year-end is expected to be satisfied within 1-3 years.

	Group	
	2019	**2018**
	$'000	$'000
Contract liabilities		
Unfulfilled maintenance services	34,978	38,078
Advance from customer	50,007	29,544
At 31 December	84,985	67,622
Current	74,594	56,956
Non-current	10,391	10,666
At 31 December	84,985	67,622

Set out below was the amounts of revenue recognised from:

	Group	
	2019	**2018**
	$'000	$'000
Amounts included in contract liabilities at the beginning of the year	14,278	11,319

Performance obligations

The transaction price allocated to the remaining performance obligation as at the end of the year are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Within 1 year	24,587	27,412
More than 1 year	10,391	10,666

The remaining performance obligations expected to be recognised in more than one year related to the unfulfilled maintenance service that was to be satisfied within 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. Profit before income tax from continuing operations

Profit before income tax from continuing operations includes the following:

	Note	Group 2019 $'000	Group 2018 $'000
Impairment losses recognised/(written back) for trade and other receivables		7,418	(2,050)
Inventories recognised as an expense in cost of sales	14	2,827,255	2,530,848
Amortisation of intangible assets	5	918	1,189
Depreciation of property, plant and equipment		100,226	107,015
Depreciation of investment property	10	75	180
Depreciation of right-of-use assets	21	14,019	–
Amortisation of land use rights		–	2,936
Property, plant and equipment written off		877	268
Intangible assets written off		–	1
Audit fees paid/payable:			
- auditors of the Company		1,264	1,492
- other auditors		1,425	1,407
Non-audit fees paid/payable to:			
- auditors of the Company		91	73
- other auditors		231	227
Exchange gain, net		(987)	(350)
Fair value (gain)/loss on investments		(221)	700
Fair value loss/(gain) on derivatives		1,138	(922)
Operating lease expense		2,832	15,928
Loss/(gain) on disposal of property, plant and equipment		6	(1,805)
Gain on disposal of right-of-use assets		(1,824)	–
Gain on disposal of other investments		(438)	–
Provisions made, net		81,954	44,524
Allowance recognised/(written back) for inventory obsolescence, net		8,391	(1,322)
Impairment losses on property, plant and equipment		2,937	7,478
Impairment losses on intangible assets		404	2,568
Impairment losses recognised for development properties		600	–
Dividend income from other investments		(253)	(466)
Interest income:			
- cash and short-term deposits		(37,167)	(32,586)
- other related corporations		(36)	(52)
Sale of scrap		(1,094)	(1,368)
Government grant		(24,198)	(6,616)

26. Finance costs

	Group	
	2019	**2018**
	$'000	$'000
Bank term loans	27,320	28,290
Lease liabilities	1,056	–
Bills and other discounting	9,321	7,496
Bank charges	1,146	1,124
Facilities fees	178	120
	39,021	37,030

27. Employee benefits

	Group	
	2019	**2018**
	$'000	$'000
Wages and salaries	295,645	298,349
Cost of share-based payments	24	–
Contributions to defined contribution plans	64,663	64,663
	360,332	363,012

28. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	**2018**
	$'000	$'000
Consolidated income statement:		
Current tax charge		
- Current year	41,598	44,328
- Over provision in respect of prior years	(700)	(3,288)
	40,898	41,040

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. Income tax expense (cont'd)

Major components of income tax expense (cont'd)

	Group	
	2019	**2018**
	$'000	**$'000**
Deferred tax expense		
- Movements in temporary differences	(11,016)	(9,676)
- Under/(over) provision in respect of prior years	842	(353)
	(10,174)	(10,029)
Withholding tax expense	6,065	7,938
Income tax expense recognised in profit or loss	36,789	38,949

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Profit before income tax	182,559	198,775
Income tax using the PRC tax rate of 25% (2018: 25%)	45,640	49,694
Adjustments:		
Effect of different tax rates in other countries	(758)	1,287
Effect of tax concessions	(15,201)	(19,273)
Non-deductible expenses	11,146	9,045
Tax-exempt income	(4,021)	(2,515)
Utilisation of deferred tax benefits previously not recognised	(3,949)	(1,123)
Deferred tax benefits not recognised	4,897	3,952
Tax credits for research and development expense	(6,291)	(4,561)
(Over)/under provision in respect of prior years:		
- current	(700)	(3,288)
- deferred	842	(353)
Withholding tax expense	6,065	7,938
Others	(881)	(1,854)
	36,789	38,949

28. Income tax expense (cont'd)

Relationship between tax expense and accounting profit (cont'd)

Certain subsidiaries of the Group in the PRC have been granted a concessionary tax rate under the Corporate Income Tax ("CIT") Law of the PRC. Income from these entities is subject to tax at the concessionary rate of 15% instead of the national standard income tax rate of 25% (2018: 25%). This concession is available subject to certain conditions including these entities remain engaged in advanced and new technology.

The CIT law also provides for a tax of 10% to be withheld from dividends paid to foreign investors of the PRC enterprises. This withholding tax provision does not apply to dividends paid out of profits earned prior to 1 January 2008. Beginning on 1 January 2008, a 10% withholding tax is imposed on dividends paid to the Group, as a non-resident enterprise, unless an applicable tax treaty provides for a lower tax rate and the Group will recognise a provision for withholding tax payable for profits accumulated after 31 December 2007 for the earnings that the Group does not plan to indefinitely reinvest in the PRC enterprises. As of 31 December 2019, the amount of deferred tax liability recognised in respect of withholding tax payable was $20,644,000 (2018: $21,232,000). The amount of unrecognised deferred tax liability relating to undistributed earnings of the PRC enterprises is estimated to be $48,941,000 (2018: $49,496,000).

29. Earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on:

	Group	
	2019	**2018**
	$'000	$'000
(i) Net profit/(loss) attributable to owners of the Company	34,443	(6,017)
Add back: Loss from discontinued operation, net of tax attributable to owners of the Company	–	30,776
Profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share from continuing operations	34,443	24,759

	2019	**2018**
	No. of shares	No. of shares
(ii) Number of issued ordinary shares at beginning of the year	747,817,118	373,908,559
Shares issued during the year	–	373,908,559
Number of issued ordinary shares at end of the year	747,817,118	747,817,118

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Earnings/(loss) per share (cont'd)

Diluted earnings/(loss) per share

The weighted average number of ordinary shares adjusted for the effect of unissued ordinary shares under the HLA Share Option Scheme is determined as follows:

	Group	
	2019	**2018**
	No. of shares	No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings/(loss) per share	747,817,118	439,470,608
Dilutive effect of share options	21,982	–
Weighted average number of ordinary shares (diluted)	747,839,100	439,470,608

570,000 (2018: 570,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

30. Dividends

There was no dividend declared and paid during the financial years ended 31 December 2019 and 2018.

	Group	
	2019	**2018**
	$'000	$'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final tax exempt (one-tier) dividend for 2019: 1 cent (2018: Nil) per share	7,478	–

31. Share options

By the Company

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

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

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

Ernest Colin Lee – Chairman
Kwek Leng Peck
Ng Sey Ming
Tan Chian Khong

As the HLA Share Option Scheme remains an integral part of the Company's long-term incentive scheme, the Company will be seeking shareholders' approval at its annual general meeting to be held on 18 June 2020, for a further extension of the duration for 10-year period from 30 December 2020 to 29 December 2030 (please refer to the Letter to Shareholders dated 27 May 2020 for more details on the proposed further extension of the HLA Share Option 'Scheme).

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

Market Price Options:

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

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

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

Incentive Price Options:

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

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

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

31. Share options (cont'd)

By the Company (cont'd)

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

Details of the options granted under the HLA Share Option Scheme to subscribe for ordinary shares of the Company as at the end of the financial year are as follows:

Date of grant	Exercise price per Share	Number of options outstanding at 1 January 2019	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year
5/1/2011	$3.17	380,000	–	–	–
28/1/2014	$1.31	190,000	–	–	–
3/6/2019	$0.53	–	350,000	–	–
Total		570,000	350,000	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

Number of options outstanding at 31 December 2019	Number of options exercisable at 1 January 2019	Number of options exercisable at 31 December 2019	Proceeds on options exercised during the year credited to share capital	Market price of Shares at exercise date of option	Exercise period
380,000	380,000	380,000	–	–	5/1/2012 to 4/1/2021
190,000	190,000	190,000	–	–	28/1/2015 to 27/1/2024
350,000	–	–	–	–	3/6/2020 to 2/6/2029
920,000	570,000	570,000	–		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Share options (cont'd)

By the Company (cont'd)

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

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is estimated at the date of the grant using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions:

Date of grant of options	On 5 January 2011	On 28 January 2014	On 3 June 2019
Fair value at measurement date ($)	1.18 – 1.44	0.13 – 0.25	0.14 – 0.17
Share price ($)	3.17	1.31	0.52
Exercise price ($)	3.17	1.31	0.53
Expected volatility (%)	72.0 – 79.0	21.1 – 34.0	40.6 – 48.4
Expected option life (years)	2 – 4	2 – 4	2 – 4
Expected dividends (%)	3.0	3.1	–
Risk-free interest rate (%)	0.9 – 1.4	0.6 – 0.8	1.7 – 1.8

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

The range of exercise prices for options outstanding at the end of the year was $0.53 to $3.17 (2018: $1.31 to $3.17). The weighted average remaining contractual life for these options is 4.85 years (2018: 3.03 years).

By Subsidiary

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

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

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

31. Share options (cont'd)

By Subsidiary (cont'd)

China Yuchai International Limited ("CYI") Equity Incentive Plan ("CYI Equity Plan") (cont'd)

The CYI Equity Plan contains the following key terms:

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Share options (cont'd)

By Subsidiary (cont'd)

China Yuchai International Limited ("CYI") Equity Incentive Plan ("CYI Equity Plan") (cont'd)

No option was granted under the CYI Equity Plan during the financial year under review. As at the end of the year, there were a total of 470,000 unissued Ordinary Shares under option granted pursuant to the CYI Equity Plan. Details of the options to subscribe for Ordinary Shares in CYI are as follows:

Date of grant	Exercise price per Ordinary Share	Balance at 1 January 2019	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2019	Exercise Period
29/7/2014	US$21.11	470,000	–	–	–	470,000	29/7/2015 to 28/7/2024

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

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

32. Commitments

Capital commitments

Capital expenditure contracted for as at the end of the year but not recognised in the financial statements is as follows:

	Group	
	2019	**2018**
	$'000	$'000
Capital commitments in respect of property, plant and equipment	115,842	169,469

32. Commitments (cont'd)

Operating lease commitments as lessee

Commitments for future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	Company
	2018	**2018**
	$'000	$'000
Within 1 year	12,831	533
After 1 year but within 5 years	21,238	786
After 5 years	534	–
	34,603	1,319

Annual rentals payable for the leases of land by the Group under non-cancellable operating leases are subjected to revision at fixed intervals ranging from one to three years. Any increase will not exceed 5.5% on an annualised basis, provided that any rent after such increase shall not exceed the prevailing market rent. The leases expire between 2019 and 2025.

The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are $20,000 within one year and $16,000 within five years.

Finance lease commitments

The Group has finance leases for various plant and machinery. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2018	
	Minimum payments	**Present value of payments**
	$'000	$'000
Within 1 year	970	906
After 1 year but within 5 years	429	408
Total minimum lease payments	1,399	1,314
Less: Amounts representing finance charges	(85)	–
Present value of minimum lease payments	1,314	1,314

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. Related party transactions

(a) *Compensation of key management personnel*

	Group	
	2019	**2018**
	$'000	$'000
Short-term employee benefits	10,909	10,442
Defined contribution plans	106	133
Equity compensation benefits	14	–
	11,029	10,575

Directors' remuneration included in key management personnel compensation amounted to $2,577,000 (2018: $2,265,000).

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

Key management personnel of the Group participate in the HLA Share Option Scheme as described in Note 31. During the financial year, 300,000 (2018: Nil) options were granted to key management personnel pursuant to the HLA Share Option Scheme during the year. All Options are subject to a vesting schedule.

As at the end of the year, 700,000 (2018: 400,000) options granted to key management personnel were outstanding, of which 500,000 (2018: 300,000) were Options granted to the Executive Directors of the Company.

33. Related party transactions (cont'd)

(a) ***Compensation of key management personnel (cont'd)***

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

Awards of share options, restricted stock and stock payments may be granted to key management personnel of the Group who are employees of CYI or a subsidiary of CYI pursuant to the CYI Equity Plan as described in Note 31. In 2019 and 2018, no award was granted to key management personnel under the CYI Equity Plan during the financial years under review. As at the end of the year, 430,000 (2018: 430,000) options granted to key management personnel were outstanding. These options are subject to a vesting period.

(b) ***Sale and purchase of goods and services***

During the year, the Group made payments to a firm, in which a director has an interest, in respect of professional services rendered. This amounted to $208,412 (2018: $299,152). No balance was outstanding at the balance sheet date (2018: nil).

Significant transactions with related parties made at terms agreed between the parties, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Sale of engines and materials		
- associates and joint ventures	180,225	89,384
- related corporations	354,640	84,451
Purchase of materials, supplies and engines		
- associates and joint ventures	458,391	290,082
- related corporations	374,168	324,338
Management services income		
- an associate	444	444
Management services paid and payable		
- related corporations	402	426
Rental paid and payable (include general expenses)		
- immediate holding company	514	581
General and administrative expenses		
- joint ventures	–	348
- related corporations	16,926	16,677
Delivery, storage, distribution and handling expenses		
- related corporations	60,122	46,451
Hospitality, restaurant and consultancy service income		
- a joint venture	1,419	703
- related corporations	3,030	4,739

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. Related party transactions (cont'd)

(b) ***Sale and purchase of goods and services (cont'd)***

Significant transactions with related parties made at terms agreed between the parties, other than those disclosed elsewhere in the financial statements, are as follows (cont'd):

	Group	
	2019	**2018**
	$'000	$'000
Rental income		
- a joint venture	674	–
- related corporations	421	1,185
Purchase of vehicles and machineries		
- related corporations	556	1,251
Purchase of intangible assets		
- related corporations	33,525	–

(c) ***Outstanding balances with a related party***

As at 31 December 2019, there is no fixed deposits held with a related party (2018: $5,000,000).

34. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group and the Company. The management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. The Group's and the Company's policies and financial authority limits are documented and reviewed periodically. The financial authority limits seek to limit and mitigate operational risk by setting threshold of approvals required for the entry into contractual obligations and investments.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group and the Company require collateral in respect of financial assets in certain circumstances.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

34. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulties of the issuer or the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 360 days from the invoice date. Financial assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

The following are credit risk management practices and quantitative and qualitative information about amount arising from expected credit losses for each class of financial assets.

Trade receivables and capitalised contract costs

The Group provides for lifetime expected credit losses for all trade receivables, and capitalised contract costs using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The expected credit losses incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Information regarding loss allowance movement of trade and other receivables and capitalised contract costs are disclosed in Note 16 and 24.

As at 31 December 2019 and 31 December 2018, there was no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(b) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and short-term deposits.

The Group's and the Company's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts. The Group's and the Company's debt obligations are mainly denominated in Singapore Dollar, United States Dollar, Chinese Renminbi, Ringgit Malaysia and Hong Kong Dollar, and at fixed and floating rates of interest. For variable rate financial instruments, a change of 100 bp in interest rate at the reporting date would increase/(decrease) profit before income tax by the amounts shown below.

34. Financial risk management objectives and policies (cont'd)

(b) ***Interest rate risk (cont'd)***

	Profit before income tax	
	100 bp	**100 bp**
	Increase	**Decrease**
	$'000	$'000
Group		
31 December 2019		
Floating rate instruments	(1,136)	1,136
31 December 2018		
Floating rate instruments	(5,307)	5,307

	Profit before income tax	
	100 bp	**100 bp**
	Increase	**Decrease**
	$'000	$'000
Company		
31 December 2019		
Floating rate instruments	(2,899)	2,899
31 December 2018		
Floating rate instruments	(2,789)	2,789

(c) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit facilities.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows, and having adequate amounts of committed credit facilities.

The Group assesses the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash outflows are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk***

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily the Singapore Dollar, Chinese Renminbi, United States Dollar, Ringgit Malaysia, Euro and Hong Kong Dollar.

Foreign currency translation exposure is managed by incurring debt in the operating currency so that where possible operating cash flows can be primarily used to repay obligations in the local currency. This also has the effect of minimising the exchange differences recorded against income, as the exchange differences on the net investment are recorded directly against equity.

The Group does not apply hedge accounting for such foreign currency denominated sales, purchases and borrowings.

The Group's and the Company's financial assets and liabilities balances that have exposures to foreign currencies are as follows:

	2019					
Group	**Singapore Dollar**	**Chinese Renminbi**	**United States Dollar**	**Ringgit Malaysia**	**Euro**	**Hong Kong Dollar**
	$'000	$'000	$'000	$'000	$'000	$'000
Other investments	1,785	–	–	–	–	–
Trade and other receivables	287	66,221	58,610	12,044	346	133
Cash and bank balances	44,173	751	3,092	1,422	27	–
Loans and borrowings	(3,036)	–	(32,979)	–	–	–
Trade and other payables	(92,190)	(967)	(87,137)	(8,080)	(5,456)	(1,068)
	(48,981)	66,005	(58,414)	5,386	(5,083)	(935)
Add/(less): Loan payables/(receivables) forming part of net investment in foreign entities	67,507	(63,708)	–	–	–	–
	18,526	2,297	(58,414)	5,386	(5,083)	(935)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk (cont'd)***

	2018					
Group	**Singapore Dollar**	**Chinese Renminbi**	**United States Dollar**	**Ringgit Malaysia**	**Euro**	**Hong Kong Dollar**
	$'000	$'000	$'000	$'000	$'000	$'000
Other investments	4,403	–	–	–	–	–
Trade and other receivables	1,193	64,398	53,152	–	5,338	134
Cash and bank balances	45,868	7,235	6,879	5	320	–
Loans and borrowings	(3,010)	–	(99,965)	–	–	–
Trade and other payables	(74,026)	(8,846)	(79,279)	(21)	(3,615)	(1,076)
	(25,572)	62,787	(119,213)	(16)	2,043	(942)
Add/(less): Loan payables/(receivables) forming part of net investment in foreign entities	48,974	(46,457)	–	–	–	–
	23,402	16,330	(119,213)	(16)	2,043	(942)

34. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk (cont'd)***

	2019		2018	
Company	**Chinese Renminbi**	**United States Dollar**	**Chinese Renminbi**	**United States Dollar**
	$'000	$'000	$'000	$'000
Trade and other receivables	–	55,940	–	49,429
Cash and bank balances	63	660	63	660
Loans and borrowings	–	(6,037)	–	(464)
Trade and other payables	–	(1)	–	(4)
	63	50,562	63	49,621

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would increase/(decrease) profit before income tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before income tax	
	2019	**2018**
Group	$'000	$'000
Singapore Dollar	1,853	2,340
Chinese Renminbi	230	1,633
United States Dollar	(5,841)	(11,921)
Ringgit Malaysia	539	(1)
Euro	(508)	204
Hong Kong Dollar	(94)	(94)
Company		
Chinese Renminbi	6	6
United States Dollar	5,056	4,962

A 10% weakening of the above would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

35. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the assets or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
31 December 2019	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$'000	$'000	$'000	$'000
Financial assets				
Other investments	17,983	–	–	17,983
Bill receivables	–	1,352,875	–	1,352,875
At 31 December 2019	17,983	1,352,875	–	1,370,858
Financial liabilities				
Derivatives	–	47	–	47
At 31 December 2019	–	47	–	47

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Group			
31 December 2018	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$'000	$'000	$'000	$'000
Financial assets				
Other investments	7,267	–	–	7,267
Derivatives	–	899	–	899
Bill receivables	–	1,386,734	–	1,386,734
At 31 December 2018	7,267	1,387,633	–	1,394,900

(c) ***Level 2 fair value measurements***

The Group's derivatives at the end of the reporting period consist of the following:

i. On 19 September 2018, the Group entered into a non-deliverable forward foreign exchange contract ("NDF") with a bank to purchase US$73.0 million at the forward exchange rate (RMB/USD) of 6.8599 on 13 September 2019. The Group accounted for this NDF at fair value through "Other income" in the income statement.

ii. On 11 December 2019, the Group entered into a NDF with a bank to purchase US$20.0 million at the forward exchange rate (RMB/USD) of 7.0901 on 8 December 2020. The Group accounted for this NDF at fair value through "Other income" in the income statement.

iii. In 2019, the Group entered into forward currency contracts which were used for the Group's sales and purchases denominated in USD and EURO for which firm commitments existed at the reporting date, extending to 2020. The Group accounted for this forward currency contract at fair value through "Other income" in the income statement.

