ANNUAL REPORTS AND RELATED DOCUMENTS::

Issuer & Securities

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HONG LEONG ASIA LTD.

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Ng Siew Ping, Jaslin

Designation
Company Secretary

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Please refer to the attached Annual Report 2020 together with the Letter to Shareholders dated 30 March 2021 in relation to the proposed:

(1) renewal of the Share Purchase Mandate; and
(2) renewal of the general mandate for Interested Person Transactions.

Additional Details

Period Ended
31-Dec-2020

Attachments

HLA - AR 2020.pdf

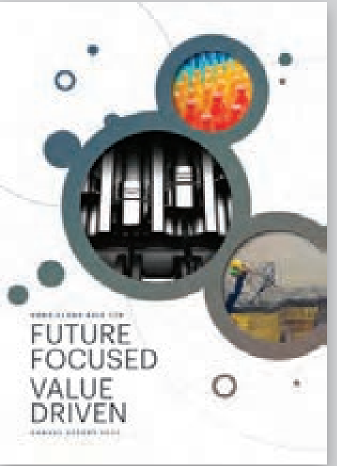
HLA - Letter to Shareholders.pdf

Total size =6940K MB

HONG LEONG ASIA LTD.

FUTURE FOCUSED VALUE DRIVEN

ANNUAL REPORT 2020



FUTURE FOCUSED
VALUE DRIVEN

Looking back at the history of how Hong Leong Asia has grown over the decades, it is evident to us that a strong entrepreneurial spirit and financial strength has been the driving force behind the company's longevity.

A two-day workshop conducted for our leadership team affirmed that certain guiding core values and key success factors have served us well. We will continue to align ourselves to these values as we move along unprecedented times.

Likewise, we acknowledge that more can be done to create new meaning beyond our businesses. Hence, we have set forth to refine a 2025 vision and accompanying core values to lead the pathway for a bright and promising future.

CONTENTS

GROUP PROFILE

Hong Leong Asia Ltd (HLA) has been listed on the Singapore Exchange since 1998. It is part of the Singapore-based conglomerate, Hong Leong Group, one of the largest and most successful globalised corporations in Asia.

Over the years, we have grown from a building materials supplier to a diversified Asian multinational known for our market leadership and financial strength.

We work closely with our customers across the rapidly urbanising Asia to develop and deliver innovative solutions that will improve quality of life and drive sustainability for the cities of the future.

DIESEL ENGINE 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 agricultural applications, as well as high-value core spare parts for each application.

BUILDING MATERIALS UNIT

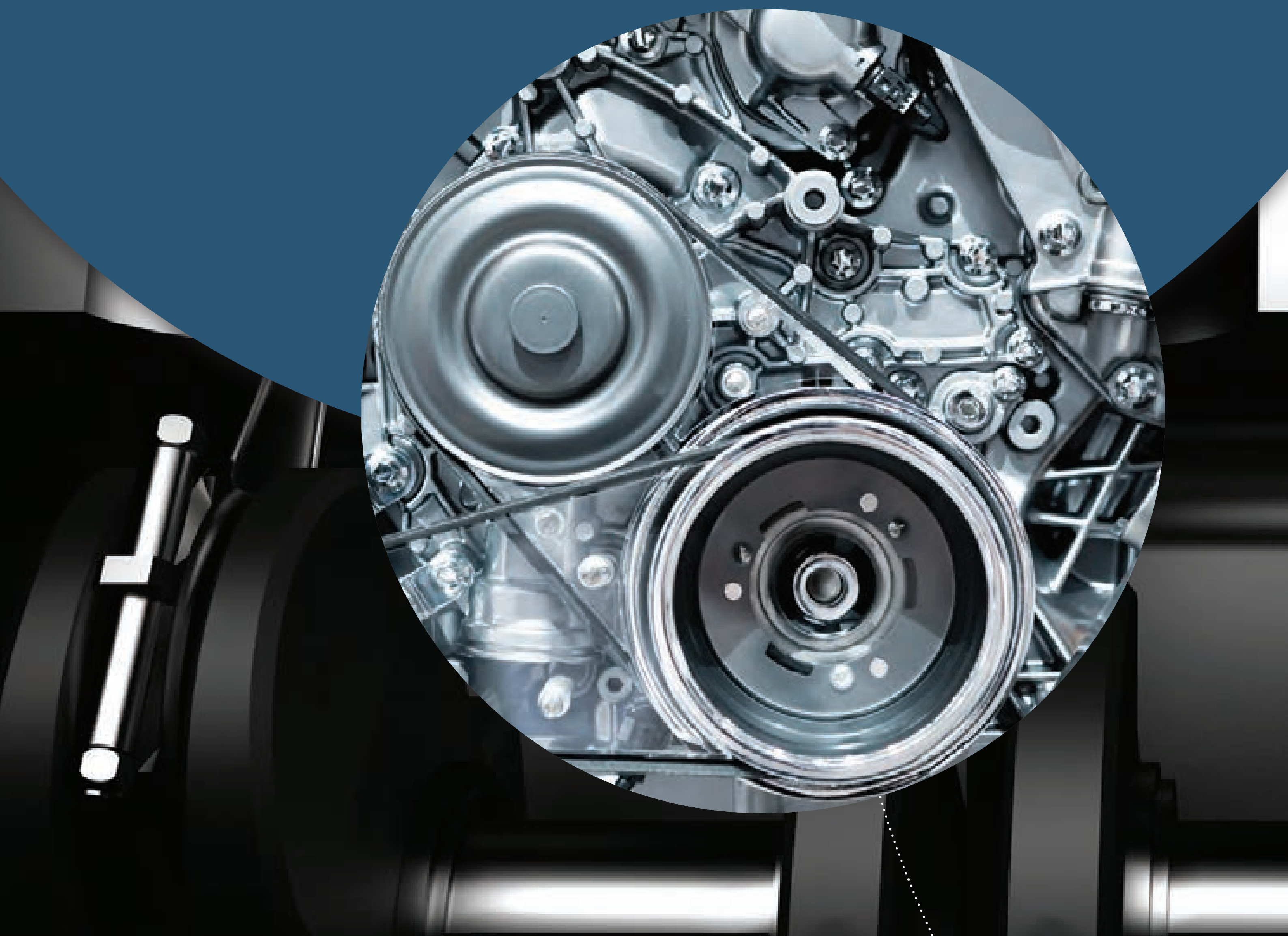
The Building Materials Unit manufactures and supplies essential building materials to the construction industries in Singapore and Malaysia. Building Materials Group ("BMG"), headquartered in Singapore is one of the largest integrated players selling all grades of ready-mix concrete as well as precast concrete elements for public housing construction. Tasek Corporation ("Tasek") headquartered in Malaysia is the fourth largest cement producer as well as one of the major ready-mix concrete players.