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

The fair value of the Group's bill receivables are measured based on quoted market interest rates of similar instruments.

35. Fair value of assets and liabilities (cont'd)

(d) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

The carrying amounts of current trade and other receivables (Note 16), cash and short-term deposits (Note 17), trade and other payables (Note 22), and current loans and borrowings (Note 20) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of non-current receivables (Note 12) and other non-current payables (Note 22) are reasonable approximation of fair values as the consideration of time value of money is not material.

The carrying amounts of long term deposits (Note 17) and non-current loans and borrowings (Note 20) are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting period or their interest rates approximate the market lending rate.

Set out below is a comparison by category of carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements:

Classification of financial instruments

Group	**Financial assets at amortised cost**	**Fair value through profit or loss**	**Fair value through OCI**	**Financial liabilities at amortised cost**	**Total**
31 December 2019	$'000	$'000	$'000	$'000	$'000
Assets					
Other investments	–	1,785	16,198	–	17,983
Non-current receivables	5,741	–	–	–	5,741
Trade receivables	264,505	–	–	–	264,505
Bill receivables	–	–	1,352,875	–	1,352,875
Due from related corporations	17,587	–	–	–	17,587
Refundable deposits	3,106	–	–	–	3,106
Lease receivables	466	–	–	–	466
Other receivables	18,849	–	–	–	18,849
Cash and bank balances	1,328,638	–	–	–	1,328,638
	1,638,892	1,785	1,369,073	–	3,009,750
Liabilities					
Trade payables	–	–	–	1,140,523	1,140,523
Accrued expenses	–	–	–	307,461	307,461
Other payables	–	–	–	26,788	26,788
Refund liabilities	–	–	–	146,303	146,303
Due to related corporations	–	–	–	113,119	113,119
Loans and borrowings	–	–	–	761,299	761,299
Lease liabilities	–	–	–	23,012	23,012
Provision for bonus	–	–	–	34,044	34,044
	–	–	–	2,552,549	2,552,549

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Fair value of assets and liabilities (cont'd)

(d) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)***

Classification of financial instruments (cont'd)

Group 31 December 2018	Financial assets at amortised cost $'000	Fair value through profit or loss $'000	Fair value through OCI $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets					
Other investments	–	4,353	2,914	–	7,267
Non-current receivables	4,496	–	–	–	4,496
Trade receivables	178,209	–	–	–	178,209
Bill receivables	–	–	1,386,734	–	1,386,734
Due from related corporations	19,861	–	–	–	19,861
Refundable deposits	3,061	–	–	–	3,061
Lease receivables	1,304	–	–	–	1,304
Other receivables	35,935	–	–	–	35,935
Cash and bank balances	1,321,978	–	–	–	1,321,978
Derivatives	–	899	–	–	899
	1,564,844	5,252	1,389,648	–	2,959,744
Liabilities					
Trade payables	–	–	–	934,855	934,855
Accrued expenses	–	–	–	258,173	258,173
Other payables	–	–	–	28,595	28,595
Refund liabilities	–	–	–	151,271	151,271
Due to related corporations	–	–	–	102,303	102,303
Loans and borrowings	–	–	–	774,965	774,965
Provision for bonus	–	–	–	31,794	31,794
	–	–	–	2,281,956	2,281,956

35. Fair value of assets and liabilities (cont'd)

(d) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)***

Classification of financial instruments (cont'd)

Company	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
31 December 2019	$'000	$'000	$'000
Assets			
Due from related corporations	279,668	–	279,668
Refundable deposits	9	–	9
Other receivables	9	–	9
Cash and short-term deposits	8,557	–	8,557
	288,243	–	288,243
Liabilities			
Accrued expenses	–	2,587	2,587
Other payables	–	8	8
Due to related corporations	–	440	440
Loans and borrowings	–	294,875	294,875
	–	297,910	297,910
31 December 2018			
Assets			
Due from related corporations	264,511	–	264,511
Refundable deposits	36	–	36
Other receivables	929	–	929
Cash and short-term deposits	29,275	–	29,275
	294,751	–	294,751
Liabilities			
Accrued expenses	–	2,278	2,278
Other payables	–	4,147	4,147
Due to related corporations	–	2,735	2,735
Loans and borrowings	–	293,224	293,224
	–	302,384	302,384

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital structure in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

As disclosed in Note 19(b), the Group's subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial years ended 31 December 2019 and 2018.

There were no changes in the Group's approach to capital management during the year.

	Group	
	2019	**2018**
	$'000	$'000
Loans and borrowings (current and non-current)	761,299	774,965
Trade and other payables (current and non-current)	1,772,091	1,511,377
Less: Cash and deposits	(1,328,638)	(1,321,978)
Net debt	1,204,752	964,364
Equity attributable to the owners of the Company	764,824	746,852
Less: Fair value reserve	(8,378)	(2,192)
Statutory reserve	(15,801)	(15,425)
Total capital	740,645	729,235
Capital and net debt	1,945,397	1,693,599

37. Segment information

For management purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

Reportable segments

(i) Diesel engines: diesel engines and automobile spare parts.

(ii) Consumer products (discontinued operation – see Note 7(e)): refrigerators, freezers and washing machines.

(iii) Building materials: cement, precast concrete products, ready-mix concrete and quarry products.

(iv) Rigid plastic packaging: plastic packaging related products and container components.

(v) Air-conditioning systems: commercial and residential air-conditioning products and lifestyle consumer appliances.

Other operations include hospitality and property development. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2019 or 2018.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment report is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information (cont'd)

Reportable segments (cont'd)

2019	**Diesel engines** $'000	**Building materials** $'000
Total external revenue	3,549,762	505,787
Interest income	33,979	1,454
Interest expense	(25,043)	(1,337)
Depreciation and amortisation	(90,748)	(20,909)
Reportable segment profit/(loss) before income tax	201,179	14,191
Share of profit of associates and joint ventures, net of income tax	3,581	1,208
Reportable segment profit/(loss) after income tax	167,204	12,763
Other material non-cash items:		
- Impairment losses recognised on property, plant and equipment and intangible assets	780	–
- Claims and restoration costs, net	–	(1,013)
- Warranties	83,295	–
- Onerous contract	457	(912)
Assets and liabilities		
Reportable segment assets	4,474,172	335,881
Investment in associates and joint ventures	53,286	58,374
Capital expenditure ^	287,009	15,705
Reportable segment liabilities	2,368,419	142,372

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

	Rigid plastic packaging	Air-conditioning systems	Corporate and Others*	Adjustments	Consolidated total
	$'000	$'000	$'000	$'000	$'000
	31,835	9,641	7,064	–	4,104,089
	50	19	4,609	(2,908)	37,203
	(1,317)	(1,661)	(11,420)	2,903	(37,875)
	(1,437)	(923)	(1,221)	–	(115,238)
	(1,462)	(17,820)	(13,529)	–	182,559
	–	–	177	–	4,966
	(1,523)	(18,629)	(14,045)	–	145,770
	–	2,561	–	–	3,341
	–	–	–	–	(1,013)
	–	127	–	–	83,422
	–	–	–	–	(455)
	46,301	34,586	1,024,956	(912,351)	5,003,545
	–	–	–	–	111,660
	1,269	14	264	–	304,261
	111,516	127,660	939,887	(827,813)	2,862,041

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information (cont'd)

Reportable segments (cont'd)

2018	Diesel engines $'000	Building materials $'000
Total external revenue	3,299,770	428,191
Interest income	29,116	1,633
Interest expense	(21,971)	(398)
Depreciation and amortisation	(88,711)	(18,311)
Reportable segment profit/(loss) before income tax	236,706	(8,750)
Share of profit of associates and joint ventures, net of income tax	2,200	1,094
Reportable segment profit/(loss) after income tax	194,805	(6,496)
Other material non-cash items:		
- Impairment losses recognised on property, plant and equipment and intangible assets	6,142	–
- Claims and restoration costs, net	–	(904)
- Warranties	45,716	–
- Onerous contract	–	(369)
Assets and liabilities		
Reportable segment assets	4,169,584	299,727
Investment in associates and joint ventures	44,092	60,215
Capital expenditure ^	121,958	14,559
Reportable segment liabilities	2,076,376	100,702

* Others include hospitality and property development.
^ Capital expenditure consists additions of property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

Rigid plastic packaging	Air-conditioning systems	Corporate and Others*	Consumer products (Discontinued operation)	Adjustments	Consolidated total
$'000	$'000	$'000	$'000	$'000	$'000
32,604	14,332	10,744	7,873	(7,873)	3,785,641
39	21	4,544	13	(2,728)	32,638
(1,286)	(2,003)	(12,921)	(2,910)	5,583	(35,906)
(1,670)	(1,446)	(1,182)	(786)	786	(111,320)
(2,968)	(11,024)	(15,189)	(33,162)	33,162	198,775
–	–	168	–	–	3,462
(3,261)	(11,025)	(14,197)	(33,162)	33,162	159,826
33	3,087	784	–	–	10,046
–	–	–	–	–	(904)
2	79	–	202	(202)	45,797
–	–	–	–	–	(369)
45,819	41,348	1,052,877	–	(896,806)	4,712,549
–	–	582	–	–	104,889
788	529	615	99	–	138,548
109,094	120,710	986,616	–	(835,012)	2,558,486

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information (cont'd)

Geographical segments

The Group operations are primarily in the PRC, Singapore and Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	The PRC	Singapore	Malaysia	Others	Consolidated total
	$'000	$'000	$'000	$'000	$'000
2019					
Total revenue from external customers	3,573,020	308,376	205,887	16,806	4,104,089
Non-current assets #	1,041,499	34,345	150,744	2	1,226,590
2018					
Total revenue from external customers	3,318,192	243,812	197,630	26,007	3,785,641
Non-current assets #	869,122	22,709	152,815	4	1,044,650

\# Exclude interests in associates and joint ventures, other investments, capitalised contract costs, deferred tax assets, long-term deposits and non-current receivables.

Major customer

Revenue from one customer group of the Group's diesel engines segment in the PRC amounted to approximately $1,027,686,000 (2018: $908,656,000).

38. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) **Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) ***Derecognition of bill receivable***

The Group sells bill receivable to banks on an ongoing basis depending on funding needs and money market conditions. While the buyer is responsible for servicing the receivables upon maturity of the bill receivable, Chinese law governing bills allows recourse to be traced to all the parties in the discounting process. In relation to the de-recognition of bill receivable when discounted, the management believes that the contractual right to receive the cash flows from the asset have terminated with the Group, but transferred to the banks. Accordingly, bill receivable are derecognised, and a discount equal to the difference between the carrying value of the bill receivable and cash received is recorded in the statement of profit or loss. Please refer to Note 16 to the financial statements.

38. Significant accounting judgements and estimates (cont'd)

(a) Judgements made in applying accounting policies (cont'd)

(ii) *Identifying performance obligations in sales of engines*

The Group provides certain warranties for both general repairs and maintenance service as part of the sales of diesel engines. For general repairs, such warranties will be assurance-type warranty that will continue to be accounted for under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. For maintenance services, it will be accounted for as a service-type warranties that are capable of being distinct and customers can benefit from the service on its own. Hence, the Group identified two separate performance obligation, one is the promise to transfer the engine and the other one is to provide maintenance services after reaching certain on-road mileage or running hours. Consequently, the Group allocated a portion of the transaction price to the engines and the maintenance services based on relative stand-alone selling prices that are determined by a combination of expected cost plus margin and residual approaches.

(iii) *Capitalisation of development costs*

Development costs are capitalised in accordance with the accounting policy in Note 2.13. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

The carrying amount of development costs capitalised is disclosed in Note 5 to the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. Where applicable, the Group considers independent valuation reports of valuation specialists. The value in use calculation is based on a discounted cash flow model or relief-from-royalty method depending on the nature of the non-financial asset. The cash flows are derived from the budget for the next five years or the commercial useful life of the assets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of property, plant and equipment and intangible assets are disclosed in Note 6 to the financial statements.

Further details of the key assumptions applied in the impairment assessment of investment in subsidiaries are disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. Significant accounting judgements and estimates (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(ii) *Allowance for inventory obsolescence*

Where necessary, allowance for inventory obsolescence would be set up for estimated losses which may result from obsolete inventories held. The Group estimates the level of allowance based on the prevailing market conditions and historical provisioning experience. The required level of allowance could change significantly as a result of changes in market conditions.

The amounts of allowance recognised are disclosed in Note 14 to the financial statements.

39. Events occurring after the reporting period

Coronavirus disease ("COVID-19") outbreak

Subsequent to the reporting period, the COVID-19 outbreak halted almost all economic activities, save for essential services, and disrupted global supply chains. Various measures (which included city lockdowns, travel restrictions and quarantine measures) have been implemented by governments in the countries that the Group operates in, to contain the spread of COVID-19.

The COVID-19 outbreak is expected to have an impact on the performance of the Group's businesses in China, Singapore and Malaysia for 2020.

The Group's diesel engines unit in China resumed operations in mid-February 2020 at a relatively small scale due to the shortage of engine components and materials as a result of continuing supply chain disruptions as well as lack of manpower. By mid-March 2020, utilisation rate surpassed 50% and has continued to increase since then.

In Malaysia, the Movement Control Order ("MCO") imposed since 18 March 2020 is still in force. During the MCO period, factories producing non-essential goods are not permitted to operate and no deliveries may be made. While the Group's integrated cement plant is not considered as essential goods, it had since received approval to resume operation. However, its ready-mix batching plants have yet to resume operations.

The Circuit Breaker ("CB") measures in Singapore came into force on 7 April 2020 and businesses which are deemed as non-essential have to cease operations including the Group's building materials unit during this period. The Singapore government has put in place schemes and made certain policy changes to help companies deal with financial difficulties caused by the imposition of the CB. Laws have been passed to temporarily put on hold certain contractual obligation of parties during the CB period including those relating to deliveries of building materials and project and project delays in the construction industry.

The COVID-19 situation is still evolving. The Group is closely monitoring and assessing the overall impact on the Group's businesses and financial performance for 2020 and will take the necessary remedial measures, where possible.

Acquisition of additional interest in a subsidiary

On 21 April 2020, the Group's subsidiary company, Well Summit Investments Limited, acquired an additional 0.97% equity interest in CYI from the open market for a cash consideration of US$4,702,395.37, thereby increasing the Group's interest in CYI to 42.72%.

40. Authorisation of financial statements

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors passed on 30 April 2020.

财务报表

资产负债表

2019年12月31日

	附注	合并 2019年12月31日 $'000	合并 2018年12月31日 $'000	母公司 2019年12月31日 $'000	母公司 2018年12月31日 $'000
非流动资产					
固定资产	3	951,772	893,959	112	93
土地使用权	4	–	105,405	–	–
无形资产	5	145,609	43,942	72	109
子公司股权投资	7	–	–	212,367	201,935
联营公司权益	8	43,688	45,380	14,605	13,726
合资公司权益	9	67,972	59,509	–	–
投资性房地产	10	1,265	1,344	–	–
其它金融资产	11	16,198	2,914	–	–
长期应收款	12	5,811	4,897	10,000	20,000
合同资产	24	26,350	8,825	–	–
使用权资产	21	127,944	–	56	–
递延所得税资产	13	82,029	72,934	–	–
长期存款	17	9,655	13,902	–	–
		1,478,293	1,253,011	237,212	235,863
流动资产					
存货	14	594,208	562,729	–	–
开发性房地产	15	3,422	4,025	–	–
其它金融资产	11	1,785	4,353	–	–
应收账款及其他应收款	16	1,718,514	1,684,345	269,712	245,506
货币资金	17	1,318,983	1,308,076	8,557	29,275
衍生金融资产		–	899	–	–
		3,636,912	3,564,427	278,269	274,781
总资产合计		5,115,205	4,817,438	515,481	510,644

此报告中的附注是组成这些财务报表不可或缺的内容

资产负债表

2019年12月31日

		合并		母公司	
	附注	2019年 12月31日 $' 000	2018年 12月31日 $' 000	2019年 12月31日 $' 000	2018年 12月31日 $' 000
流动负债					
应付账款及其他应付款	22	1,738,047	1,479,583	3,035	9,160
合同负债	24	74,594	56,956	–	–
租赁负债	21	11,309	–	41	–
预计负债	23	45,168	38,556	–	–
短期借款	20	647,510	544,657	194,875	66,324
应付所得税		13,546	14,938	72	89
衍生金融负债		47	–	–	–
		2,530,221	2,134,690	198,023	75,573
净流动资产		1,106,691	1,429,737	80,246	199,208
非流动负债					
长期借款	20	113,789	230,308	100,000	226,900
递延所得税负债	13	35,068	34,741	2,631	2,333
递延补贴		126,823	116,285	–	–
其他非流动应付款	22	34,044	31,794	–	–
合同负债	24	10,391	10,666	–	–
租赁负债	21	11,703	–	16	–
应付退休金		2	2	–	–
		331,820	423,796	102,647	229,233
总负债合计		2,862,041	2,558,486	300,670	304,806
净资产		2,253,164	2,258,952	214,811	205,838
股本与公积					
发行股本	18	467,890	467,890	467,890	467,890
各项储备	19	296,934	278,962	(253,079)	(262,052)
		764,824	746,852	214,811	205,838
非控股权益		1,488,340	1,512,100	–	–
所有者权益合计		2,253,164	2,258,952	214,811	205,838
负债及所有者权益总计		5,115,205	4,817,438	515,481	510,644

此报告中的附注是组成这些财务报表不可或缺的内容

合并利润表

截至2019年12月31日

	附注	合并 2019 $' 000	合并 2018 $' 000
持续经营			
营业收入	24	4,104,089	3,785,641
营业成本		(3,388,191)	(3,085,031)
毛利润		715,898	700,610
其他收入项目			
其他收入		71,509	48,774
其他费用项目			
销售费用		(296,492)	(247,115)
研发费用		(98,589)	(92,734)
管理费用		(173,956)	(174,298)
财务费用	26	(39,021)	(37,030)
其他费用		(1,756)	(2,894)
享有联营企业利润的份额		4,966	3,462
税前利润	25	182,559	198,775
所得税费用	28	(36,789)	(38,949)
本年来自持续经营的利润		145,770	159,826
终止经营			
本年来自终止经营的亏损	7(e)	–	(33,162)
本年利润		145,770	126,664
利润归属于:			
母公司所有者			
- 本年来自持续经营的利润		34,443	24,759
- 本年来自终止经营的亏损		–	(30,776)
		34,443	(6,017)
非控股权益			
- 本年来自持续经营的利润		111,327	135,067
- 本年来自终止经营的亏损		–	(2,386)
		111,327	132,681
来自持续经营的每股收益(分)			
- 基本	29	4.61	5.63
- 稀释	29	4.61	5.63
来自持续及终止经营的每股收益/(亏损)(分)			
- 基本	29	4.61	(1.37)
- 稀释	29	4.61	(1.37)