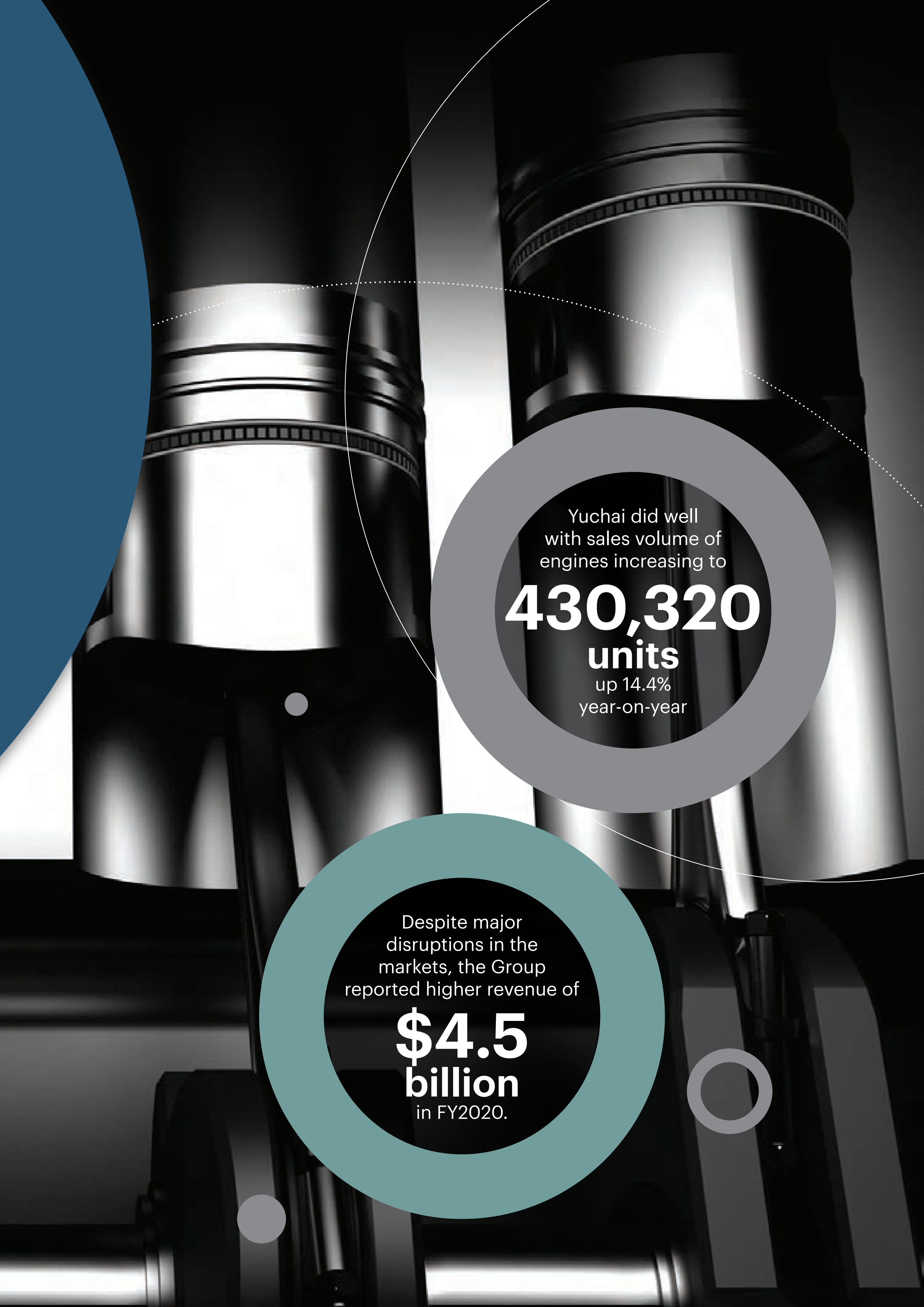
RIGID PACKAGING UNIT

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.

OPTIMISING GROWTH ENGINES

PROPELLED TO OVERCOME CHALLENGES





Yuchai did well with sales volume of engines increasing to

430,320 units

up 14.4% year-on-year

Despite major disruptions in the markets, the Group reported higher revenue of

$4.5 billion

in FY2020.

REVENUE DISTRIBUTION

REVENUE BY COUNTRY
(in S$ million)

CHINA
4,117

MALAYSIA
164

SINGAPORE
205

OTHER COUNTRIES
10

REVENUE BY BUSINESS SEGMENT
(in S$ million)