此报告中的附注是组成这些财务报表不可或缺的内容

合并综合收益表

截至2019年12月31日

	合并	
	2019	**2018**
	$' 000	$' 000
本年利润	145,770	126,664
其他综合收益		
不能重分类进损益的其他综合收益		
其他权益工具投资公允价值变动	6,483	(3,403)
将重分类进损益的其他综合收益		
国外子公司，联营公司和合资公司的外币报表折算差额	(58,069)	(62,014)
其他债权投资公允价值变动	602	6,646
因丧失控制权情况下处置子公司而实现的各项储备	–	(10,250)
货币项目视同国外投资而产生的汇兑差额	–	1,303
本年其他综合收益(税后净值)	(50,984)	(67,718)
本年综合收益总额	94,786	58,946
归属于：		
母公司所有者	26,211	(77,439)
非控股权益	68,575	136,385
本年综合收益总额	94,786	58,946
归属于：		
母公司所有者		
- 本年来自持续经营的综合收益	26,211	4,503
- 本年来自终止经营的综合收益	–	(81,942)
	26,211	(77,439)

此报告中的附注是组成这些财务报表不可或缺的内容

合并所有者权益变动表

截至2019年12月31日

合并	**附注**	**发行股本**	**资本公积**	**法定公积**	**公允价值公积**
		$' 000	$' 000	$' 000	$' 000
2019年1月1日余额		467,890	4,351	15,425	2,192
本年利润		–	–	–	–
其他综合收益					
国外子公司，联营公司和合资公司的外币报表折算差额		–	–	–	–
其他权益工具投资公允价值变动		–	–	–	5,994
其他债权投资公允价值变动		–	–	–	192
本年其他综合收益（税后净值）		–	–	–	6,186
本年综合收益总额		–	–	–	6,186
与所有者的交易直接在权益确认					
所有者投入和减少资本					
支付子公司非控股东股利		–	–	–	–
支付股份费用		–	–	–	–
对子公司控股权的变动					
收购非控股权		–	–	–	–
其他					
转入法定公积		–	–	376	–
2019年12月31日余额		467,890	4,351	15,801	8,378

此报告中的附注是组成这些财务报表不可或缺的内容

合并所有者权益变动表

截至2019年12月31日

权益报酬公积	外币折算储备	非控股权变动的盈余/(亏损)	未分配利润	归属于母公司所有者权益合计	非控股权益	所有者权益合计
$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952
–	–	–	34,443	34,443	111,327	145,770
–	(14,418)	–	–	(14,418)	(43,651)	(58,069)
–	–	–	–	5,994	489	6,483
–	–	–	–	192	410	602
–	(14,418)	–	–	(8,232)	(42,752)	(50,984)
–	(14,418)	–	34,443	26,211	68,575	94,786
–	–	–	–	–	(68,427)	(68,427)
24	–	–	–	24	–	24
–	–	(8,263)	–	(8,263)	(23,908)	(32,171)
–	–	–	(376)	–	–	–
5,267	(40,812)	43,035	260,914	764,824	1,488,340	2,253,164

合并所有者权益变动表

截至2019年12月31日

合并	附注	发行股本	资本公积	法定公积	公允价值公积
		$' 000	$' 000	$' 000	$' 000
2018年1月1日余额(新加坡财务报告准则框架)		266,830	4,391	33,753	45,859
采用新加坡财务报告准则(国际)的累计影响		–	–	–	(8,601)
2018年1月1日余额(新加坡财务报告准则(国际)框架)		266,830	4,391	33,753	37,258
本年利润		–	–	–	–
<u>其他综合收益</u>					
国外子公司,联营公司和合资公司的外币报表折算差额		–	–	–	–
其他权益工具投资公允价值变动		–	–	–	(2,654)
其他债权投资公允价值变动		–	–	–	1,902
货币项目视同国外投资而产生的汇兑差额		–	–	–	–
因丧失控制权情况下处置子公司而实现的各项 储备		–	(40)	(18,608)	(34,314)
本年其他综合收益(税后净值)		–	(40)	(18,608)	(35,066)
本年综合收益总额		–	(40)	(18,608)	(35,066)
与所有者的交易直接在权益确认					
<u>所有者投入和减少资本</u>					
本年发行的股份	18	201,911	–	–	–
本年发行股份的费用	18	(851)	–	–	–
支付子公司非控股东股利		–	–	–	–
<u>对子公司控股权的变动</u>					
收购非控股权		–	–	–	–
<u>其他</u>					
转入法定公积		–	–	280	–
2018年12月31日余额		467,890	4,351	15,425	2,192

此报告中的附注是组成这些财务报表不可或缺的内容

合并所有者权益变动表

截至2019年12月31日

权益报酬公积	外币折算储备	非控股权变动的盈余/(亏损)	未分配利润	归属于母公司所有者权益合计	非控股权益	所有者权益合计
$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
5,243	(60,354)	35,397	286,025	617,144	1,529,645	2,146,789
–	51,668	–	(52,881)	(9,814)	(21,856)	(31,670)
5,243	(8,686)	35,397	233,144	607,330	1,507,789	2,115,119
–	–	–	(6,017)	(6,017)	132,681	126,664
–	(23,058)	–	–	(23,058)	(38,956)	(62,014)
–	–	–	–	(2,654)	(749)	(3,403)
–	–	–	–	1,902	4,744	6,646
–	1,303	–	–	1,303	–	1,303
–	4,047	–	–	(48,915)	38,665	(10,250)
–	(17,708)	–	–	(71,422)	3,704	(67,718)
–	(17,708)	–	(6,017)	(77,439)	136,385	58,946
–	–	–	–	201,911	–	201,911
–	–	–	–	(851)	–	(851)
–	–	–	–	–	(102,871)	(102,871)
–	–	15,901	–	15,901	(29,203)	(13,302)
–	–	–	(280)	–	–	–
5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952

所有者权益变动表

截至2019年12月31日

母公司	**附注**	**发行股本**	**资本公积**	**权益报酬公积**	**未分配利润**	**合计**
		$' 000	$' 000	$' 000	$' 000	$' 000
2019年1月1日余额		467,890	9,199	2,467	(273,718)	205,838
本年综合收益总额		–	–	–	8,949	8,949
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付股份费用		–	–	24	–	24
2019年12月31日余额		467,890	9,199	2,491	(264,769)	214,811
2018年1月1日余额		266,830	9,199	2,467	(55,562)	222,934
本年综合收益总额		–	–	–	(218,156)	(218,156)
与所有者的交易直接在权益确认						
所有者投入和减少资本						
本年发行的股份	18	201,911	–	–	–	201,911
本年发行股份的费用	18	(851)	–	–	–	(851)
2018年12月31日余额		467,890	9,199	2,467	(273,718)	205,838

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至2019年12月31日

	附注	合并 2019	2018
		$' 000	$' 000
经营活动产生的现金流量			
本年来自持续经营的税前利润		182,559	198,775
本年来自终止经营的税前亏损		–	(33,162)
调整项目:			
享有联营企业利润的份额		(4,966)	(3,462)
股份支付费用		24	–
折旧与摊销费用		115,238	112,106
存货跌价准备变动		8,391	(195)
应收账款及其他应收款坏账准备变动		7,418	(1,793)
固定资产及无形资产减值准备		3,341	10,046
开发性房地产减值准备		600	–
固定资产注销	25	877	268
财务费用		39,021	39,965
其他投资股利收入	25	(253)	(466)
利息收入		(37,203)	(32,651)
终止合并/处置以下资产的损失/(收益):			
- 子公司		–	9,303
- 固定资产		6	(1,805)
- 使用权资产		(1,824)	–
- 其它金融资产		(438)	–
其他投资公允价值变动(收益)/损失	25	(221)	700
衍生性金融产品公允价值变动损失/(收益)	25	1,138	(922)
三包费及其他准备计提净额		81,954	44,726
流动资金变动前经营活动产生的现金流量		395,662	341,433
流动资金的变动:			
存货的变动		(53,722)	13,346
应收账款,合同资产及其他应收款的变动		(125,385)	(100,488)
应付账款,合同负债及其他应付款的变动		306,681	(131,885)
政府补贴收入收到的现金		38,242	55,559
已计提准备的使用	23	(74,190)	(52,216)
经营活动产生的现金流量		487,288	125,749
支付所得税		(45,933)	(40,271)
经营活动产生的现金流量净额		441,355	85,478

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至2019年12月31日

	附注	合并 2019	合并 2018
		$' 000	$' 000
投资活动产生的现金流量			
联营及合资公司权益		(8,126)	(15,267)
取得股利分配收到的现金:			
- 联营公司与合资公司		3,180	2,885
- 其他金融资产	25	253	466
取得利息收入收到的现金		36,635	31,879
银行存款净增加额		(29,880)	15,145
购置资产支付的现金:			
- 固定资产		(164,152)	(100,554)
- 无形资产		(102,123)	(37,182)
- 其他金融资产		(6,811)	(1,124)
终止合并/处置资产产生的净现金(流出)/流入:			
- 子公司	7(e)	–	(5,201)
- 固定资产		548	1,651
- 使用权资产		2,173	–
- 其他金融资产		3,208	–
上年度因处置子公司的税费与相关费用		(7,677)	–
投资活动使用的现金流量净额		(272,772)	(107,302)
筹资活动产生的现金流量			
收购子公司的非控制性权益(包括股权互换交易)		(32,171)	(13,302)
分配股利支付非控股东的现金		(68,427)	(102,871)
偿付利息支付的现金		(40,051)	(39,179)
发行股份产生的现金		–	201,060
向银行借款收到的现金		586,900	517,410
偿还银行贷款支付的现金		(587,069)	(544,157)
偿还租赁融资支付的现金		–	(786)
偿还租赁负债支付的现金		(15,902)	–
筹资活动(使用)/产生的现金流量净额		(156,720)	18,175
现金及现金等价物净增加/(减少)额		11,863	(3,649)
年初现金及现金等价物余额	17	1,224,105	1,262,104
汇率变动对现金及现金等价物的影响		(31,732)	(34,350)
年末现金及现金等价物余额	17	1,204,236	1,224,105

附注:

存放于实行外汇管制国家的现金及现金等价物共计*$1,056,048,000 (2018: $1,039,086,000)*。

附注*7*列示*2018*年收购和处置子公司的现金流影响。

此报告中的附注是组成这些财务报表不可或缺的内容

ANALYSIS OF SHAREHOLDINGS

as at 14 May 2020

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	747,817,118
Number of Ordinary Shareholders	:	5,510
Voting Rights	:	1 vote for 1 share

As at 14 May 2020, there were no shares held as treasury shares or subsidiary holdings^ in the Company.

^ 'Subsidiary holdings' is defined in the Listing Manual issued by Singapore Exchange Securities Trading Limited ("Listing Manual") to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	12	0.22	143	0.00
100 – 1,000	653	11.85	618,417	0.08
1,001 – 10,000	3,028	54.95	16,443,440	2.20
10,001 – 1,000,000	1,796	32.60	84,006,335	11.23
1,000,001 and above	21	0.38	646,748,783	86.49
	5,510	100.00	747,817,118	100.00

Based on information available to the Company as at 14 May 2020, approximately 24.15% of the total number of issued Shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

MAJOR SHAREHOLDERS LIST - TOP 20 AS AT 14 May 2020

No.	Name of Shareholder	No. of Shares Held	%*
1	Hong Leong Corporation Holdings Pte Ltd	549,001,657	73.41
2	DBS Nominees Pte Ltd	20,766,665	2.78
3	Citibank Nominees Singapore Pte Ltd	16,522,577	2.21
4	CGS-CIMB Securities (Singapore) Pte Ltd	16,371,800	2.19
5	Taiheiyo Singapore Pte Ltd	9,079,659	1.21
6	Phillip Securities Pte Ltd	6,890,400	0.92
7	Raffles Nominees (Pte) Ltd	2,880,877	0.39
8	United Overseas Bank Nominees Pte Ltd	2,802,600	0.38
9	UOB Kay Hian Pte Ltd	2,786,000	0.37
10	DBSN Services Pte Ltd	2,705,050	0.36
11	Francis Chin Kuok Choon	2,456,100	0.33
12	HSBC (Singapore) Nominees Pte Ltd	1,908,298	0.26
13	DBS Vickers Securities (S) Pte Ltd	1,800,300	0.24
14	OCBC Securities Pte Ltd	1,678,600	0.22
15	Ang Jwee Herng	1,600,000	0.21
16	Maybank Kim Eng Securities Pte Ltd	1,572,400	0.21
17	OCBC Nominees Singapore Pte Ltd	1,478,700	0.20
18	Soon Lee Heng Trading & Transportation Pte Ltd	1,373,900	0.18
19	Lim Thiam Yew Paul or Tan Soon Tze Mrs Lim Soon Tze	1,038,000	0.14
20	Ling Kung Eng	1,034,300	0.14
		645,747,883	86.35

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 14 May 2020.

ANALYSIS OF SHAREHOLDINGS

as at 14 May 2020

SUBSTANTIAL SHAREHOLDERS
(As shown in the Register of Substantial Shareholders as at 14 May 2020)

	No. of Shares			
	Direct Interest	**Deemed Interest**	**Total Interest**	**%***
Hong Leong Corporation Holdings Pte Ltd	549,001,657	13,328,000[(1)]	562,329,657	75.20
Hong Leong Enterprises Pte. Ltd.	-	562,329,657[(2)]	562,329,657	75.20
Hong Leong Investment Holdings Pte. Ltd.	-	562,865,657[(3)]	562,865,657	75.27
Davos Investment Holdings Private Limited	-	562,865,657[(4)]	562,865,657	75.27
Kwek Holdings Pte Ltd	-	562,865,657[(4)]	562,865,657	75.27

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 14 May 2020.

Notes:

(1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("Starich").

(2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.

(3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 4 of the SFA to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investment Pte Ltd.

(4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Ninth Annual General Meeting (the "**Meeting**") of HONG LEONG ASIA LTD. (the "**Company**") will be convened and held by way of electronic means on Thursday, 18 June 2020 at 10.00 a.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December ("**FY**") 2019 and the Auditors' Report thereon.

2. To declare a first and final one-tier tax exempt dividend of 1 cent per ordinary share for FY 2019 ("**First and Final Dividend**").

3. To approve Directors' Fees of $414,685 for FY 2019 (FY 2018: $426,866) and Audit and Risk Committee ("**ARC**") Fees comprising $58,000 payable to the ARC chairman and $38,000 payable to each ARC member for FY 2020 (FY 2019: $58,000 payable for the ARC chairman and $38,000 for each ARC member).

4. To re-elect the following Directors who would be retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for re-election as Directors of the Company:

   (a) Mr Kwek Leng Peck
   (b) Mr Ng Sey Ming

   Detailed information on the Directors who are proposed to be re-elected can be found under the sections on "Board of Directors" and "Additional Information on Directors Seeking Re-election" of the 2019 Annual Report.

5. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.

B. SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

6. That authority be and is hereby given to the Directors to:

   (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution is in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 100% of the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares, excluding treasury shares and subsidiary holdings, shall be based on the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company at the time this Ordinary Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares; and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of SGX-ST;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Hong Leong Asia Share Option Scheme 2000 (the "**SOS**") to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors (each as defined under the terms of the SOS) and to allot and issue from time to time such number of shares of the Company as may be required to be issued pursuant to the exercise of the options granted under the SOS, provided that the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares excluding treasury shares of the Company and subsidiary holdings (as defined in the Listing Manual of the SGX-ST) from time to time.

8. That approval be and is hereby given, pursuant to Rule 16.1 of the rules of the SOS, for the extension of the duration of the SOS for a further period of 10 years from 30 December 2020 to 29 December 2030.

NOTICE OF ANNUAL GENERAL MEETING

9. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) on SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may, in their absolute discretion, deem fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked in general meeting; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Ordinary Resolution:

"Average Closing Price" means the average of the closing market prices of a Share for the five consecutive market days on which the Shares are transacted on SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of SGX-ST for any corporate action which occurs during the relevant five-day period and the day on which the purchase is made;

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price) for each Share, and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of SGX-ST)) as at the date of the passing of this Ordinary Resolution; and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties (if applicable), commission, applicable goods and services tax and other related expenses (if applicable)) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

NOTICE OF ANNUAL GENERAL MEETING

10. (a) That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on SGX-ST, or an approved exchange, over which the Company, its subsidiaries and/or its interested person(s), have control, or any of them, to enter into any of the transactions falling within the category of Interested Person Transactions, particulars of which are set out in the Letter to Shareholders dated 27 May 2020 (the "**Letter to Shareholders**") with any party who is of the class or classes of Interested Persons described in the Letter to Shareholders; provided that such transactions are entered into in accordance with the review procedures for Interested Person Transactions as set out in the Letter to Shareholders, and that such approval (the "**IPT Mandate**"), shall unless revoked or varied by the Company in general meeting, continue in force until the next AGM of the Company; and

    (b) That the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Ordinary Resolution.

C. TO TRANSACT ANY OTHER ORDINARY BUSINESS

BY ORDER OF THE BOARD

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

Singapore, 27 May 2020

Explanatory Notes:

1. With reference to item 2 of the Ordinary Business above, the Share Transfer Books and Register of Members will be closed from 5.00 p.m. on 25 June 2020 up to (and including) 26 June 2020. Registrable transfers received up to 5.00 p.m. on 25 June 2020 will be registered to determine shareholders' entitlement to the First and Final Dividend. If approved at the Meeting, it will be paid on 8 July 2020.

2. With reference to item 3 of the Ordinary Business above, the Directors' Fees of $414,685 for FY 2019 excludes the ARC Fees of $58,000 per annum paid to the ARC chairman and $38,000 per annum paid to each ARC member for FY 2019 which had been approved by shareholders at the 2019 AGM of the Company. The payment of the ARC Fees for FY 2020 shall be made on a quarterly basis in arrears at the end of each calendar quarter (except for the first quarter of 2020 which shall be made upon the approval by the shareholders at the Meeting). Further information on the Directors' Fees structure can be found on page 31 of the Annual Report.

3. With reference to item 4(a) of the Ordinary Business above, Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as Chairman of the Board and a member of the Nominating Committee, and SOS Committee ("**SOSC**").

   Key information on Mr Kwek can be found on page 15 and pages 234 to 237 of the Annual Report.

4. With reference to item 4(b) of the Ordinary Business above, Mr Ng Sey Ming will, upon re-election as a Director of the Company, remain as a member of the ARC, Remuneration Committee and SOSC. Mr Ng is considered an Independent Director.

   Key information on Mr Ng can be found on page 17 and pages 234 to 237 of the Annual Report.

5. The Ordinary Resolution set out in item 6 of the Special Business above, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is revoked or varied at a general meeting), to issue shares and/or make or grant Instruments that might require shares to be issued up to a number not exceeding 100% of the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company, of which up to 20% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued under this Ordinary Resolution will be calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company at the time that this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

   On 8 April 2020, SGX RegCo issued a news release which introduced measures to support issuers amid the challenging business and economic climate due to COVID-19, including enabling the acceleration of fund-raising efforts by allowing Mainboard issuers to seek a general mandate for an issue of shares and convertible securities of up to an aggregate of 100% of its issued shares (excluding treasury shares and subsidiary holdings), versus up to 50% previously (the "**Enhanced Share Issue Limit**"), of which the aggregate number of shares and convertible securities issued other than on a *pro rata* basis remains at not more than 20% to shareholders. The Enhanced Share Issue Limit may be renewed at the 2021 AGM and is only valid until 31 December 2021, by which date any shares issued pursuant to the Enhanced Share Issue Limit must be listed, and no further shares may be issued under this limit.

   The Company is proposing to avail itself to the Enhanced Share Issue Limit and accordingly is seeking shareholders' approval for the same at the Meeting. The Board of Directors is of the view that it would be in the interests of the Company and its shareholders to do so in the event that circumstances evolve before the 2021 AGM amid the COVID-19 situation to such an extent that a 50% limit for *pro rata* issue of shares is not sufficient to meet the Company's needs. Under such circumstances, fund raising efforts would be unnecessarily hampered and compromised in view of the time needed to obtain shareholders' approval for the issue of shares above the 50% threshold.