TOTAL
S$4.5 billion

DIESEL ENGINES
4,103

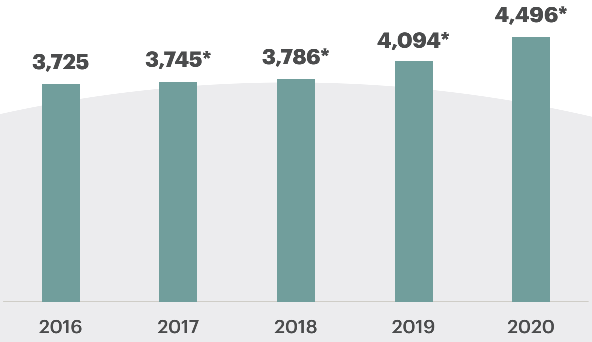
BUILDING MATERIALS
363

RIGID PACKAGING
26

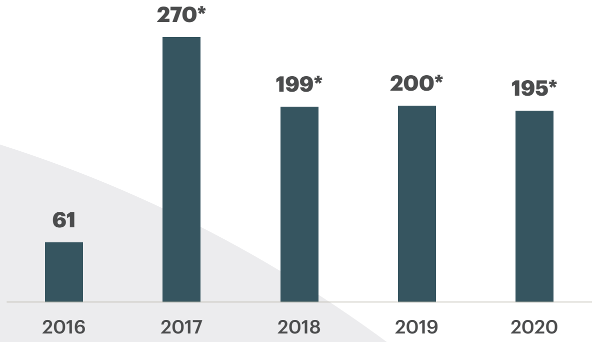
OTHER SEGMENTS
4

FINANCIAL HIGHLIGHTS

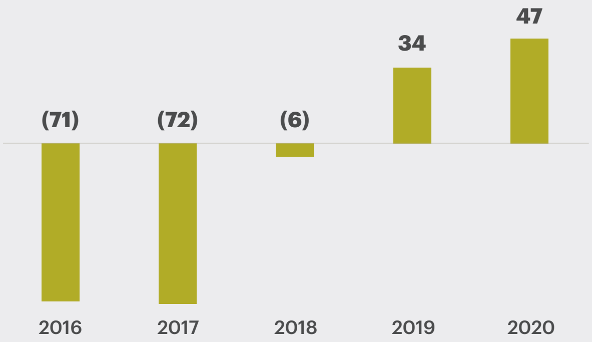
REVENUE
(in S$ million)



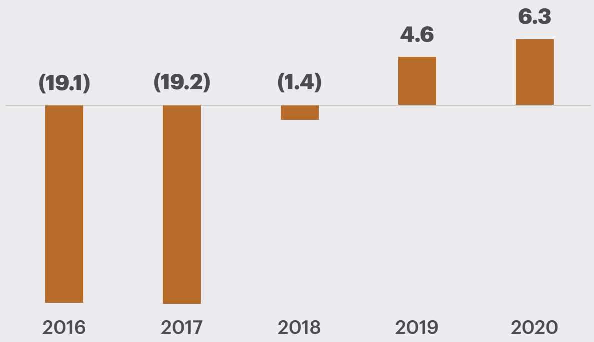
PROFIT BEFORE TAX
(in S$ million)



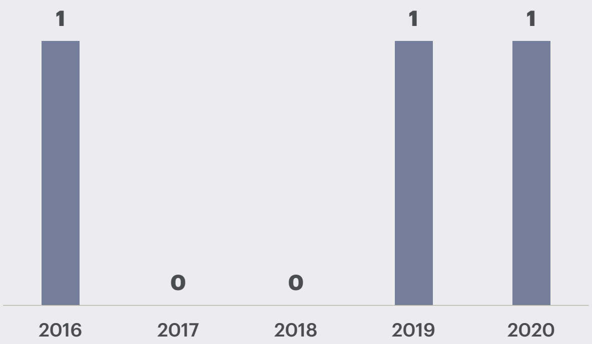
ATTRIBUTABLE PROFIT/(LOSS)
(in S$ million)



EARNINGS/(LOSS) PER SHARE
(in cents)



DIVIDEND PER SHARE
(in cents)



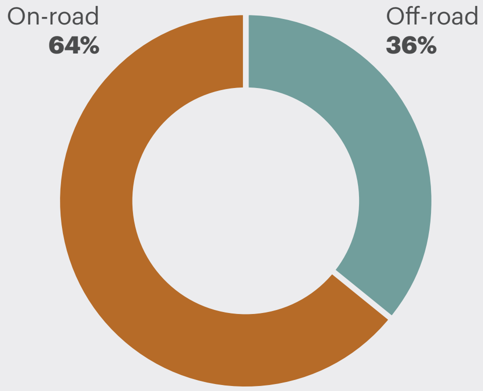
* Encompasses continuing operations only.

A precast concrete facility of Hong Leong Building Materials Group in Singapore.

SALES HIGHLIGHTS

DIESEL ENGINES UNIT

SALES MIX BY APPLICATION



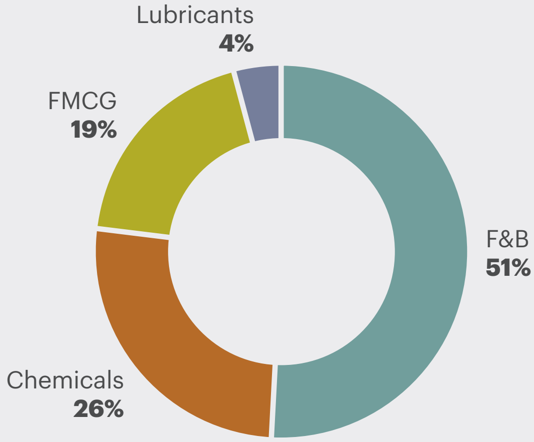
GYMCL remains the market leader in the medium-duty truck segment. Off-road engines enjoyed a stronger performance as a result of the growth in China's agriculture segment supported by the Chinese government to counter the effects of COVID-19.