6. The Ordinary Resolution set out in item 7 of the Special Business above, if passed, will empower the Directors to offer and grant options in accordance with the SOS to eligible participants under the SOS other than Parent Group Employees and Parent Group Non-Executive Directors and to issue from time to time such number of shares of the Company pursuant to the exercise of such options under the SOS subject to such limits as prescribed in the SOS *(see note below on voting restrictions)*.

7. The Ordinary Resolution set out in item 8 of the Special Business above, if passed, will extend the duration of the SOS for a further period of 10 years from 30 December 2020 to 29 December 2030. Please refer to Annexures I and II of the Letter to Shareholders *(see note below on voting restrictions).*

   <u>Voting restrictions pursuant to Rule 859 of the Listing Manual of SGX-ST</u>
   Please note that the following persons should abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 7 or, as the case may be, item 8 in relation to the SOS, and accordingly should not appoint the Chairman of the Meeting to vote on their behalf :

   (a) <u>in the case of the Ordinary Resolution set out in item 7:</u> a shareholder who is eligible to participate in the SOS (other than as a director and/or employee of Hong Leong Investment Holdings Pte. Ltd. (the "Parent Company") and its subsidiaries (but not including the Company and its subsidiaries)), and

   (b) <u>in the case of the Ordinary Resolution set out in item 8:</u> a shareholder who is eligible to participate in the SOS.

8. The Ordinary Resolution set out in item 9 of the Special Business above, if passed, will empower the Directors to make purchases or otherwise acquire the Company's issued Shares from time to time subject to and in accordance with the guidelines set out in Annexure III of the Letter to Shareholders. This authority will expire at the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting or when such purchases or acquisitions are carried out to the full extent mandated.

NOTICE OF ANNUAL GENERAL MEETING

9. The Ordinary Resolution set out in item 10 of the Special Business above, if passed, will renew the IPT Mandate first approved by Shareholders on 30 May 2003 to facilitate the Company, its subsidiaries and its associated companies, to enter into Interested Person Transactions, the details of which are set out in Annexures IV and V of the Letter to Shareholders. The IPT Mandate will continue in force until the conclusion of the next AGM of the Company, unless previously revoked or varied at a general meeting.

   Voting restrictions pursuant to Rule 921(7) of the Listing Manual of SGX-ST
   The Parent Company and its subsidiaries, the Directors of the Company and their associates, who are also shareholders of the Company and being Interested Persons under the IPT Mandate, are required to abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 10 in relation to the proposed renewal of the IPT Mandate.

Meeting Notes:

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members, instead, this Notice will be sent to members by electronic means via publication on the Company's website at URL **http://www.hlasia.com.sg/agm**. This Notice will also be made available on the SGX website at the URL **https://www.sgx.com/securities/company-announcements**.

2. Alternative arrangements relating to the attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying Company's announcement dated 27 May 2020. The announcement may be accessed at the Company's website at URL **http://www.hlasia.com.sg/agm**, and will also be made available on the SGX website at the URL **https://www.sgx.com/securities/company-announcements**.

3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. The accompanying Proxy Form for the Meeting may be accessed at the Company's website at the URL **http://www.hlasia.com.sg/agm**, and also be made available at the SGX website at the URL **https://www.sgx.com/securities/company-announcements**.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to the voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF or SFRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 8 June 2020.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The form appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902; or

   (b) if submitted electronically, via email to the Company's Share Registrar at gpb@mncsingapore.com,

   in either case, at least 72 hours before the time for holding the Meeting.

   A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The Annual Report for the financial year ended 31 December 2019 ("**2019 Annual Report**") and the Letter to Shareholders dated 27 May 2020 ("**Letter to Shareholders**") are available on the Company's website as follows:

   (a) the 2019 Annual Report may be accessed at the URL **http://www.hlasia.com.sg/agm**; and

   (b) the Letter to Shareholders may be accessed at the URL **http://www.hlasia.com.sg/agm**

Personal data privacy:

By (a) submitting a form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the Meeting via a live audio-visual webcast or a live audio-only stream (via telephone) ("**Virtual Meeting**"), or (c) submitting any question prior to the Meeting in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(a) processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof);

(b) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the Virtual Meeting and providing them with any technical assistance where necessary;

(c) addressing relevant and substantial questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions; and

(d) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 59TH ANNUAL GENERAL MEETING

Name of Director	**Kwek Leng Peck**	**Ng Sey Ming**
Age	63	45
Date of appointment	1 September 1982	8 May 2017
Job Title	Executive Chairman A member of the Remuneration Committee ("**RC**") and Hong Leong Asia Share Option Scheme 2000 Committee ("**SOSC**")	Non-Executive and Independent Director A member of the Audit and Risk Committee, RC and SOSC
Date of last re-election as Director (if applicable)	28 April 2017	27 April 2018
Country of principal residence	Singapore	Singapore
Board's comments on the re-election (including rationale, selection criteria, and the search and nomination process)	The Board reviewed the recommendation of the NC on the re-election of Mr Kwek Leng Peck and Mr Ng Sey Ming and took into account, *inter alia,* • the NC's report to the Board on the evaluation of Mr Kwek Leng Peck and Mr Ng Sey Ming; and • their skills sets, experience and contribution to the effectiveness of the Board (which included their participation at Board and Board committees' meetings) as well as their time commitments especially for Directors who have other company board representations and/or principal commitments, and also reviewed the independence of Mr Ng. The Board recommends the re-election of Mr Kwek Leng Peck and Mr Ng Sey Ming as Directors of the Company. For more details on the NC's evaluation process, please refer to Principle 4: Board Membership and Principle 5: Board Performance on pages 27 to 29 of the Corporate Governance Report.	
Whether appointment is executive, and if so, the area of responsibility	Yes Executive Chairman	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 59TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Ng Sey Ming
Professional qualification and working experience and occupation(s) during the past 10 years	Executive Director on several Hong Leong group companies and has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in the Hong Leong Group real estate developments, investments and hotel operations <u>April 2017 to Present</u> Executive Chairman of Hong Leong Asia Ltd. ("**HLA**") <u>April 1998 to April 2017</u> Executive Director of HLA <u>December 1982 to Present</u> Executive Director of Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**") <u>October 2001 to Present</u> Executive Director of Hong Leong Corporation Holdings Pte Ltd ("**HLCH**")	Advocate and Solicitor of the Supreme Court in Singapore and of the High Court of Malaya, and a Solicitor of England and Wales. Holds a Bachelor of Laws (Honours) degree from the National University of Singapore. <u>July 2000 to Present</u> Commenced legal practice in Rajah & Tann Singapore LLP ("**R&T**") in 2000 and became a partner of R&T in 2007. <u>February 2015 to Present</u> Partner of Christopher & Lee Ong, a member of the R&T Asia network of law firms
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors' Statement on pages 61 to 63.	Nil
Relationship (including immediate family relationship) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Director of HLCH, Hong Leong Enterprises Pte. Ltd. ("**HLE**") and HLIH. HLCH, HLE and HLIH are substantial shareholders and related corporations of the Company. Please refer to the Directors' Statement on page 62 on his shareholding interest in HLIH.	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 59TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Ng Sey Ming
Conflict of interest (including any competing business)	Nil	Mr Ng is an independent non-executive director and a minority shareholder of XMH Holdings Ltd. ("**XMH**"), which is in the business of, *inter alia*, the distribution of mainly Japanese marine propulsion engines/ auxiliary sets principally across South East Asia and the manufacture of diesel powered generator sets mainly for industrial and commercial applications principally in Singapore. Mr Ng is not involved in its day to day management and operations. XMH does not compete substantially in the same market segment and scale as the Company's subsidiary, China Yuchai International Limited. Should any conflict of interest arise of which Mr Ng is aware, he will disclose such conflict to the board of directors of the Company as soon as is practicable after becoming aware of the same and recuse himself from participating in any related discussions and/or decisions and resolutions as would be appropriate.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to Hong Leong Asia Ltd.	Yes	Yes
Other Principal Commitments including directorships	Principal Commitments: Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	Principal Commitments: Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"
Directorships: • Past (for the last 5 years):	• 5 subsidiaries of HLA* • 2 subsidiaries of City Developments Limited* • 2 subsidiaries of HLIH • 1 subsidiary of HLCH • 1 subsidiary of Hong Realty (Private) Limited • 1 subsidiary of Millennium & Copthorne Hotels Limited • North Plaza Sdn. Bhd.	• Gaylin Holdings Limited • Hiap Tong Corporation Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 59TH ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Ng Sey Ming
• Present:	Number of directorships in the following companies and their affiliates: • HLA* and 26 of its subsidiaries and associated companies • China Yuchai International Limited* and 1 of its subsidiaries • City Developments Limited* and 2 of its subsidiaries • Hong Leong Finance Limited* and 2 of its subsidiaries • Hong Leong Company (Malaysia) Berhad • HLCH and 9 of its subsidiaries • Hong Leong Holdings Limited and 2 of its subsidiaries • HLIH and 10 of its subsidiaries • Hong Realty (Private) Limited and 3 of its subsidiaries • Millennium & Copthorne Hotels Limited and 12 of its subsidiaries and associated companies • Tasek Corporation Berhad* and 2 of its subsidiaries • Hong Leong Foundation • Hong Leong Nominees (Private) Limited • Kwek Hong Leong Investment Pte. Ltd.	Number of directorships in the following companies and their affiliates: • HLA* • XMH*
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Negative confirmation	Negative confirmation

* Listed company

Information as at 30 April 2020

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HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

PROXY FORM
for 59th Annual General Meeting

IMPORTANT:
Alternative Arrangements for Annual General Meeting ("Meeting")

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Meeting will not be sent to members. Instead, the Notice of Meeting will be sent to members by electronic means via publication on the Company's website at the URL **http://www.hlasia.com.sg/agm**. The Notice of Meeting will also be made available on the SGX website at the URL **https://www.sgx.com/securities/company-announcements**.
2. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the Meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying Company's announcement dated 27 May 2020. The announcement may be accessed at the Company's website at the URL **http://www.hlasia.com.sg/agm**, and will also be made available on the SGX website at the URL **https://www.sgx.com/securities/company-announcements**.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
4. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Meeting.

CPF/SRS Investors

5. CPF/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes by 5.00 p.m. on 8 June 2020.

Personal Data

6. By submitting a form appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 27 May 2020.

I/We, (name) ______________________ with NRIC/Passport/Co. Reg. No.: ______________

of (address) ____

being a member/members of HONG LEONG ASIA LTD. (the "Company"), hereby appoint:

the Chairman of the Meeting

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Fifty-Ninth Annual General Meeting of the Company (the "Meeting") to be convened and held by way of electronic means on Thursday, 18 June 2020 at 10.00 a.m., and at any adjournment thereof.

I/We have indicated with an 'X' in the appropriate box against each item below how I/we wish the Chairman of the Meeting as my/our proxy to vote, or to abstain from voting.

NOTE: Voting on all resolutions will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an 'X' in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

No.	Resolutions		For	Against	Abstain
A.	**ORDINARY BUSINESS:**				
1.	Adoption of the Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon				
2.	Declaration of a First and Final Dividend				
3.	Approval of Directors' Fees and Audit and Risk Committee Fees				
4.	Re-election of Directors:	(a) Mr Kwek Leng Peck			
		(b) Mr Ng Sey Ming			
5.	Re-appointment of Ernst & Young LLP as Auditor				
B.	**SPECIAL BUSINESS:**				
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited				
7.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Asia Share Option Scheme 2000 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS				
8.	Extension of the SOS				
9.	Renewal of Share Purchase Mandate				
10.	Renewal of IPT Mandate for Interested Person Transactions				

Dated this __________ day of ________________ 2020

Total No. of Shares Held

Signature(s) or Common Seal of Member(s)

NOTES: SEE OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. This proxy form may be accessed at the Company's website at the URL **http://www.hlasia.com.sg/agm**, and will also be made available on the SGX website at the URL **https://www.sgx.com/securities/company-announcements**. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 8 June 2020.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The form appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at gpb@mncsingapore.com,

   in either case not less than 72 hours before the time appointed for holding the Meeting.

   A member who wishes to submit a form of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The form appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorized in writing. Where the form appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or signed by a director or an officer or an attorney duly authorized.

6. The Company shall be entitled to reject the form of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the form of proxy (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

PROXY FORM

Affix Postage Stamp

HONG LEONG ASIA LTD.
c/o The Share Registrar
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

Fold Here

OPERATING NETWORK

CORPORATE OFFICE

Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581
Tel: (65) 6220 8411
Fax: (65) 6222 0087/6226 0502

Hong Leong Asia (Shanghai) Co., Ltd.
Room 2305B, Summit Center
1088 Yan An Xi Road
Chang Ning District
Shanghai 200052
People's Republic of China
Tel: (86) 21 6226 2996
Fax: (86) 21 6226 3253

DIESEL ENGINES

China Yuchai International Limited
Executive Office
16 Raffles Quay #39-01A
Hong Leong Building
Singapore 048581
Tel: (65) 6220 8411
Fax: (65) 6221 1172

Guangxi Yuchai Machinery Company Limited
88 Tianqiao West Road, Yulin
Guangxi 537005
People's Republic of China
Tel: (86) 775 328 9000
Fax: (86) 775 328 8168

BUILDING MATERIALS

Ready-Mix Concrete Division
Island Concrete (Private) Limited
43/45 Sungei Kadut Street 4
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 0312

Precast Concrete Division
HL Building Materials Pte. Ltd.
7A Tuas Avenue 13
Singapore 638979
Tel: (65) 6862 3501
Fax: (65) 6861 0674

HL-Manufacturing Industries Sdn. Bhd.
Lot 2595 and Lot 2596, Jalan Perindustrian 3
Kawasan Perindustrian Senai Fasa II
81400 Senai
Johor Darul Ta'zim
Malaysia
Tel: (607) 598 6828
Fax: (607) 598 6822

Cement Division
Singapore Cement Manufacturing Company (Private) Limited
43/45 Sungei Kadut Street 4
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 0312

Tasek Corporation Berhad
5, Persiaran Tasek
Tasek Industrial Estate
31400 Ipoh, Perak
Malaysia
Tel: (605) 291 1011
Fax: (605) 291 9932

Trading and Granite Division
HL Building Materials Pte. Ltd.
43/45 Sungei Kadut Street 4
Singapore 729061
Tel: (65) 6488 5777
Fax: (65) 6368 0312

Hayford Holdings Sdn. Bhd.
PTD 2734 and PTD 2735
Mukim Pengerang
81909 Kota Tinggi
Johor Darul Ta'zim
Malaysia
Tel: (607) 598 6828
Fax: (607) 598 6822

INDUSTRIAL PACKAGING

Tianjin Rex Packaging Co., Ltd.
167 Dongting Road, TEDA
Tianjin 300457
People's Republic of China
Tel: (86) 22 6620 0949/50
Fax: (86) 22 6620 1128

Dongguan Rex Packaging Co., Ltd.
Su Keng, Chang Ping, Dongguan
Guangdong Province 523577
People's Republic of China
Tel: (86) 769 8900 9055 ext 213
Fax: (86) 769 8391 0879

AIR-CONDITIONING SYSTEMS

Airwell Air-conditioning Technology (China) Co., Ltd.
82 Guangzhou Road East
Economy Development Area
Taicang, Suzhou
Jiangsu province 215400
People's Republic of China
Tel: (86) 512 8277 9996
Fax: (86) 512 8277 9691

S.E.A. DISTRIBUTION
For Air-Conditioning
Fedders International Pte. Ltd.
AZ@Paya Lebar
140 Paya Lebar Road, #07-04
Singapore 409015
Tel: (65) 6922 6250
Fax: (65) 6922 6292

OTHERS

HL Global Enterprises Limited
10 Anson Road
#19-08 International Plaza
Singapore 079903
Tel: (65) 6324 9500
Fax: (65) 6221 4861

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Co. Reg. No. 196300306G

16 Raffles Quay, #26-00 Hong Leong Building,
Singapore 048581
www.hlasia.com.sg

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS DATED 27 MAY 2020

IN RELATION TO THE PROPOSED

(1) SECOND EXTENSION OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000;

(2) RENEWAL OF THE SHARE PURCHASE MANDATE; AND

(3) RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

CONTENTS

LETTER TO SHAREHOLDERS

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

Directors:

Executive Directors:
Kwek Leng Peck (Executive Chairman)
Tan Eng Kwee (Executive Director and Chief Executive Officer)

Lead Independent Director:
Ernest Colin Lee

Independent Non-Executive Directors:
Kwong Ka Lo @ Caroline Kwong
Ng Sey Ming
Tan Chian Khong

Registered Office:

16 Raffles Quay
#26-00 Hong Leong Building
Singapore 048581

27 May 2020

To: The Shareholders of Hong Leong Asia Ltd.

Dear Sir/Madam

(1) PROPOSED SECOND EXTENSION OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000
(2) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE
(3) PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

---

1. INTRODUCTION

We refer to the Notice of the Fifty-Ninth Annual General Meeting of Hong Leong Asia Ltd. (the "**Company**") ("**Forthcoming AGM**") issued by the Company on 27 May 2020.

Item 8 of the Notice of the Forthcoming AGM is an ordinary resolution ("**Resolution 8**") to be proposed at the Forthcoming AGM for the second extension of the Hong Leong Asia Share Option Scheme 2000. Information relating to Resolution [8] is set out in **Annexures I** and **II** of this Letter to Shareholders ("**Letter**").

Item 9 of the Notice of the Forthcoming AGM is an ordinary resolution ("**Resolution 9**") to be proposed at the Forthcoming AGM for the renewal of the Company's share purchase mandate ("**Share Purchase Mandate**") which will empower the directors of the Company ("**Directors**") to make purchases or otherwise acquire issued ordinary shares of the Company (the "**Shares**") from time to time subject to certain restrictions set out in the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Information relating to Resolution 9 is set out in **Annexure III** of this Letter.

Item 10 of the Notice of the Forthcoming AGM is an ordinary resolution ("**Resolution 10**") to be proposed at the Forthcoming AGM for the renewal of the Company's mandate for interested person transactions which will facilitate the Company, its subsidiaries and its associated companies, to enter into transactions with its interested persons ("**IPT Mandate**"), the details of which are set out in **Annexures IV** and **V** of this Letter.

The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with the reasons for, and information relating to, Resolution 8, Resolution 9 and Resolution 10.

2. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

The interests of the Directors and substantial shareholders of the Company in the issued Shares and options granted under the Hong Leong Asia Share Option Scheme 2000 (the “**Share Options**”) as at 15 May 2020 (the “**Latest Practicable Date**”), were as follows:

	<······ Direct Interest ······>		<···· Deemed Interest ····>		
Directors	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Share Options**
Kwek Leng Peck	3,826,600	0.51	—	—	300,000
Tan Eng Kwee	1,000	N.M.	—	—	200,000
Ernest Colin Lee	80,000	0.01	—	—	—
Kwong Ka Lo @ Caroline Kwong	—	—	—	—	—
Ng Sey Ming	—	—	—	—	—
Tan Chian Khong	—	—	—	—	—

	<·········· Direct Interest ··········>		<········ Deemed Interest ········>	
Substantial Shareholders	**Number of Shares**	**%**	**Number of Shares**	**%**
Hong Leong Corporation Holdings Pte Ltd	549,001,657	73.41	13,328,000(1)	1.78
Hong Leong Enterprises Pte. Ltd.	—	—	562,329,657(2)	75.20
Hong Leong Investment Holdings Pte. Ltd.	—	—	562,865,657(2)	75.27
Davos Investment Holdings Private Limited	—	—	562,865,657(2)	75.27
Kwek Holdings Pte Ltd	—	—	562,865,657(2)	75.27

N.M. - Not Meaningful

Notes:

(1) Hong Leong Corporation Holdings Pte Ltd (“**HLCH**”) is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. (“**Starich**”).

(2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.

(3) Hong Leong Investment Holdings Pte. Ltd. (“**HLIH**”) is deemed under Section 4 of the SFA to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.

(4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

The Directors will abstain from voting their shareholdings in the Company, if any, on Resolutions 8 and 10 at the Forthcoming AGM. They have also undertaken to ensure that their associates will abstain from voting their respective shareholdings in the Company, if any, on Resolution 10 relating to the proposed renewal of the IPT Mandate at the said AGM.

The relevant companies within the HLIH group (which includes HLIH, the ultimate holding company of the Company and their associates), and being interested persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on Resolutions 8 and 10 at the Forthcoming AGM.

The Company will disregard any votes cast by Directors and the relevant companies within the HLIH group (which includes HLIH and their associates) in respect of their shareholdings in the Company, if any, on Resolutions 8 and 10. The Company will also disregard any votes cast by the associates of Directors in respect of their shareholdings in the Company, if any, on Resolution 10.

3. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed second extension of the Hong Leong Asia Share Option Scheme 2000 and the proposed renewal of the Company's Share Purchase Mandate and IPT Mandate (together, the "**Proposals**"), the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Letter.

Shareholders who are in any doubt as to the action they should take should consult their stockbrokers or other professional advisers immediately.

Yours faithfully
For and on behalf of
The Board of Directors of
HONG LEONG ASIA LTD.

KWEK LENG PECK
Executive Chairman

PROPOSED SECOND EXTENSION OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000

1. BACKGROUND

The Company currently has in place a share option scheme called the "Hong Leong Asia Share Option Scheme 2000" (the "**Scheme**"), which was approved by the Shareholders at the extraordinary general meeting of the Company held on 30 December 2000.

The Scheme was adopted for an initial duration of up to a maximum period of ten years, with the provision that it could be continued beyond that period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The initial duration of the Scheme was previously due to expire on 29 December 2010 and such initial duration of the Scheme was extended for a period of ten years from 30 December 2010 up to 29 December 2020 with the approval of the Shareholders obtained at the Forty-Ninth Annual General Meeting of the Company held on 29 April 2010.

Subsequent to 29 April 2010, the rules of the Scheme were amended on 18 May 2020 to:

(a) include a clawback provision which provides that in the event of exceptional circumstances involving a misstatement of the financial results of the Company or the Company and its subsidiaries (the "**Group**") in respect of any relevant financial year, which had formed the basis for a grant of an option under the Scheme, or any misconduct on the part of a participant under the Scheme which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group, the Company reserves the right to recover or, as the case may be, cancel the relevant option (whether in whole or in part) at any time prior to the expiry of the period for the exercise of the option. Such recovery or, as the case may be, cancellation of the relevant option shall take into account the number of shares under the relevant option that might have been granted had the same been calculated based on the restated financial results for the relevant financial year; and

(b) update the references to "capitalisation of profits or reserves" and "capitalisation issue" to read as "bonus issue" in line with the amendments to the listing rules of the SGX-ST which took effect on 7 February 2020.

As the foregoing amendments were not made for the advantage of participants of the Scheme, no Shareholders' approval for such alterations was required.

The current Rules of the Scheme are set out in **Annexure II** of this Letter.

2. RATIONALE FOR PROPOSED SECOND EXTENSION

The Scheme is an integral part of the Company's programme for executive incentive compensation, and to recognise and reward outstanding achievements and contributions made by certain other categories of persons who have played and can continue to play a role in contributing to the success, development and achievements of the Group. The Scheme aims to provide participants with an opportunity to have a real and personal direct interest in the Company and helps to achieve the following positive objectives:

(a) the giving of recognition to achievements and contributions of participants through ownership in the equity of the Company to enable them to share in the success of the Group, leading to the development of a participatory style of management which instills loyalty and a stronger sense of identification with the long term goals of the Group;

lb) the promotion of staff morale leading to the retention of employees of the Group whose contributions are important to the long term growth and prosperity of the Group;

(c) the motivation of participants to optimise standards and efficiency and to maintain a high level of contribution and the encouragement of participants towards higher standards of performance and commitment by linking their performance to that of the Group's;

(d) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group's close business associates;

(e) the making of total compensation more attractive and competitive in order for the Group to attract, retain and motivate talented employees; and

(f) the enhancement of the value of the Company in the long term.

As the Scheme remains a key part of the Group's compensation arrangements, the Directors propose that the duration of the Scheme be further extended for another period of ten years from 30 December 2020 up to 29 December 2030. Other than the proposed second extension of the duration of the Scheme, all other rules of the Scheme remain unchanged.

The existing limit on the total number of shares in the capital of the Company ("**Shares**") over which options ("**Options**") may be granted under the Scheme is not increased as a result of the proposed second extension of the duration of the Scheme. In this regard, the aggregate number of Shares over which Options may be granted under the Scheme, including Options which may be granted during the further extended ten-year period of the Scheme, when added to the number of Shares issued and issuable in respect of all Options already granted under the Scheme shall not exceed 15% of the total number of issued Shares on the day preceding the date of grant.

The Board has approved the recommendations from the Company's Remuneration Committee and Scheme Committee for the proposed second extension of the duration of the Scheme.

SGX-ST has approved in-principle the listing and quotation of the Shares to be issued pursuant to the further extended Scheme. Such approval by SGX-ST is not indicative of the merits of the proposed second extension of the duration of the Scheme, the Scheme itself, the Shares and the Group.

3. POTENTIAL COST OF GRANTING OPTIONS UNDER THE SCHEME

Any Options granted (whether or not the Acquisition Price (as defined under the rules of the Scheme) is set at a discount to the prevailing Market Price (as defined under the rules of the Scheme) of the Shares) have a fair market value. Where such Options are granted at a consideration which is less than their fair value, there will be a cost to the Company, the amount of which will depend on whether the Options are granted at Market Price or at a discount. The greater the discount granted and the longer the Option Period (as defined under the rules of the Scheme), the greater the cost to the Company. Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 2: Share-based Payment is effective for financial statements covering periods beginning on or after 1 January 2005 for listed companies. Based on SFRS(I) 2, the fair value of the Options granted would be recognised as an expense in the income statement. For equity-settled share-based payment transactions, the total expense to be recognised in the income statement over the vesting period is determined by reference to the fair value of each Option granted on the date of the grant. As at each financial year end, the Company will estimate the number of Shares that are expected to be exercisable on the vesting date and recognise the effect of the estimation in the income statement with a corresponding adjustment to the share option reserve over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to Share capital when the Options are exercised.

During the vesting period, the consolidated earnings per Share would be reduced by both the expense recognised and the potential Shares to be issued under the Scheme. When the Options are exercised, the consolidated net tangible assets will be increased by the amount of cash received in acquisition for the new Shares. On a per Share basis, the effect is accretive if the Acquisition Price is above the net tangible assets per Share but dilutive otherwise.

4. PARTICULARS OF EXISTING OPTIONS

As at 15 May 2020 (the "**Latest Practicable Date**"), Options in respect of 15,049,000 Shares have been granted to 135 participants since the adoption of the Scheme on 30 December 2000, of which as at the Latest Practicable Date:

(a) 9,828,900 new Shares have been issued to participants pursuant to Options granted;

(b) Options in respect of 820,000 Shares are outstanding; and

(c) Options in respect of 4,400,100 Shares have been cancelled/lapsed.

The aggregate number of Shares which may be issued under the Scheme is 112,172,567 Shares based on 15% of the total number of issued Shares as at the Latest Practicable Date, of which 101,523,667 Shares remain available for the grant of Options as at the Latest Practicable Date.

Particulars of options held by Directors as at the Latest Practicable Date are as follows:

Name of Director	Grant Date	Number of Shares under Option granted	Number of Shares under Option exercised/lapsed	Number of Shares under outstanding Option
Kwek Leng Peck	5-1-2011	300,000	Nil	300,000
Tan Eng Kwee	3-6-2019	200,000	Nil	200,000

5. RECOMMENDATION

For the reasons set out in paragraph 2 of this Annexure, the Directors of the Company are of the view that the proposed second extension of the duration of the Scheme will be beneficial to and in the interests of the Company. However, in view of the Directors being eligible to participate in the Scheme, they have accordingly abstained from making any recommendation on, and in the case of Directors who are Shareholders, shall abstain from voting in respect of, the Ordinary Resolution 8 to be proposed at the Fifty-Ninth Annual General Meeting of the Company ("**Forthcoming AGM**"), being the Ordinary Resolution relating to the proposed second extension of the Scheme.

In addition, the Company will procure Shareholders who are eligible to participate in the Scheme to abstain from voting on Ordinary Resolution 8. The Company will also procure that the parent company of the Company, Hong Leong Investment Holdings Pte. Ltd. and its associates abstain from voting at the Forthcoming AGM on Ordinary Resolution 8 in respect of Shares respectively held by them.

The Company will disregard any votes cast by Directors who are Shareholders, Shareholders who are eligible to participate in the Scheme, and Hong Leong Investment Holdings Pte. Ltd. and its associates, in respect of their holdings of Shares (if any) on Ordinary Resolution 8.

The Company will procure that the Directors and persons who are eligible to participate in the Scheme will decline to accept appointment as proxies for Shareholders to vote on Ordinary Resolution 8, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution 8.

Save as disclosed above and in this Letter, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Scheme.

RULES OF THE HONG LEONG ASIA SHARE OPTION SCHEME 2000

1. Name of the Scheme

The Scheme shall be called the "Hong Leong Asia Share Option Scheme 2000".

2. Definitions

2.1 Unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Acquisition Price"	The price at which (subject to any adjustment pursuant to Rule 11) a Participant shall acquire each Share upon the exercise of an Option as determined in accordance with Rule 7.1 in relation to a Market Price Option, Rule 7.2 in relation to a Discount Price Option, and Rule 7.3 in relation to an Incentive Price Option
"Act"	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time
"Adoption Date"	The date on which the Scheme is adopted by the Company in general meeting
"Aggregate Acquisition Cost"	The total amount payable for the Shares to be acquired on the exercise of an Option
"Associated Company"	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company/Group has control over its financial and operating policies
"Associated Company Employee"	An executive director or an employee of an Associated Company
"Auditors"	The auditors for the time being of the Company
"Board"	The board of directors of the Company
"CDP"	The Central Depository (Pte) Limited
"Company"	Hong Leong Asia Ltd., a company incorporated in Singapore
"Controlling Shareholder"	A Group Employee, a Group Non-Executive Director, a Parent Group Employee, a Parent Group Non-Executive Director or an Associated Company Employee who, in relation to the Company, has control of 15% or more of the Shares of the Company.

“CPF”	Central Provident Fund
“Depository Agent”	An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others
“Director”	A director for the time being of the Company
“Discount Price Option”	The right to acquire Shares granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Acquisition Price is determined in accordance with Rule 7.2
“Grantee”	A person to whom an offer of an Option is made
“Group”	The Company and its subsidiaries
“Group Employee”	A Group Executive Director or an employee of the Group who is selected by the Scheme Committee to participate in the Scheme in accordance with Rules 4.1(a) (i), (iii) and (iv)
“Group Executive Director”	A director of the Company and/or its subsidiaries who performs an executive function
“Group Non-Executive Director”	A director of the Company and/or its subsidiaries who is not a Group Executive Director and has served on the relevant board for at least 12 months
“Incentive Period”	In relation to an Incentive Price Option, the period commencing on the Offering Date and terminating on a day preceding the second anniversary of such Offering Date or such other day as may be determined by the Scheme Committee
“Incentive Price Option”	The right to acquire Shares granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Acquisition Price is determined in accordance with Rule 7.3
“Market Price Option”	The right to acquire Shares granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Acquisition Price is determined in accordance with Rule 7.1
“market day”	A day on which the SGX-ST is open for trading in securities
“Market Price”	In relation to a Share, shall mean the price as determined in accordance with Rule 7.1

"Non-Group Employee"	A Group Non-Executive Director, a Parent Group Non-Executive Director or an Associated Company Employee who is selected by the Scheme Committee to participate in the Scheme in accordance with Rules 4.1 (a)(ii), (b)(ii) and (c)
"Offering Date"	The date on which the offer of the grant of an Option is made pursuant to Rule 6.1
"Option"	A Market Price Option, a Discount Price Option or an Incentive Price Option, as the case may be
"Option Period"	The period for the exercise of an Option, being: (a) in the case of a Market Price Option granted to a Group Employee or a Parent Group Employee, a period commencing on the first anniversary of the Offering Date and expiring on the day preceding the tenth anniversary of such Offering Date, subject as provided in Rules 8 and 9; (b) in the case of a Market Price Option granted to a Non-Group Employee, a period commencing on the first anniversary of the Offering Date and expiring on the day preceding the fifth anniversary of such Offering Date, subject as provided in Rules 8 and 9; (c) in the case of a Discount Price Option or an Incentive Price Option granted to a Group Employee or a Parent Group Employee, a period commencing on the second anniversary of the Offering Date and expiring on the day preceding the tenth anniversary of such Offering Date, subject (in each case) as provided in Rules 8 and 9; and (d) in the case of a Discount Price Option or an Incentive Price Option granted to a Non-Group Employee, a period commencing on the second anniversary of the Offering Date and expiring on the day preceding the fifth anniversary of such Offering Date, subject (in each case) as provided in Rules 8 and 9
"Parent Company"	A holding company for the time being of the Company designated by the Scheme Committee for the purposes of the Scheme

"Parent Group"	The Parent Company and its subsidiaries (other than the Group)
"Parent Group Employee"	A Parent Group Executive Director or an employee of the Parent Company and/or its subsidiaries (other than the Group) who is selected by the Scheme Committee to participate in the Scheme in accordance with Rules 4.1(b) (i), (iii) and (iv)
"Parent Group Executive Director"	A director of the Parent Company and/or its subsidiaries (other than the Group) who performs an executive function
"Parent Group Non-Executive Director"	A director of the Parent Company and/or its subsidiaries (other than the Group) who is not a Parent Group Executive Director and has served on the relevant board for at least 12 months
"Participant"	The holder of an Option
"Rules"	The rules of the Scheme, as the same may be amended from time to time
"Scheme"	The Hong Leong Asia Share Option Scheme 2000, as modified or altered from time to time
"Scheme Committee"	A committee, comprising Directors of the Company, appointed by the Board pursuant to Rule 12.1 to administer the Scheme
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Shares"	Ordinary shares in the capital of the Company
"subsidiary"	This term shall have the meaning ascribed to it under the Act
"trading day"	A day on which there is a transaction in the Shares on the SGX-ST
"Vesting Schedule"	A schedule of dates falling within the Option Period on which Shares which are the subject of the Option shall, in whole or in part, vest in the Participant
"$"	Singapore dollars
"%"	Percentage or per centum

2.2 For the purposes of the Scheme:

(a) in relation to a company, "control" means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company;

(b) unless rebutted, a person who holds directly or indirectly, a shareholding of 15% or more of the Company's issued Shares shall be presumed to be a Controlling Shareholder; and

(c) in relation to a Controlling Shareholder, his "associates" shall be the persons defined as such under the provisions of the SGX-ST Listing Manual.

2.3 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.

2.4 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.

2.5 Any reference to a time of day shall be a reference to Singapore time.

3. Objectives

The Scheme is a share incentive scheme. The purpose of the Scheme is to provide an opportunity for Group Employees to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to Non-Group Employees and Parent Group Employees who have contributed to the success and development of the Company and/or the Group. The Scheme is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by these categories of persons. The Company, by adopting the Scheme, will give these categories of persons a real and meaningful stake in the Company and will help to achieve the following objectives:

(a) the giving of recognition to achievements and contributions of participants through ownership in the equity of the Company to enable them to share in the success of the Group, leading to the development of a participatory style of management which instills loyalty and a stronger sense of identification with the long term goals of the Group;

(b) the promotion of staff morale leading to the retention of employees of the Group whose contributions are important to the long term growth and prosperity of the Group;

(c) the motivation of participants to optimise standards and efficiency and to maintain a high level of contribution and the encouragement of participants towards higher standards of performance and commitment by linking their performance to that of the Group's;

(d) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group's close business associates;

(e) the making of total compensation more attractive and competitive in order for the Group to attract, retain and motivate talented employees; and

(f) the enhancement of the value of the Company in the long term.

4. Eligibility

4.1 The following persons subject to any provisions as may be determined by SGX-ST shall be eligible to participate in the Scheme at the absolute discretion of the Scheme Committee:

(a) Group Employees and Group Non-Executive Directors

(i) directors of the Company and/or its subsidiaries who perform an executive function;

(ii) non-executive directors of the Company and/or its subsidiaries who have served on the board of directors of the Company or the relevant subsidiary for not less than 12 months;

(iii) confirmed employees of the Company and/or its subsidiaries who have attained the age of 21 years; and

(iv) employees who qualify under sub-paragraph (iii) above and are seconded to an Associated Company, a company in the Parent Group or any other company outside the Group.

(b) Parent Group Employees and Parent Group Non-Executive Directors

(i) directors of the Parent Company and/or its subsidiaries (other than the Group) who perform an executive function;

(ii) non-executive directors of the Parent Company and/or its subsidiaries (other than the Group) who have served on the board of directors of the Parent Company or the relevant subsidiary for not less than 12 months;

(iii) confirmed employees of the Parent Company and/or its subsidiaries (other than the Group) who have attained the age of 21 years; and

(iv) employees who qualify under sub-paragraph (iii) above and are seconded to an Associated Company, or any other company outside the Parent Group.

(c) Associated Company Employees

(i) directors of an Associated Company who perform an executive function; and

(ii) confirmed employees of an Associated Company who have attained the age of 21 years.

4.2 Persons who are Controlling Shareholders or their associates shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1) not participate in the Scheme.

4.3 Group Employees who are eligible to participate in the Scheme may also be eligible to participate in any other share option or incentive scheme implemented by the Company for their benefit. There is no restriction on the participation by persons selected to participate in the Scheme also participating in any other share option or incentive scheme implemented by any other company, whether within or outside the Group.

4.4 All participation is subject to the Rules herein and shall be at the absolute discretion of the Scheme Committee. In determining the Participants, the Scheme Committee will take into account, *inter alia*, the objectives of the Scheme detailed in Rule 3 above.

5. Limitations under the Scheme

5.1 The aggregate number of new Shares over which the Scheme Committee may grant Options on any date, when added to the number of new Shares issued and issuable in respect of all Options granted under the Scheme, shall not exceed 15% of the total number of issued Shares of the Company on the day preceding that date.

5.2 The number of Shares comprised in (as the case may be) Market Price Options, Discount Price Options or Incentive Price Options to be offered to any Group Employee, Non-Group Employee or Parent Group Employee in accordance with the Scheme shall be determined at the absolute discretion of the Scheme Committee, who shall take into account, in respect of a Group Employee, criteria such as the rank, the past performance, years of service and potential for future development of that employee and, in respect of a Non-Group Employee or Parent Group Employee, his contribution to the success and development of the Group, provided that in relation to Parent Group Employees and Parent Group Non-Executive Directors:

(a) the aggregate number of Shares which may be offered by way of grant of Options to Parent Group Employees and Parent Group Non-Executive Directors collectively under the Scheme shall not exceed 20% of the total number of new Shares available under the Scheme, and such aggregate number of Shares which may be offered to Parent Group Employees and Parent Group Non-Executive Directors collectively under the Scheme has been approved by independent shareholders of the Company in a separate resolution; and

(b) any Options to be granted to any Parent Group Employee or Parent Group Non-Executive Director which, together with Options already granted to that Parent Group Employee or Parent Group Non-Executive Director under the Scheme, represents 5% or more of the aggregate number of new Shares available to Parent Group Employees and Parent Group Non-Executive Directors collectively, shall be approved by independent shareholders of the Company in a separate resolution for each such Parent Group Employee or (as the case may be) Parent Group Non-Executive Director.

For the purposes of obtaining the approval of the independent shareholders of the Company mentioned above, the Scheme Committee shall procure that the circular, letter or notice to the shareholders in connection therewith shall set out:

(i) clear justifications for the participations of such Parent Group Employees and/or, as the case may be, Parent Group Non-Executive Directors;

(ii) clear rationale for the number and terms (including the Acquisition Price) of the Options to be granted to such Parent Group Employees and/or, as the case may be, Parent Group Non-Executive Directors; and

(iii) any discount applicable to the Acquisition Price of such Options.