Looking at the year ahead, we anticipate greater buying activity in National VI(a) compliant diesel engines prior to its full implementation on 1 July and hence a skewed demand in the first half of 2021.

- Hoh Weng Ming,
President of China Yuchai

RIGID PACKAGING UNIT

SALES MIX BY INDUSTRY



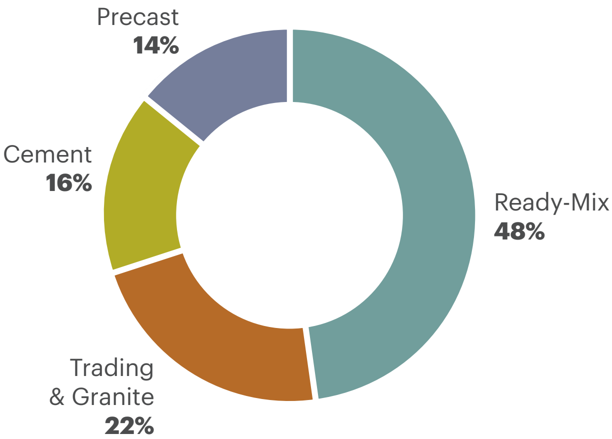
Rex experienced dampened sales in early 2020 due to COVID-19, however sales picked up subsequently in 2H2020.

Moving forward in 2021 with the strong economic recovery in China, we anticipate a growth in business and will continue to expand our customer base particularly in the Food & Beverage (F&B) and Chemicals segments. We will also strive to be greener in our practices through operational productivity, waste reduction and technological improvements.

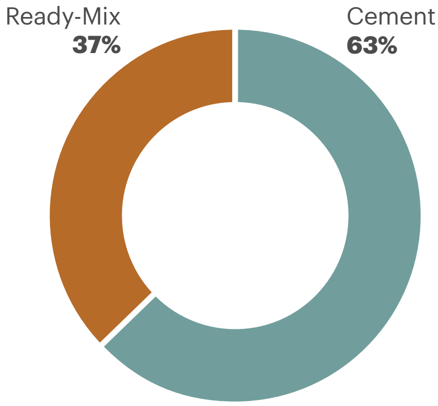
- Raymond Lim,
General Manager of Rex

BUILDING MATERIALS UNIT

SALES MIX BY SEGMENT (BMG SINGAPORE)



SALES MIX BY SEGMENT (TASEK)



2020 was an exceptional year that took out the momentum garnered in 2019. The pandemic and a volatile environment taught us to think out of the box and to stay united as a team. The swift recovery to our businesses bears testament to the united resilience of the team.

Honed with the hard lessons learnt, 2021 will see our business units pick up speed and momentum as we make up the grounds missed in 2020.