6. Grant and acceptance of Options

6.1 The Scheme Committee may, subject as provided in Rule 5, grant Options at any time and from time to time.

6.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A-1 in relation to a Market Price Option or a Discount Price Option, and in the form set out in Schedule A-2 in relation to an Incentive Price Option, subject in each case to such modification as the Scheme Committee may from time to time determine.

6.3 An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Scheme Committee.

6.4 The grant of an Option under this Rule 6 shall be accepted within thirty (30) days from the Offering Date of that Option and, in any event, not later than 5.00 p.m. on the thirtieth (30th) day from such Offering Date by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B-1 in relation to a Market Price Option or a Discount Price Option, and in the form set out in Schedule B-2 in relation to an Incentive Price Option, subject in each case to such modification as the Scheme Committee may from time to time determine, accompanied by payment of $1.00 as consideration. The Grantee may accept or refuse the offer.

6.5 If a grant of an Option is not accepted in the manner as provided in Rule 6.4, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and become null, void and of no effect.

7. Acquisition Price

7.1 The Acquisition Price for each Share in respect of which a Market Price Option is exercisable shall be fixed by the Scheme Committee at a price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list made available by the SGX-ST, for the 3 consecutive trading days immediately preceding the Offering Date of that Option, rounded up to the nearest whole cent.

7.2 The Acquisition Price for each Share in respect of which a Discount Price Option is exercisable shall be determined by the Scheme Committee at its absolute discretion, and fixed by the Scheme Committee at a price, rounded up to the nearest whole cent, which is set at a discount to the Market Price (as determined in accordance with Rule 7.1), provided that the maximum discount shall not exceed 20% of the Market Price.

7.3 The Acquisition Price for each Share in respect of which an Incentive Price Option is exercisable shall be the Market Price (as determined in accordance with Rule 7.1), subject to adjustment as hereafter provided in this Rule 7.3.

The Acquisition Price for each Share in respect of which an Incentive Price Option is exercisable shall be subject to such discount, if any, as may be determined by the Scheme Committee in its absolute discretion, provided that:

(a) the maximum discount which may be given in respect of that Option shall not exceed 20% of the initial Acquisition Price in respect of that Option; and

(b) the Scheme Committee shall, not later than the last day of the Incentive Period relating to that Option, determine whether or not a discount should be given in respect of that Option and, if so, the quantum of such discount.

For the purposes of sub-paragraph (b) of this Rule 7.3, in determining whether to grant any discount and the quantum of such discount, if any, the Scheme Committee shall take into consideration such criteria as the Scheme Committee may, in its absolute discretion, deem appropriate including but not limited to:

(i) the performance of the Company and the Group over the Incentive Period, taking into account financial parameters such as return on equity, and/or earnings growth, and the performance targets set by the Scheme Committee for the Company and the Group;

(ii) the individual performance of the Participant over the Incentive Period; and

(iii) the contribution of the Participant over the Incentive Period to the success and development of the Company and/or the Group.

The Scheme Committee may also determine that the Incentive Price Option shall be cancelled, in which case, it shall immediately lapse without any claims against the Company and the Participant shall have no further rights in respect thereof.

Not later than the last day of the Incentive Period, the Scheme Committee shall inform the Participant as to whether the Option has been cancelled or whether it has granted a discount and, if so, the quantum of the discount on the Acquisition Price, and, if relevant, the adjusted Acquisition Price, for that Option.

7.4 The Acquisition Price shall be subject to adjustment pursuant to Rule 11.

7.5 Subject as otherwise expressly provided in these Rules, a Discount Price Option or an Incentive Price Option shall not vest earlier than the second anniversary of its date of grant.

8. Rights to exercise Options

8.1 Subject as provided in this Rule 8 and in Rule 9, each Option shall be exercisable, in whole or in part, during the Option Period applicable to that Option subject to any conditions that may be imposed by the Scheme Committee, including a Vesting Schedule in relation to the vesting of any Shares comprised in that Option.

8.2 Unless otherwise determined by the Scheme Committee in its absolute discretion, an Option shall, to the extent unexercised, immediately lapse without any claim against the Company:

(a) subject to Rules 8.3 and 8.4, upon the Participant, being a Group Employee, a Parent Group Employee or an Associated Company Employee, ceasing for any reason whatsoever to be in the employment of the Group, the Parent Group or the Associated Company, as the case may be; or

(b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or

(c) in the event of any misconduct on the part of the Participant as determined by the Scheme Committee in its discretion and subject to Rule 8.2A.

The discretion to allow the Option to remain valid notwithstanding the circumstances described in sub-paragraphs (a), (b) and (c) above shall be exercised by the Scheme Committee where there are strong justifications under the prevailing circumstances to do so, including, but not limited to, any unfairness caused to the Participant by the lapse of the Option, taking into account factors including, but not limited to, the reasons for the Participant's cessation in his relevant position and the past contributions made by the Participant. In exercising such discretion, the Scheme Committee may also determine the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option. Such exercise shall, at the discretion of the Scheme Committee, either be in full or only in respect of such Shares comprised in that Option for which the Participant would have been entitled to exercise pursuant to Rule 8.1. The Scheme Committee may, in exercising such discretion, allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

For the purpose of Rule 8.2(a), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date. For the avoidance of doubt, in the case of a Group Executive Director or a Parent Group Executive Director, mere cessation of performing an executive function is not deemed to be cessation of employment.

8.2A In the event of exceptional circumstances involving a misstatement of the financial results of the Company and/or the Group in respect of any relevant financial year, which had formed the basis for a grant of an Option, or any misconduct on the part of the Participant which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group, the Company reserves the right to recover or, as the case may be, cancel the relevant Option (whether in whole or in part) at any time prior to the expiry of the period for exercise of the Option, upon the instruction of the Scheme Committee in consultation with the Remuneration Committee and the Board. Such recovery or, as the case may be, cancellation of the Option shall take into account the number of Shares under the Option that might have been granted had the same been calculated based on the restated financial results for the relevant financial year, and can take place at any time before the vesting of the Option, or if vested, before the exercise of the Option.

8.3 If a Participant ceases to be employed by the Group, the Parent Group or an Associated Company, as the case may be, by reason of his:

(a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Scheme Committee);

(b) redundancy or retrenchment;

(c) retirement at or after the legal retirement age; or

(d) retirement before the legal retirement age with the consent of the Scheme Committee,

or any other compassionate reason approved in writing by the Scheme Committee, he may, at the discretion of the Scheme Committee, exercise any Option either in full or only in respect of such Shares comprised in that Option for which he would have been entitled to exercise pursuant to Rule 8.1 within such period after the date of such cessation of employment as may be determined by the Scheme Committee in its absolute discretion (but before the expiration of the Option Period in respect of that Option), and upon the expiration of such period, the Option shall lapse. The Scheme Committee in exercising such discretion, may allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

8.4 If a Participant ceases to be employed in, or to be a director in, the Group, the Parent Group or of an Associated Company, as the case may be:

(a) by reason of the company in which he is employed or of which he is a director ceasing to be a company within the Group or the Parent Group, or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company in the Group or the Parent Group, or such Associated Company, as the case may be; or

(b) for any other compassionate reason provided the Scheme Committee gives its consent in writing,

he may, at the absolute discretion of the Scheme Committee exercise any Option then remaining unexercised in the manner and at the times provided in Rule 8.1 or within such other period during the Option Period as may be determined by the Scheme Committee in its absolute discretion, provided that Rules 8.2, 8.2A, 8.3, 8.5 and 8.6 will continue to apply during that period as though the event contemplated in this Rule 8.4 did not occur.

8.5 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the discretion of the Scheme Committee, be exercised by the duly appointed personal representatives of the Participant within such period after his death as may be determined by the Scheme Committee in its absolute discretion (but before the expiration of the Option Period in respect of that Option), and upon the expiration of such period, the Option shall lapse. Such exercise shall, at the discretion of the Scheme Committee, either be in full or only in respect of such Shares comprised in that Option for which the Participant would have been entitled to exercise pursuant to Rule 8.1. The Scheme Committee may, in exercising such discretion, allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

8.6 If, for any reason whatsoever, a Participant, being a Group Executive Director or a Group Non-Executive Director, ceases to be a director in the Group or, being a Parent Group Executive Director or a Parent Group Non-Executive Director, ceases to be a director in the Parent Group or, being an executive director of an Associated Company, ceases to be an executive director of the Associated Company, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company, unless otherwise determined by the Scheme Committee in its absolute discretion. Such discretion shall be exercised by the Scheme Committee where there are strong justifications under the prevailing circumstances to do so, including, but not limited to, any unfairness caused to the Participant by the lapse of the Option, taking into account factors including, but not limited to, the reasons for the Participant's cessation in his relevant position and the past contributions made by the Participant. In exercising such discretion, the Scheme Committee may also determine the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option. Such exercise shall, at the discretion of the Scheme Committee, either be in full or only in respect of such Shares comprised in that Option for which the Participant would have been entitled to exercise pursuant to Rule 8.1. The Scheme Committee may, in exercising such discretion, allow the Option to be exercised at any time (and, in relation to an Incentive Price Option, provided that the Scheme Committee has determined that the Option is not to be cancelled, the Acquisition Price applicable to that Option shall be the initial Acquisition Price subject to any discount determined by the Scheme Committee), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

9. Take-over and winding-up of the Company

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

(a) the expiry of six months thereafter, or such later date as may be determined, prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Scheme Committee and the SGX-ST; or

(b) the date of expiry of the Option Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, subject to Rule 8, remain exercisable until the expiry of the Option Period relating thereto.

9.2 If under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 8 but subject to Rule 9.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.

9.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Participant shall be entitled, within thirty (30) days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which such unexercised Option shall lapse and become null and void.

9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors or other qualified financial consultants, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Scheme Committee, be permitted to exercise that Option as provided for in this Rule 9.

9.6 To the extent that an Option is not exercised within the periods referred to in this Rule 9, it shall lapse and become null and void.

9.7 Any exercise of an Incentive Price Option pursuant to this Rule 9 shall, provided that the Scheme Committee has determined that the Option is not to be cancelled, be at the initial Acquisition Price applicable to that Option subject to any discount determined by the Scheme Committee.

10. Exercise of Options

10.1 An Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in, or substantially in, the form of the Exercise Notice set out in Schedule C-1 in relation to a Market Price Option or a Discount Price Option, and in the form of Schedule C-2 in relation to an Incentive Price Option, subject in each case to such modification as the Scheme Committee may from time to time determine. The Exercise Notice, duly completed, must be accompanied by a remittance for the Aggregate Acquisition Cost in respect of the Shares for which that Option is exercised and any other documentation which the Scheme Committee may require, failing which the Option shall not be treated as validly exercised. All payments made shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

10.2 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) market days after the exercise of an Option, allot the relevant Shares or, as the case may be, procure the transfer of existing Shares (which may include, where desired, any Shares held by the Company in treasury) and, where required, despatch the share certificates in respect of such Shares by ordinary post or such other mode as the Scheme Committee may deem fit.

Where new Shares are allotted upon the exercise of an Option, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares.

10.3 Shares which are allotted or acquired on the exercise of an Option by a Participant shall be issued in or transferred to the name of CDP for credit of the relevant number of Shares to the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or, if applicable, the CPF investment account maintained with a CPF agent bank.

10.4 Shares acquired on exercise of an Option shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant date upon which such exercise occurred, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

10.5 Subject to the Act and the rules of the SGX-ST Listing Manual, the Company shall have the flexibility to deliver Shares to Participants upon the exercise of their Options by way of:

(a) an allotment of new Shares; and/or

(b) the transfer of existing Shares, including any Shares held by the Company in treasury.

11. Variation of Capital

11.1 If a variation in the ordinary share capital of the Company (whether by way of a bonus issue or rights issue, reduction, sub-division or consolidation) shall take place, then:

(a) the Acquisition Price for the Shares, the class and/or number of Shares comprised in the Option to the extent unexercised; and/or

(b) the class and/or number of Shares over which Options may be granted under the Scheme,

shall be adjusted in such manner as the Scheme Committee may determine to be appropriate and except in relation to a bonus issue, upon the written confirmation by the Auditors or other qualified financial consultants appointed by the Scheme Committee (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

11.2 Notwithstanding the provisions of Rule 11.1, no such adjustment shall be made unless the Scheme Committee after considering all relevant circumstances, considers it equitable to do so.

11.3 The following (whether singly or in combination) shall not be regarded as events requiring adjustment:

(a) any issue of securities as consideration for an acquisition or a private placement of securities;

(b) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the exercise of any Options granted pursuant to the Scheme and any previous scheme(s));

(c) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and

(d) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) effected on the SGX-ST pursuant to a share purchase mandate (or any renewal thereof) given by the shareholders of the Company in general meeting and for the time being in force.

11.4 Upon any adjustment required to be made pursuant to the foregoing provisions of this Rule 11, the Company shall notify the Participant (or his duly appointed personal representatives, where applicable) in writing and deliver to him (or his duly appointed personal representatives, where applicable) a statement setting forth the Acquisition Price thereafter in effect and the class and/or number of Shares thereafter to be acquired on the exercise of the Option. Any adjustment shall, unless otherwise stated therein, take effect upon such written notification being given.

12. Administration of the Scheme

12.1 The Scheme shall be administered by a Scheme Committee appointed and authorised by the Board to administer the Scheme. The Scheme Committee shall consist of Directors of the Company (including Directors who may be Participants of the Scheme) and may also include one person nominated by the Parent Company to be a member of the Scheme Committee. A member of the Scheme Committee who is also a Participant of the Scheme must not be involved in its deliberations or decisions in respect of Options granted or to be granted to him.

12.2 The Scheme Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it thinks fit.

12.3 Any decision of the Scheme Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors or other qualified financial consultants) shall be final and binding, including any decisions pertaining to the quantum of discount pursuant to Rules 7.2 or 7.3, or to disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme.

13. Notices

13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Scheme Committee, as may be notified by the Company to him in writing.

13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Scheme Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.

13.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 13.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

14. Modifications to the Scheme

14.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Scheme Committee, except that:

(a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in number of all the Shares which would fall to be acquired upon exercise in full of all outstanding Options;

(b) the definitions of "Group", "Group Employee", "Non-Group Employee", "Group Executive Director", "Group Non-Executive Director", "Parent Company", "Parent Group", "Parent Group Employee", "Parent Group Executive Director", "Parent Group Non-Executive Director", "Associated Company", "Associated Company Employee", "Controlling Shareholder", "Scheme Committee", "Option Period", "Grantee", "Participant" and "Acquisition Price" and the provisions of Rules 4, 5, 6, 7, 9, 10.1, 10.4, 12 and this Rule 14 shall not be altered to the advantage of Participants except with the prior approval of the Company's shareholders in general meeting; and

(c) no modification or alteration shall be made without the prior approval of the SGX-ST, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

14.2 Notwithstanding anything to the contrary contained in Rule 14.1, the Scheme Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. Terms of employment unaffected

The terms of employment of a Participant (who is a Group Employee, a Parent Group Employee or an Associated Company Employee) shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. Duration of the Scheme

16.1 The Scheme shall continue to be in force at the discretion of the Scheme Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The Scheme may be terminated at any time by the Scheme Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.

16.3 The termination of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 6.4, whether such Options have been exercised (whether fully or partially) or not. Any Vesting Schedule appertaining to Options granted continues to apply and the Scheme Committee continues to have authority in the case of outstanding Incentive Price Options to cancel such Options and to fix any discounts as the case may be.

17. Taxes

All taxes (including income tax) arising from the grant or exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

18. Costs and expenses

18.1 Each Participant shall be responsible for all fees of CDP, the Depository Agent or, if applicable, the CPF agent bank relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or, if applicable, CPF investment account with a CPF agent bank.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue or transfer of Shares pursuant to the exercise of any Option shall be borne by the Company.

19. Disclaimer of liability

Notwithstanding any provisions herein contained, the Scheme Committee, the Board and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in delivering the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 10.2 (and any other stock exchange on which the Shares are quoted or listed).

20. Disclosures in annual reports

The following disclosures (as applicable) will be made by the Company in its annual reports for so long as the Scheme continues in operation:

(a) The names of the members of the Scheme Committee administering the Scheme.

(b) The information required in the table below for the following Participants:

(i) Directors;

(ii) Participants who are Controlling Shareholders of the Company and their associates; and

(iii) Participants (other than those in (b)(i) and (b)(ii) above) who receive Options granted pursuant to the Scheme which in aggregate, represent 5% or more of the total number of Shares available under the Scheme.

Name of Participant	Shares under Options granted during financial year under review (including terms)	Aggregate Shares under Options granted since commencement of Scheme to end of financial year under review	Aggregate Shares under Options exercised since commencement of Scheme to end of financial year under review	Aggregate Shares under Options outstanding as at end of financial year under review	Number of new Shares issued to Participant during the financial year under review	Number of existing Shares transferred to Participant during the financial year under review

(c) (i) The names of and number and terms of Options granted to each Parent Group Employee and Parent Group Non-Executive Director who receives 5% or more of the total number of Shares available under the Scheme to Parent Group Employees and Parent Group Non-Executive Directors collectively, during the financial year under review.

(ii) The aggregate number of Shares under Options granted to Parent Group Employees and Parent Group Non-Executive Directors for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review.

(d) The number and proportion of Shares under Options granted at a discount of 10% or less during the financial year under review.

(e) The number and proportion of Shares under Options granted at a discount of more than 10% during the financial year under review.

21. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Scheme Committee and its decision shall be final and binding in all respects.

22. Governing law

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

HONG LEONG ASIA SHARE OPTION SCHEME 2000

LETTER OF OFFER
(Market Price Option/Discount Price Option)

Serial No: ____________________

Date: ______________________

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam

We are pleased to inform you that you have been selected to participate in the Hong Leong Asia Share Option Scheme 2000 (the "Scheme"). Terms as defined in the Scheme shall have the same meanings when used in this letter.

Accordingly, in consideration of the payment of a sum of $1.00, an offer is hereby made to grant you a ^ Market Price Option/Discount Price Option (the "Option"), to acquire ______ Shares in Hong Leong Asia Ltd. at a price of $ _______ for each Share (the "Acquisition Price").

* The Acquisition Price represents a discount of ________ % to the Market Price.

+ The Option Period applicable to the Option is as follows:

Option Period	
Commencement Date	**Expiration Date**

The Vesting Schedule applicable to the Shares covered by the Option is as follows:

Vesting Schedule	Percentage of Shares over which the Option is exercisable
+Before ________	Nil
From ________ to ________	(i) Up to ________ %
From ________ to ________	(ii) Up to ________ % (including (i) above)
After ________	(iii) 100%

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Scheme Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the terms of the Scheme, a copy of which is enclosed herewith.

In the event of exceptional circumstances involving:

1. a misstatement of the financial results of the Company and/or the Hong Leong Asia Group in respect of the financial year ended ______________ ("FY _______"), which ^[for the purpose of this grant shall refer to the financial results for the actual relevant financial period ended ________ and the forecast for the relevant quarter of _________] [shall form the basis of this grant], or

2. misconduct on your part which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group,

the Company reserves the right to recover or cancel the Option (whether in whole or in part) at any time prior to the expiry of the period for exercise of the Option, upon the instruction of the Scheme Committee in consultation with the Remuneration Committee and the Board of Directors. Such recovery or cancellation of the Option shall take into account the amount of Shares under Option that might have been granted had the same been calculated based on the restated financial results for the previous financial year, and can take place at any time before the vesting of the Option, or if vested, before your exercise of the Option.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of $1.00 not later than 5.00 p.m. on ____________________ , failing which this offer will lapse.

Yours faithfully

^ *To be deleted accordingly.*

* *Applicable only to a Discount Price Option.*

+ *A Market Price Option may not be exercised before the 1st anniversary of the Offering Date, while a Discount Price Option may not be exercised before the 2nd anniversary of the Offering Date.*

Conditions (if any) to be attached to the exercise of the Option will be determined by the Scheme Committee at its absolute discretion.