- P. Jeyasingam,
Chief Operating Officer of BMG

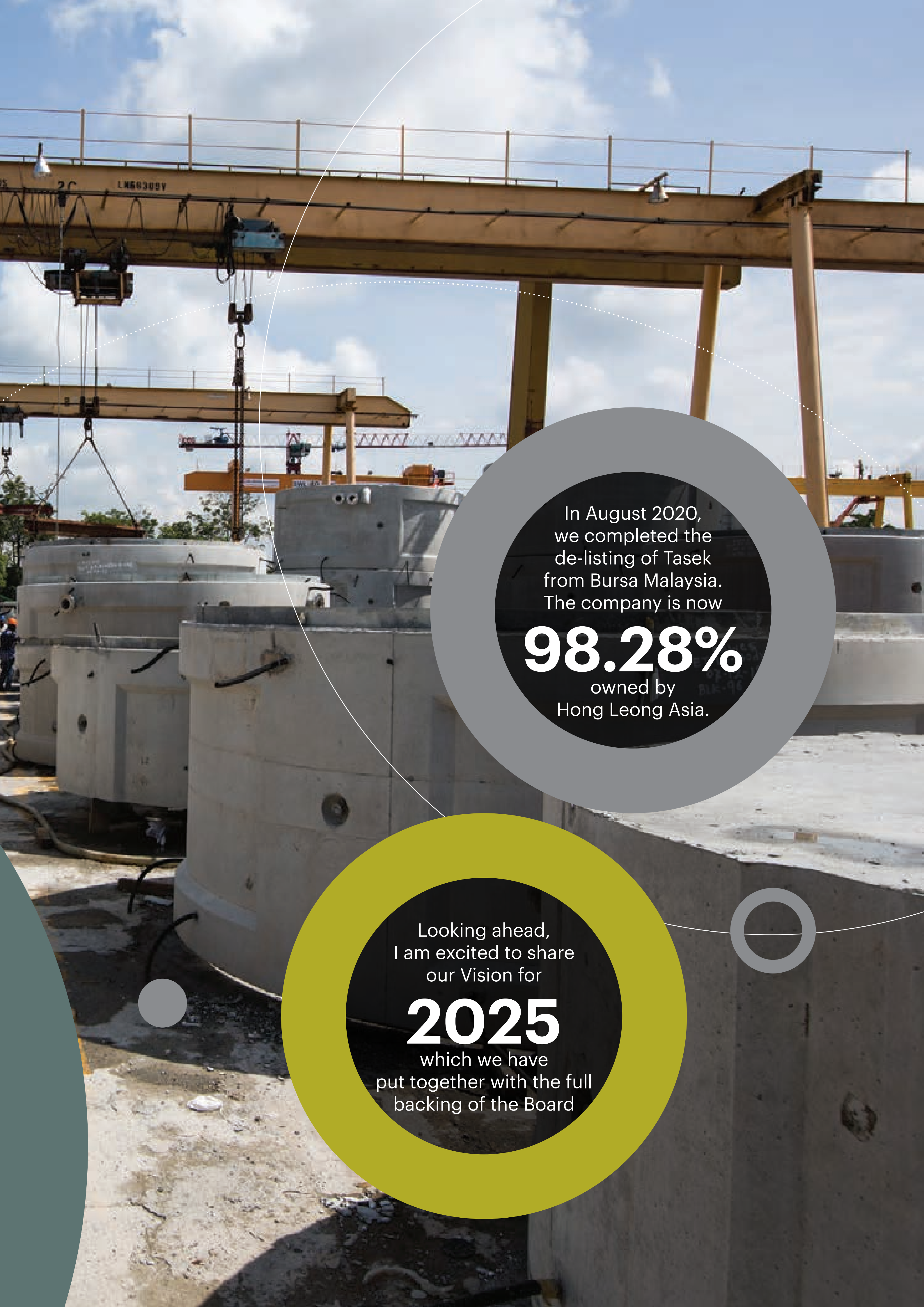
Tasek went through 2020 in an unprecedented way as the Movement Control Order (MCO) was imposed upon the whole nation from Mar'20 to May'20 due to the global COVID-19 pandemic. The country's economic sectors went through numerous transitions to adapt to the new normal and stringent SOPs which have indirectly impacted the productivity of some industries vis-a-vis pre-MCO.

2021 is expected to be a challenging year as the Country started its vaccination program to combat the pandemic while the cement industry continues to face the challenges from excess capacity and softening demand.

- Lian Ka Siew,
Chief Operating Officer of Tasek

FOCUSED ON OUR STRENGTHS

PAVING THE WAY TO NEW OPPORTUNITIES



In August 2020, we completed the de-listing of Tasek from Bursa Malaysia. The company is now

98.28%

owned by Hong Leong Asia.

Looking ahead, I am excited to share our Vision for

2025

which we have put together with the full backing of the Board

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report for the year ended 31 December 2020 ("**FY2020**").

AN UNPRECEDENTED YEAR

This has been an unprecedented year with the COVID-19 pandemic triggering a global health crisis that disrupted supply chains all around and drove many economies into recession. Compared to earlier pandemics, we have not experienced anything to this degree of impact and prolonged phases of recovery. Our priority is to ensure that our employees are safe, and operations continue to function with minimal disruptions.

Our Group IT and HR responded swiftly to ensure that our staff could work from home and provide critical support to our businesses. Our plants were quick to implement systems and procedures for screening and safe distancing to ensure our employees are protected in the workplace from the virus infection.

MAINTAINING A POSITIVE ATTITUDE

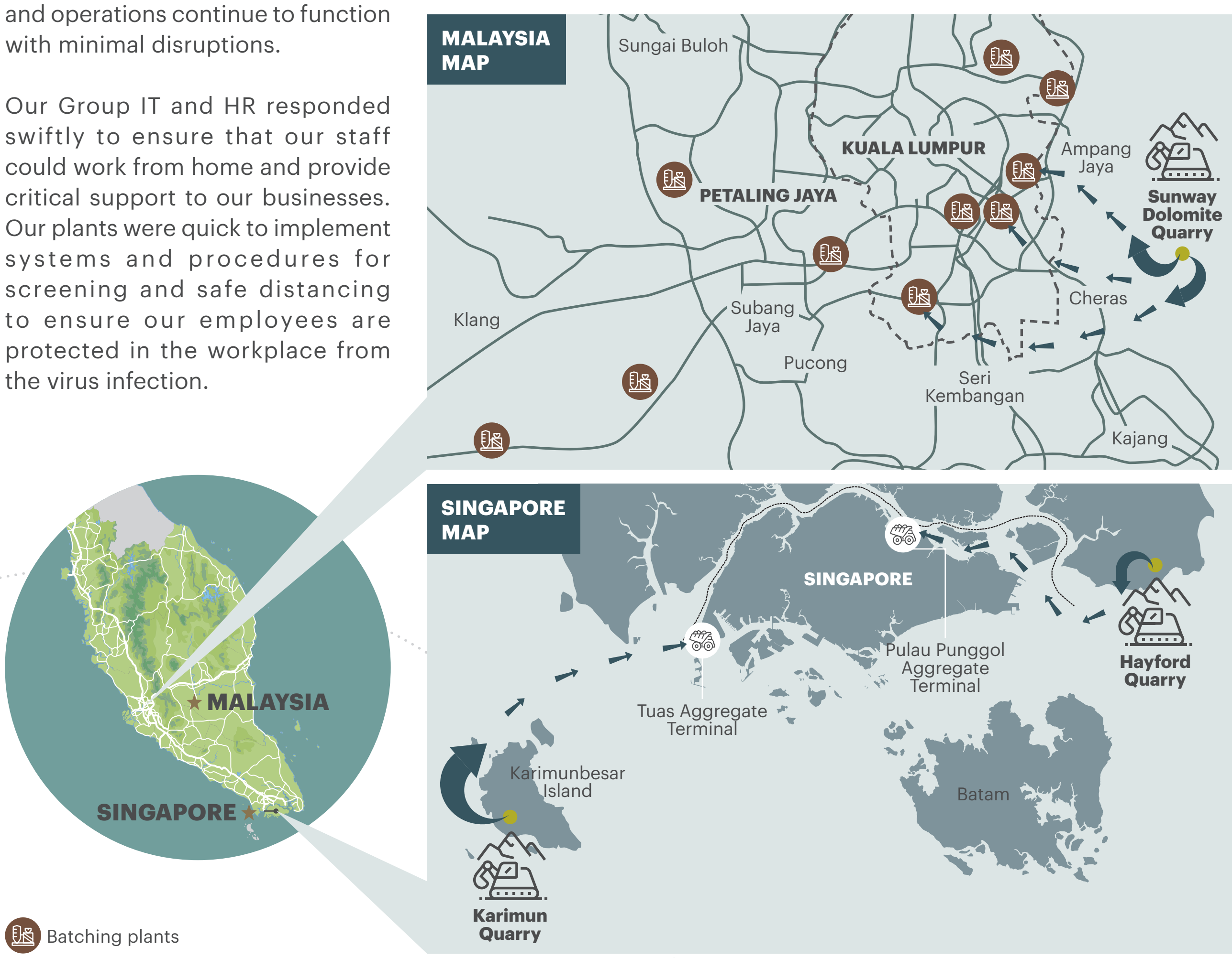
At the height of the pandemic, it was difficult to predict the future and how long the crisis would last. Our diesel engines business in China Yuchai International were affected in the first quarter as many Chinese cities were completely locked down. When operations resumed, we found ourselves in a position where we had to work quickly to fulfil backlog orders and meet pent-up demand for trucks and agricultural machineries.