HONG LEONG ASIA SHARE OPTION SCHEME 2000

LETTER OF OFFER
(Incentive Price Option)

Serial No: ______________________

Date: __________________________

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam

We are pleased to inform you that you have been selected to participate in the Hong Leong Asia Share Option Scheme 2000 (the "Scheme"). Terms as defined in the Scheme shall have the same meanings when used in this letter.

Accordingly, in consideration of the payment of a sum of $1.00, an offer is hereby made to grant you an Incentive Price Option (the "Option"), to acquire _______ Shares in Hong Leong Asia Ltd. at a price of $ ________] for each Share (the "Acquisition Price").

Pursuant to Rule 7.3 of the Scheme, the Acquisition Price may be subject to such discount as may be determined by the Scheme Committee, at its absolute discretion, subject to a maximum discount of 20% thereof or such other discount as may be prescribed by SGX-ST. The performance target and Incentive Period are as follows:

Not later than ______________________, the Scheme Committee shall inform you as to whether it has granted a discount and, if so, the quantum of the discount on the Acquisition Price applicable to the Option and, if relevant, the adjusted Acquisition Price.

The Scheme Committee may however determine that no discount will be given in respect of the Option, in which event the Acquisition Price shall remain at $ ________ for each Share.

The Scheme Committee may also determine that this Option be cancelled in which case it shall lapse without any claims against the Company.

The Option Period applicable to the Option is as follows:

Option Period	
Commencement Date	**Expiration Date**

The Vesting Schedule applicable to the Shares covered by the Option is as follows:

Vesting Schedule	**Percentage of Shares over which the Option is exercisable**
+Before _________	Nil
From _________ to _________	(i) Up to _________ %
From _________ to _________	(ii) Up to _________ % (including (i) above)
After _________	(iii) 100%

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Scheme Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the terms of the Scheme, a copy of which is enclosed herewith.

In the event of exceptional circumstances involving:

1. a misstatement of the financial results of the Company and/or the Hong Leong Asia Group in respect of the financial year ending ________________ ("FY _______"), which for the purpose of this grant is the incentive period for the achievement of the Condition Precedent for the grant of the Option, or

2. misconduct on your part which caused or contributed to the misstatement or which would result in financial loss to the Company and/or the Group,

the Company reserves the right to cancel the Option (whether in whole or in part) at any time prior to the expiry of the period for exercise of the Option, upon the instruction of the Scheme Committee in consultation with the Remuneration Committee and the Board of Directors of the Company. Such cancellation of the Option shall take into account the number of Shares under the Option that might have been granted had the same been calculated based on the restated financial results for FY _______, and can take place at any time before the vesting of the Option, or if vested, before your exercise of the Option.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of $1.00 not later than 5.00 p.m. on ____________________, failing which this offer will lapse.

Yours faithfully

\+ *An Incentive Price Option may not be exercised before the second anniversary of the Offering Date.*

\# *Conditions (if any) to be attached to the exercise of the Option will be determined by the Scheme Committee at its absolute discretion*

HONG LEONG ASIA SHARE OPTION SCHEME 2000

ACCEPTANCE FORM
(Market Price Option/Discount Price Option)

Serial No: ____________________

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

Closing Date for Acceptance of Offer : ____________________

Number of Shares Offered : ____________________

Acquisition Price for each Share: $

Total Amount Payable : $ ____________________

I have read your Letter of Offer dated ____________________ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the *Market Price Option/Discount Price Option to acquire all the Shares at a price of $ ________ for each Share and enclose cash of $1.00 as consideration for the Option.

I understand that I am not obliged to exercise the Option.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : ____________________

Designation : ____________________

Address : ____________________

Nationality : ____________________

*NRIC/Passport No. : ____________________

Signature : ____________________

Date : ____________________

* Delete accordingly

HONG LEONG ASIA SHARE OPTION SCHEME 2000

ACCEPTANCE FORM
(Incentive Price Option)

Serial No: ____________________

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

Closing Date for Acceptance of Offer : ____________________

Number of Shares Offered : ____________________

I have read your Letter of Offer dated ____________________ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Incentive Price Option to acquire all the Shares at a price of $ ________ for each Share (the "Acquisition Price"), and enclose cash of $1.00 as consideration for the Option.

I acknowledge that:

(a) pursuant to Rule 7.3 of the Scheme, the Acquisition Price may be subject to such discount as may be determined by the Scheme Committee, at its absolute discretion, subject to a maximum discount of 20% thereof;

(b) not later than ____________________ the day stated in your Letter of Offer, the Scheme Committee shall inform me as to whether it has granted a discount and, if so, the quantum of the discount on the Acquisition Price applicable to the Option and, if relevant, the adjusted Acquisition Price;

(c) the Scheme Committee may however determine that no discount will be given in respect of the Option, in which event the Acquisition Price shall remain at $ ________ for each Share;

(d) The Scheme Committee may also determine that this Option be cancelled in which case it shall lapse without any claims against the Company; and

(e) the decision of the Scheme Committee shall be final and binding.

I understand that I am not obliged to exercise the Option.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : ____________________

Designation : ____________________

Address : ____________________

Nationality : ____________________

*NRIC/Passport No. : ____________________

Signature : ____________________

Date : ____________________

* Delete accordingly

HONG LEONG ASIA SHARE OPTION SCHEME 2000

FORM OF EXERCISE OF OPTION

(Market Price Option/Discount Price Option)

Total number of ordinary shares
(the "Shares") offered at

$ ________ for each Share under the Scheme

on ____________________ (Offering Date) : ______________________________

Number of Shares previously acquired
thereunder : ______________________________

Outstanding balance of Shares to be
acquired thereunder : ______________________________

Number of Shares now to be acquired : ______________________________

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

1. Pursuant to your Letter of Offer dated ____________________ and my acceptance thereof, I hereby exercise the *Market Price Option/Discount Price Option to acquire ________ Shares in Hong Leong Asia Ltd. (the "Company") at $ ________ for each Share.

2. I enclose a *cheque/cashier's order/banker's draft/postal order no. ____________________ for $ ________ in payment for the total number of the said Shares now to be acquired.

3. I agree to acquire the said Shares subject to the terms of the Letter of Offer, the Hong Leong Asia Share Option Scheme 2000 and the Memorandum and Articles of Association of the Company.

4. I declare that I am acquiring the said Shares for myself and not as a nominee for any other person.

5. I request the Company to allot and issue or, as the case may be, procure the transfer of the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited ("CDP") and to deliver to CDP the certificate(s) for the Shares for credit to my securities account as specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof:

   *(i) Direct Securities Account No.:

   or

   *(ii) Sub-Account No. and Name of Depository Agent

   Sub-Account No.: ______________________________

   Name of Depository Agent: ______________________________

   or

   *(iii) CPF Investment Account No. and Name of Agent Bank

   CPF Investment Account No.: ______________________________

   Name of Agent Bank: ______________________________

Please print in block letters

Name in full : ______________________________

Designation : ______________________________

Address : ______________________________

Nationality : ______________________________

*NRIC/Passport No. : ______________________________

Signature : ______________________________

Date : ______________________________

* Delete accordingly

HONG LEONG ASIA SHARE OPTION SCHEME 2000

FORM OF EXERCISE OF OPTION
(Incentive Price Option)

Total number of ordinary shares (the "Shares") offered at

$ ________ for each Share under the Scheme

on ____________________ (Offering Date),
such price being adjusted to $ ________
for each Share on : ____________________

Number of Shares previously acquired thereunder : ____________________

Outstanding balance of Shares to be acquired thereunder : ____________________

Number of Shares now to be acquired : ____________________

 # To insert the adjusted price, if applicable

To: The Scheme Committee
Hong Leong Asia Share Option Scheme 2000
c/o Hong Leong Asia Ltd.
16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

1. Pursuant to your Letter of Offer dated ____________________ and my acceptance thereof, and your letter dated ____________________ issued to me pursuant to Rule 7.3 of the Scheme, I hereby exercise the Incentive Price Option to acquire ________ Shares in Hong Leong Asia Ltd. (the "Company") at $ ________ for each Share.

2. I enclose a *cheque/cashier's order/banker's draft/postal order no. ____________________ for $ ________ in payment for the total number of the said Shares now to be acquired.

3. I agree to acquire the said Shares subject to the terms of the Letter of Offer, the Hong Leong Asia Share Option Scheme 2000 and the Memorandum and Articles of Association of the Company.

4. I declare that I am acquiring the said Shares for myself and not as a nominee for any other person.

5. I request the Company to allot and issue or, as the case may be, procure the transfer of the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited ("CDP") and to deliver to CDP the certificate(s) for the Shares for credit to my securities account as specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof:

   *(i) Direct Securities Account No.: ____________________

   or

   *(ii) Sub-Account No. and Name of Depository Agent

   Sub-Account No.: ____________________

   Name of Depository Agent: ____________________

   or

   *(iii) CPF Investment Account No. and Name of Agent Bank

   CPF Investment Account No.: ____________________

   Name of Agent Bank: ____________________

Please print in block letters

Name in full : ______________________________

Designation : ______________________________

Address : ______________________________

Nationality : ______________________________

*NRIC/Passport No. : ______________________________

Signature : ______________________________

Date : ______________________________

* Delete accordingly

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

At the Fifty-Eighth Annual General Meeting of the Company held on 26 April 2019 ("**Last AGM**"), Shareholders had approved, *inter alia*, the renewal of the Share Purchase Mandate to permit the Company to purchase or otherwise acquire its issued Shares. The rationale for, authority and limits of, and the financial effects of, the Share Purchase Mandate were set out in the Company's Letter to Shareholders dated 28 March 2019 and Ordinary Resolution 7 set out in the Notice of the Last AGM.

The Share Purchase Mandate was expressed to take effect from the passing of Ordinary Resolution 7 at the Last AGM and will expire on the date of the forthcoming Fifty-Ninth Annual General Meeting of the Company to be held on 18 June 2020 ("**Forthcoming AGM**") or until it is varied or revoked by the Company in general meeting, whichever is the earlier. Accordingly, Shareholders' approval will be sought at the Forthcoming AGM for the renewal of the Share Purchase Mandate.

Since the renewal of the Share Purchase Mandate at the Last AGM, the Company has not purchased or acquired any of its Shares under the Share Purchase Mandate.

2. DEFINITIONS

In this **Annexure III**, the following definitions shall apply throughout unless otherwise stated:

"Average Closing Price"	:	Has the meaning ascribed to it in paragraph 3.2.4 of this **Annexure III**
"Board"	:	The Board of Directors of the Company for the time being
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Company"	:	Hong Leong Asia Ltd.
"date of the making of the offer"	:	Has the meaning ascribed to it in paragraph 3.2.4 of this **Annexure III**
"Directors"	:	The directors of the Company for the time being
"EPS"	:	Earnings per Share
"Group"	:	The Company and its subsidiaries
"Latest Practicable Date"	:	15 May 2020, being the latest practicable date prior to the printing of this Letter
"Listing Manual"	:	The Listing Manual of SGX-ST, as amended or modified from time to time
"Market Day"	:	A day on which SGX-ST is open for trading in securities

"Market Purchase"	:	An on-market purchase of Shares by the Company effected on SGX-ST, or on any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose
"Maximum Price"	:	The maximum price to be paid for the Shares as determined by the Directors under paragraph 3.2.4 of this **Annexure III**
"NAV"	:	Net asset value
"Off-Market Purchase"	:	An off-market purchase of Shares by the Company effected otherwise than on a stock exchange, in accordance with an equal access scheme
"public"	:	Has the meaning ascribed to it in the Listing Manual
"related expenses"	:	Has the meaning ascribed to it in paragraph 3.2.4 of this **Annexure III**
"SFA"	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Options"	:	Options to subscribe for new Shares granted pursuant to the Hong Leong Asia Share Option Scheme 2000
"Share Purchase Mandate"	:	The mandate to enable the Company to purchase or otherwise acquire its issued Shares
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the depositors whose securities accounts maintained with CDP are credited with the Shares
"Shares"	:	Ordinary shares of the Company
"Substantial Shareholder"	:	In relation to the Company, a person who has an interest in not less than 5% of the issued voting Shares of the Company
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
"usage"	:	Has the meaning ascribed to it in paragraph 3.5.3 of this **Annexure III**
"$"	:	Singapore dollars
"%"	:	Percentage or per centum

The terms "**depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this **Annexure III** to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Listing Manual or Take-over Code or any statutory modification thereof and not otherwise defined in this **Annexure III** shall have the same meaning assigned to it under the Companies Act, the SFA, the Listing Manual or Take-over Code or any statutory modification thereof, as the case may be. Any reference to a time of day in this **Annexure III** is made by reference to Singapore time unless otherwise stated.

3. RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for the Share Purchase Mandate

The Share Purchase Mandate will give the Company the flexibility to undertake share purchases or acquisitions at any time, subject to market conditions, during the period that the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share purchases will also allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NAV per Share.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.2.1 below, it should be noted that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised, and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company and the Group, or affect the listing status of the Company on SGX-ST.

3.2 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate are summarised below:

3.2.1 *Maximum Number of Shares*

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the Forthcoming AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual) will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, there were no Shares held as treasury shares or subsidiary holdings.

Purely for illustrative purposes, on the basis of 747,817,118 Shares in issue as at the Latest Practicable Date, and assuming that (i) no further Shares are issued pursuant to the exercise of exercisable Share Options, (ii) no Shares are held by the Company as treasury shares, and (iii) no Shares are held as subsidiary holdings on or prior to the Forthcoming AGM, not more than 74,781,711 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

3.2.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the Forthcoming AGM, at which the Share Purchase Mandate is approved, up to the earliest of:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by the Shareholders in a general meeting; or

(c) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

3.2.3 ***Manner of Purchases or Acquisitions of Shares***

Purchases or acquisitions of Shares may be made by way of:

(a) Market Purchases; and/or

(b) Off-Market Purchases.

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on SGX-ST or, as the case may be, other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme or schemes for the purchase or acquisition of Shares. The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) (if applicable) differences in consideration attributable to the fact that offers may relate to Shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(a) terms and conditions of the offer;

(b) period and procedures for acceptances;

(c) reasons for the proposed purchase or acquisition of Shares;

(d) consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on SGX-ST;

(f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

3.2.4 ***Maximum Purchase Price***

The purchase price (excluding brokerage, stamp duties (if applicable), commission, applicable goods and services tax and other related expenses (if applicable) (collectively, "**related expenses**")) to be paid for a Share will be determined by the Directors. The Maximum Price to be paid for the Shares as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on SGX-ST or, as the case may be, such stock exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of SGX-ST for any corporate action which occurs during the relevant five-day period and the day on which the purchase is made; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3 Source of Funds

Under the Companies Act, the Company may, pursuant to the Share Purchase Mandate, purchase or acquire its own Shares out of its capital, as well as from its profits.

The Company intends to use internal and/or external sources of funds to finance its purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the Group's working capital requirements, current dividend policy and ability to service its debts would be adversely affected.

3.4 Status of Purchased or Acquired Shares

Shares which are purchased or acquired by the Company and which are not held as treasury shares will be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares (including Shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act) cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a sub-division or consolidation of any treasury share is allowed so long as the total value of the treasury shares after the sub-division or consolidation is the same as before.

3.5.3 ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, Directors or other persons;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares against the total number of issued Shares (of the same class as the treasury shares) which are listed on SGX-ST before and after the usage; and the value of the treasury shares of the usage.

3.6 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital or profits of the Company, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group based on the audited financial accounts of the Group for the financial year ended 31 December 2019 are based on the assumptions set out below:

3.6.1 ***Purchase or Acquisition out of Capital or Profits***

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

3.6.2 ***Maximum Price Paid for Shares Acquired or Purchased***

As at the Latest Practicable Date, the Company has 747,817,118 issued Shares. In addition, as at the Latest Practicable Date, there were outstanding and remaining unexercised Share Options to subscribe for up to an aggregate of 820,000 Shares. Except in respect of Shares which are issuable on exercise of the outstanding Share Options, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Based on the total number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3.2.1 above, the purchase by the Company of 10% of the total number of issued Shares will result in the purchase or acquisition of 74,781,711 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 74,781,711 Shares at the Maximum Price of $0.539 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,781,711 Shares is $40,307,342. In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 74,781,711 Shares at the Maximum Price of $0.564 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,781,711 Shares is $42,176,885.

3.6.3 ***Whether the Underlying Shares are Cancelled or Held in Treasury***

The financial effects on the Group arising from purchases or acquisitions of Shares will also depend on whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only, on the basis of the assumptions set out above as well as the following:

(a) the Share Purchase Mandate had been effective on 1 January 2019; and

(b) there was no exercise of Share Options from 1 January 2020 up to and including the Latest Practicable Date,

the financial effects on the audited financial accounts of the Company and the Group arising from purchases or acquisitions of Shares for the financial year ended 31 December 2019 would have been as follows:

Assuming Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
	Before purchase of Shares	After purchase of Shares	Before purchase of Shares	After purchase of Shares
As at 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
NAV	764,824	724,517	214,811	174,504
Current Assets	3,636,912	3,636,912	278,269	278,269
Current Liabilities	2,530,221	2,570,528	198,023	238,330
Shareholders' Fund	764,824	724,517	214,811	174,504
Number of Shares	747,817,118	673,035,407	747,817,118	673,035,407
Weighted Average Number of Shares	747,817,118	673,035,407	747,817,118	673,035,407
Financial Ratios				
Profit after Tax and Minority Interests	34,443	34,443	N.A.	N.A.
NAV per Share (cents)	102.27	107.65	28.73	25.93
Basic EPS (cents)	4.61	5.12	N.A.	N.A.
Current Ratio (times)	1.44	1.41	1.41	1.17

Assuming Off-Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
	Before purchase of Shares	After purchase of Shares	Before purchase of Shares	After purchase of Shares
As at 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
NAV	764,824	722,647	214,811	172,634
Current Assets	3,636,912	3,636,912	278,269	278,269
Current Liabilities	2,530,221	2,572,398	198,023	240,200
Shareholders' Fund	764,824	722,647	214,811	172,634
Number of Shares	747,817,118	673,035,407	747,817,118	673,035,407
Weighted Average Number of Shares	747,817,118	673,035,407	747,817,118	673,035,407
Financial Ratios				
Profit after Tax and Minority Interests	34,443	34,443	N.A.	N.A.
NAV per Share (cents)	102.27	107.37	28.73	25.65
Basic EPS (cents)	4.61	5.12	N.A.	N.A.
Current Ratio (times)	1.44	1.41	1.41	1.16

N.A. – Not applicable

The financial effects set out above, based on the respective aforementioned assumptions and scenarios, are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Group for the financial year ended 31 December 2019, and is not necessarily representative of future financial performance of the Group or the Company.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares. In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired.

The Company will take into account both financial and non-financial factors (for example, share market conditions and performance of the Shares) in assessing the relative impact of a share purchase before execution.

3.7 **Taxation**

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

3.8 **Listing Status of the Shares**

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Under the Listing Manual, "**public**" is defined as persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the company or its subsidiaries, as well as the associates of such persons.

Based on information available to the Company as at the Latest Practicable Date, approximately 24.15% of the total number of issued Shares were held by public Shareholders. Assuming the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the Share Purchase Mandate on the Latest Practicable Date and none of these Shares had been held as treasury shares, approximately 24.15% of the issued Shares would have been held by public Shareholders as at that date.

The Company will ensure that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate, without affecting the listing status of the Shares on SGX-ST, causing market illiquidity or affecting orderly trading.

3.9 **Take-over Implications**

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.9.1 ***Obligation to Make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting Shares of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:

(i) the adviser and persons controlling, controlled by or under the same control as the adviser; and

(ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) the following persons and entities:

(i) an individual;

(ii) the close relatives of (i);

(iii) the related trusts of (i);

(iv) any person who is accustomed to act in accordance with the instructions of (i);

(v) companies controlled by any of (i), (ii), (iii) or (iv); and

(vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the shareholdings of the Directors and Substantial Shareholders, which can be found on page [2] of this Letter, the Directors and Substantial Shareholders would not incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.10 Reporting Requirements

Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the Market Day following the day of the purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include details of the date of the purchase, the total number of shares purchased, number of shares cancelled and held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties (if applicable) and clearing charges) paid or payable for the shares.

3.11 No Purchases During Price Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of consideration and/or a decision of the Board until the price sensitive information has been publicly announced. In particular, the Company will, in accordance with Rule 1207(19) of the Listing Manual, not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the "closed period" as defined in the Listing Manual in relation to the release of the announcements of the Company's financial statements.

4. RECOMMENDATION

The Directors are of the view that the Share Purchase Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 9 for the renewal of the Share Purchase Mandate at the Forthcoming AGM.

PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. BACKGROUND

On 30 May 2003, the Company obtained Shareholders' approval at an Extraordinary General Meeting of the Company (the "**2003 EGM**") for the Company, its subsidiaries and its associated companies not listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**") or an approved exchange, over which the Company and its subsidiaries (collectively, the "**Group**") or the Group and its interested persons have control (collectively, "**HLA EAR Group**"), to enter into transactions falling within the categories of Interested Person Transactions as defined and set out in the Company's circular to Shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). Given that such Interested Person Transactions may occur at any time, and to allow the HLA EAR Group to undertake such transactions in an expeditious manner, Shareholders' approval will be sought at the coming Fifty-Ninth Annual General Meeting ("**Forthcoming AGM**") for the renewal of the IPT Mandate.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual of SGX-ST, is set out in **Annexure V** of this Letter.

2. RENEWAL OF THE GENERAL MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate approved at the 2003 EGM was expressed, unless revoked or varied by the Company in general meeting, to continue to be in force until the next annual general meeting of the Company. The IPT Mandate which was renewed at the last annual general meeting of the Company held on 26 April 2019 ("**Last AGM**"), is currently in force until the next annual general meeting of the Company, being the Forthcoming AGM, which is to be held on 18 June 2020. Accordingly, it is proposed that the IPT Mandate be renewed at the Forthcoming AGM, to take effect until the next annual general meeting of the Company to be held in year 2021.

The nature of the Interested Person Transactions and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged since the renewal of the same at the Last AGM. Particulars of the IPT Mandate, including the rationale, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of Interested Persons, are set out in **Annexure V** of this Letter.

3. INTERESTED PERSON TRANSACTIONS

No Interested Person Transactions were conducted under the IPT Mandate in 2019.

4. AUDIT AND RISK COMMITTEE'S STATEMENT

The Audit and Risk Committee of the Company confirms that:

(a) the methods and review procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the 2003 EGM; and

(b) the methods and review procedures referred to in (a) above continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5. RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Mr Ernest Colin Lee, Ms Kwong Ka Lo @ Caroline Kwong, Mr Ng Sey Ming and Mr Tan Chian Khong.

They are of the opinion that the entry into the Interested Person Transactions (as described in Section 6 of **Annexure V**) between the HLA EAR Group (as described in Section 2.3 of **Annexure V**) and the Interested Persons (as described in Section 5 of **Annexure V**) in the ordinary course of business will enhance the efficiency of the HLA EAR Group and is in the best interests of the Company. For the reasons set out in Sections 2 and 4 of **Annexure V**, they recommend that Shareholders vote in favour of Resolution 10 at the Forthcoming AGM.

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS (THE "IPT MANDATE")

1. GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual ("**Chapter 9**") of Singapore Exchange Securities Trading Limited ("**SGX-ST**") applies to transactions between a party that is an entity at risk and a counter party that is an interested person. The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders. The aforementioned terms "entity at risk", "interested person" and "associated companies" are defined below.

1.2 **Main Terms Used in Chapter 9**

(a) An "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has or have control over the associated company.

(b) An "**associated company**" of a listed company means a company in which at least 20 per cent. but not more than 50 per cent. of its shares are held by the listed company or the listed group.

(c) An "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.

(d) An "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

(e) An "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder of the listed company (being an individual) means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder; the trustees of any trust of which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent. or more; and, where a controlling shareholder of the listed company is a corporation, its "associate" means its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other companies taken together have (directly or indirectly) an interest of 30 per cent. or more.

(f) A "**chief executive officer**" of a listed company means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.

(g) A "**controlling shareholder**" of a listed company means a person who holds directly or indirectly 15 per cent. or more of the total voting rights in the listed company (provided that SGX-ST may determine that a person who satisfies the foregoing is not a controlling shareholder); or a person who in fact exercises control over the listed company.

(h) An "**interested person transaction**" means a transaction between an entity at risk and an interested person.

1.3 **Materiality Thresholds, Announcement Requirements and Shareholders' Approval**

When Chapter 9 applies to a transaction with an interested person (except for any transaction which is below $100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and are hence excluded from certain requirements of Chapter 9) and the value of the transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated net tangible assets[1] ("**NTA**")), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for the transaction.

In particular, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding

(a) 5 per cent. of the listed company's latest audited consolidated NTAt[2]; or

(b) 5 per cent. of the listed company's latest audited consolidated NTA, when aggregated with the values of other transactions entered into with the same interested person (such term as construed under Chapter 9) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

1.4 **Shareholders' General Mandate**

Chapter 9 allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company's interested persons.

2. INTRODUCTION AND RATIONALE FOR THE IPT MANDATE

2.1 The Hong Leong Asia Ltd. ("**HLA**") group (the "**Group**") is principally engaged in the manufacture of industrial and consumer products ranging from diesel engines, to air-conditioning systems; the manufacture and marketing of plastic packaging related products; the trading and distribution of a variety of construction raw materials such as cement; and the manufacture, trading and distribution of pre-cast concrete elements, ready-mix concrete and quarry products.

2.2 Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**"), a controlling shareholder of the Company, and its associates (the "**HLIH Group**") are interested persons of the Company.

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1 Based on the latest audited consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2019, the audited consolidated NTA of the Group was $717,221,000.

2 In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time that the audited consolidated accounts of the Company and its subsidiaries for the year ending 31 December 2020 are published by the Company, 5 per cent. of the latest audited consolidated NTA of the Group would be $35,861,050.

2.3 Due to the size of the HLIH Group and the diversity of the Group's activities, it is anticipated that:

(a) HLA;

(b) subsidiaries of HLA that are not listed on SGX-ST or an approved exchange; and

(c) associated companies of HLA that are not listed on SGX-ST or an approved exchange, provided that the Group or the Group and its interested person(s), has or have control over the associated companies,

(together, the "**HLA EAR Group**"), or any of them, would, in the ordinary course of its businesses, enter into certain transactions with its interested persons. It is likely that such transactions will occur with some degree of frequency and may arise at any time. Thus, the IPT Mandate is intended to facilitate transactions in the normal course of business of the HLA EAR Group falling within the categories of interested person transactions as set out in Section 6 below (the "**Interested Person Transactions**") that are transacted from time to time with its interested persons as specifically described in Section 5 below (the "**Interested Persons**") provided that they are carried out at arm's length and on the Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3. SCOPE OF THE IPT MANDATE

3.1 The IPT Mandate will not cover any Interested Person Transaction which has a value below $100,000 as the threshold and aggregation requirements of Chapter 9 do not apply to such transactions.

3.2 Transactions with interested persons which do not fall within the ambit of the IPT Mandate (including any renewal thereof), will be subject to applicable provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual.

4. BENEFITS OF THE IPT MANDATE

The IPT Mandate which was adopted at the Extraordinary General Meeting of the Company held on 30 May 2003 (the "**2003 EGM**") and subject to renewal on an annual basis would eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when such Interested Person Transactions with the Interested Persons arise, thereby reducing substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group. This would also enable the Group to maximise its business opportunities especially in commercial transactions that are time-sensitive in nature. At the same time, the Group would be able to channel the significant amount of administrative resources, including time and expenses, saved towards its other corporate objectives.

5. CLASSES OF INTERESTED PERSONS

The IPT Mandate will apply to transactions with the following classes of Interested Persons:

(a) the HLIH Group; and

(b) Directors, chief executive officer and controlling shareholders of the Company (other than entities which fall under the HLIH Group described under sub-paragraph (a) above) and their respective associates.

6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

6.1 The Interested Person Transactions between the HLA EAR Group and Interested Persons which will be covered by the IPT Mandate relate to recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations, and are set out as follows:

6.1.1 **Industrial- and Consumer-related Transactions**

This category comprises the following types of transactions:

(a) sale of diesel engines for light-duty, medium-duty and heavy-duty trucks that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;

(b) sale of air-conditioners and other home appliances that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;

(c) sale of heating, ventilation, and air-conditioning systems for use in residential, commercial and industrial applications that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;

(d) sale of industrial products that are manufactured by the HLA EAR Group, which include without limitation, steel drums and pails, plastic bottles, plastic pails, jerry cans, thermo-formed containers, steel and plastic closures, and other plastic packaging materials or products; and

(e) purchase or supply by Interested Persons of any material or component, whether raw or processed, plant equipment and accessories and/or services which are incidental to or in connection with the manufacture and/or assembly of any of the products described in sub-paragraphs (a) to (d) above.

6.1.2 **Construction-related Transactions**

This category comprises transactions in relation to the supply and distribution to Interested Persons or the purchase from Interested Persons of building materials and construction products ranging from raw materials such as cement, ready-mix concrete, quarry products, and construction materials to pre-cast concrete elements for installation in buildings.

6.1.3 **Financial and Treasury Transactions**

This category comprises transactions in relation to the placement of funds with Interested Persons, the borrowing of funds from Interested Persons, and the entry into foreign exchange, swap and option transactions with Interested Persons, that do not fall under the exceptions to interested person transactions pursuant to Rule 915(6) and Rule 915(7) of Chapter 9[3] and the subscription by the HLA EAR Group of debt securities issued by any Interested Person and the issue of debt securities by the HLA EAR Group to any Interested Person.

Pursuant to Rule 916(3) of Chapter 9, the provision of a loan by the HLA EAR Group to a joint venture with an Interested Person does not require the seeking of Shareholders' approval provided that such loan is extended by all joint venture partners on the same terms and in proportion to their equity interest in the joint venture; the Interested Person does not have an existing equity interest in the joint venture prior to the participation of the HLA EAR Group in the joint venture; and the Company has announced that its audit and risk committee (the "**Audit and Risk Committee**") is of the view that: (i) the provision of the loan is not prejudicial to the interests of the Company and its minority Shareholders; (ii) the risks and rewards of the joint venture are in proportion to the equity of each of the joint venture partners; and (iii) the terms of the joint venture are not prejudicial to the interests of the Company and its minority Shareholders.

3 Pursuant to Rule 915(6) and Rule 915(7) of Chapter 9, the provision or receipt of financial assistance or services by or from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business does not constitute an interested person transaction which would require compliance with Rules 905, 906 and 907 of Chapter 9. Rule 905 relates to the requirements for immediate announcement of interested person transactions, Rule 906 relates to the requirements for seeking shareholders' approval for interested person transactions, and Rule 907 relates to the requirements for disclosure of the aggregate value of interested person transactions in the listed company's annual report.

6.1.4 **General Transactions**

This category comprises the following types of transactions:

(a) purchase of goods and services including vehicles, parts and accessories and after-sales services; and

(b) leasing or rental of properties to or from Interested Persons.

7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

7.1 In general, there are procedures established by the Group to ensure that Interested Person Transactions, which are reviewed and approved by the management, are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, are not prejudicial to the interests of the Company and its minority Shareholders and are on terms which are generally no more favourable to the Interested Persons than those extended to or received from unrelated third parties.

7.1.1 **Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions**

All Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) are to be carried out at the published or prevailing rates/ prices of the service or product providers (including, where applicable, preferential rates/ prices/discounts accorded to a class or classes of customers or for bulk purchases where the giving of such preferential rates/prices/discounts is commonly practised within the applicable industry and may be similarly extended to unrelated third parties), on the service or product provider's usual commercial terms which may also be similarly extended to unrelated third parties, or otherwise in accordance with other applicable industry norms.

In addition, the HLA EAR Group will monitor the Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) as follows:

(a) Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions (other than the Interested Person Transactions covered under sub-paragraph (b) herein)

Interested Person Transactions under this sub-paragraph (a) shall be entered into, where applicable, (i) in the case of the provision of services or products by an Interested Person, based on tenders (with at least two bids from unrelated third parties to be obtained for comparison purposes) or comparison of rates and terms offered by or generally quoted by at least two unrelated third parties, who are engaged in providing similar services or products; and (ii) in the case of the provision of services or products to an Interested Person, based on comparison of rates and terms offered to at least two unrelated third parties, for transactions of a similar nature, size or complexity and after taking into account the availability of resources, expertise or manpower for the performance of such services or provision of such goods and the existence of any cost and/or time saving factors.

(b) General Transactions comprising the leasing or rental of properties

Interested Person Transactions under this sub-paragraph (b) shall be entered into after comparison of rates quoted to at least two unrelated third parties (in the case of leases granted to Interested Persons) or comparison of rates quoted by or obtained from at least two unrelated third parties (in the case of leases granted by Interested Persons) and after taking into account the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

(c) In the event that such comparison quotations cannot be obtained in respect of the Interested Person Transactions covered under sub-paragraphs (a) and (b) above (for example, where there are no unrelated third party providers or users of such services or products, or where the service or product is a proprietary item or due to the nature, speciality or confidentiality of the service or product to be supplied), such Interested Person Transactions shall be entered into only after the senior management staff of the relevant company in the HLA EAR Group (having no interest, direct or indirect, in the Interested Person Transaction and having the authority in such company to approve the entering into of transactions of such nature and value) have evaluated and weighed the benefits of, and rationale for, transacting with the Interested Person and in their report submitted to the Audit and Risk Committee, confirmed that the price and terms offered to or by the Interested Person are fair and reasonable. In such evaluation and confirmation, the factors which may be taken into account include, but shall not be limited, to the following:

(i) in relation to the sale of goods or services to the Interested Person, the terms of supply should be in accordance with the HLA EAR Group's usual business practice and consistent with the margins obtained by the HLA EAR Group in its business operations or the margins obtained for the same or substantially the same type of transactions;

(ii) in relation to the purchase of goods or services from the Interested Person, the terms of supply will be compared to those for the same or substantially the same type of transactions entered into between the Interested Person and unrelated third parties. The review procedures in such cases may include where applicable, reviewing the standard price lists provided by the Interested Person to its customers for such products or services;

(iii) the efficiencies and flexibilities derived by the HLA EAR Group in transacting with the Interested Person as compared with transacting with unrelated third parties; and

(iv) prevailing industry norms.

7.1.2 **Financial and Treasury Transactions**

(a) Placement of Funds

In relation to the placement with any Interested Person by the HLA EAR Group of its funds, the Company will require that quotations be obtained from such Interested Person and at least two principal bankers or financial institutions of the Group ("**Principal Bankers**") for rates offered by such Principal Bankers for deposits of an amount and currency and for a period equivalent to that of the funds to be placed by the HLA EAR Group. The HLA EAR Group will only place its funds with such Interested Person provided that the interest rate quoted is not less than the highest of the rates quoted by such Principal Bankers.

(b) Borrowing of Funds

In relation to the borrowing of funds from any Interested Person by a company within the HLA EAR Group, the Company will require that quotations be obtained from such Interested Person and at least two bankers of the borrowing company within the HLA EAR Group for rates offered by such bankers for loans of an amount and currency and for a period equivalent to that of the funds to be borrowed by such borrowing company within the HLA EAR Group. The HLA EAR Group will only borrow funds from such Interested Person provided that the interest rate quoted is not more than the lowest of the rates quoted by such bankers.

(c) Foreign Exchange, Swaps and Options

In relation to the foreign exchange, swap and option transactions with any Interested Person by the HLA EAR Group, the Company will require that rate quotations be obtained from such Interested Person and at least two Principal Bankers of the Group. The HLA EAR Group will only enter into such foreign exchange, swap and option transactions with such Interested Person provided that such rates quoted are no less favourable than the rates quoted by such Principal Bankers.

(d) Subscription of Debt Securities

In relation to the subscription by the HLA EAR Group of debt securities issued by Interested Persons, the HLA EAR Group will only enter into the subscription of such debt securities provided that the price(s) at which the HLA EAR Group subscribes for such debt securities will not be higher than the price(s) at which such debt securities are subscribed for by unrelated third parties.

In relation to the issue of debt securities by the HLA EAR Group to Interested Persons, the HLA EAR Group will only issue such debt securities to Interested Persons provided that the price(s) at which the HLA EAR Group issues such debt securities will not be lower than the price(s) at which such debt securities are issued to unrelated third parties.

In addition to the foregoing, the following threshold limits will be applied to ensure further monitoring by the Group of the Financial and Treasury Transactions entered into by the HLA EAR Group:

Placement of Funds and Subscription of Debt Securities

Where the aggregate of the outstanding principal amount of the funds placed with, and debt securities subscribed from, the same Interested Person (as such term is construed under Chapter 9) shall at any time exceed the equivalent of 10 per cent. of the consolidated shareholders' funds of the Group (based on its latest audited accounts), each subsequent placement of funds with, or subscription of debt securities from, the same Interested Person shall require the prior approval of the Audit and Risk Committee.

Where the aggregate of the outstanding principal amount of funds placed with, and debt securities subscribed from, the same Interested Person does not at any time exceed the limit set out above, the placement of funds with, and subscription of debt securities from, that Interested Person will not require the prior approval of the Audit and Risk Committee but shall be reviewed by the Audit and Risk Committee at its meetings.

7.2 A register is maintained by the Group to record all Interested Person Transactions (and the basis including the quotations, if any and where relevant, obtained to support such basis on which they are entered into) which are entered into pursuant to the IPT Mandate.

7.3 As part of the internal audit plan, the internal auditors of HLA report, on a regular basis, to the Audit and Risk Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the financial period under review. The Audit and Risk Committee reviews such Interested Person Transactions at its meetings except where such Interested Person Transactions are required under the review procedures to be approved by the Audit and Risk Committee prior to the entry thereof.

7.4 The annual internal audit plan incorporates a review of the established review procedures for the monitoring of Interested Person Transactions entered into pursuant to the IPT Mandate.

7.5 The Audit and Risk Committee reviews the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. If during a review by the Audit and Risk Committee, the Audit and Risk Committee is of the view that the established review procedures are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the HLA EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to Shareholders for a fresh mandate based on new review procedures for transactions with Interested Persons.

7.6 For the purpose of the review process, if a member of the Audit and Risk Committee has an interest in the transaction to be reviewed by the Audit and Risk Committee, he will abstain from any decision-making by the Audit and Risk Committee in respect of that transaction. Accordingly, where two members of the Audit and Risk Committee each has an interest in the transaction to be reviewed by the Audit and Risk Committee, the review of that transaction will be undertaken by the remaining member(s) of the Audit and Risk Committee.

8. EXPIRY AND RENEWAL OF THE IPT MANDATE

8.1 The IPT Mandate which was adopted at the 2003 EGM is subject to renewal on an annual basis at the annual general meeting of the Company (unless revoked or varied by the Company in general meeting). The IPT Mandate that was renewed at the last annual general meeting of the Company held on 26 April 2019 is currently in force until the next annual general meeting of the Company, being the 59th Annual General Meeting ("**Forthcoming AGM**"), which is to be held on 18 June 2020, and if renewed at the Forthcoming AGM, will take effect until the next annual general meeting of the Company to be held in year 2021. Approval from Shareholders will be sought for the annual renewal of the IPT Mandate subject to review by the Audit and Risk Committee of its continued application to the Interested Person Transactions.

8.2 If the Audit and Risk Committee is of the view that the review procedures under the IPT Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures for Interested Person Transactions.

9. DISCLOSURE

In accordance with Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the financial year (as well as in the Company's annual reports for subsequent financial years that the IPT Mandate continues to be in force). In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.