Similarly, the construction sectors that our Building Materials Unit supply to in Singapore and Malaysia were not spared as projects came to a standstill in the second quarter. Workers in dormitories including ours were tested and quarantined. When they were eventually released, projects re-started and our plants began to run again in the third quarter of the year.

STRONG BALANCE SHEET AND CASH POSITION

As with any major crisis, business planning and forecasting became

STRENGTHENING OUR BUILDING MATERIALS SUPPLY CHAIN



extremely difficult. Fortunately, the Group had contingency plans in place to ensure that we are able to withstand any prolonged drop in revenue and cash flow. Financial prudence was exercised and only essential capital expenditure was allowed. We also have a sound balance sheet and a strong net cash position that equipped us to deal with the crisis.

BUSINESS PORTFOLIO OPTIMISATION

In August 2020, we completed the de-listing of Tasek Corporation Berhad ("Tasek") from Bursa Malaysia. The company is now 98.28% owned by Hong Leong Asia. Through the privatisation, Tasek was able to further leverage on our existing resources and infrastructure. This allowed us to begin the integration process between Tasek and BMG Singapore with the goal to achieve greater efficiency. As a result, Tasek reported a turnaround in 2020 with a small profit versus a loss in the previous year.

Significant progress was made in the disposal of our Airwell China business which has not been doing well. The air conditioning business is now classified as a discontinued operation from an accounting perspective for FY2020. We expect to complete the disposal of the assets in the first half of 2021 and liquidate Airwell China thereafter.

Despite the disruption, the Building Materials Unit encompassing both our Singapore ("**BMG**") and Malaysia operations ("Tasek") have successfully strengthened their supplies of aggregates.

Previously, BMG had only one secured source under its operational belt to supply its ready-mix concrete business. In early 2020, we entered into an agreement with a quarry owner to purchase all the granite produced in Karimun Quarry, Indonesia (see 'Singapore map'). Today, it has access to a ready and reliable supply of aggregates that will last many years. Likewise, in the last quarter of 2020, Tasek entered into

"OUR PRIORITY IS TO ENSURE THAT OUR EMPLOYEES ARE SAFE AND OPERATIONS CONTINUE WITH MINIMAL DISRUPTIONS."

KWEK LENG PECK
Executive Chairman

CHAIRMAN'S MESSAGE

One of Tasek's concrete batching plants in Malaysia.

a long-term agreement with Sunway Group to lease part of the latter's newly acquired quarry, Sunway Dolomite Quarry (see 'Malaysia map') to secure a greater supply of our annual requirements in 20mm aggregates and quarry fines.

Overall, this has increased our competitive advantage within the ready-mix concrete segments across both markets.

BUILDING SUSTAINABLE BUSINESSES

Founded in 1941 under Hong Leong Group, the trade and industry arm has evolved into Hong Leong Asia today. We have since triumphed over many crises and built a strong foundation based on hard work, perseverance, integrity, and care for our community. This legacy will continue to define who we are. In 2020, we have implemented a set of Core Values that will continue to shape our behaviour. These values can be found on page 26.

Looking ahead, I am excited to share our Vision for 2025 which we have put together with the full backing of the Board.

We aspire to be:
An established Asian multinational known for our market leadership and financial strength, working closely with our customers to develop and deliver sustainable and innovative urban solutions for cities of the future.

As urbanisation grows, the demand for greener solutions in sustenance, housing, mobility and connectivity will increase. Our focus will be on innovation and delivering sustainable solutions that will help to build the cities of tomorrow.

LOOKING FORWARD

The well-being of each member of our organization is of utmost importance to us. The management and implementation of new safety working measures are continuously being reviewed and strengthened across our operational sites and have evolved into stringent standards of operations. In parallel, the efforts of our digitalisation and sustainability initiatives will be leveraged upon to further improve and future-proof our business models. As we move forth on this journey, we expect our efforts to bear fruit and remain cautiously optimistic for a better performance in 2021.

"OUR FOCUS WILL BE ON INNOVATION AND DELIVERING SUSTAINABLE SOLUTIONS THAT WILL HELP TO BUILD THE CITIES OF TOMORROW."

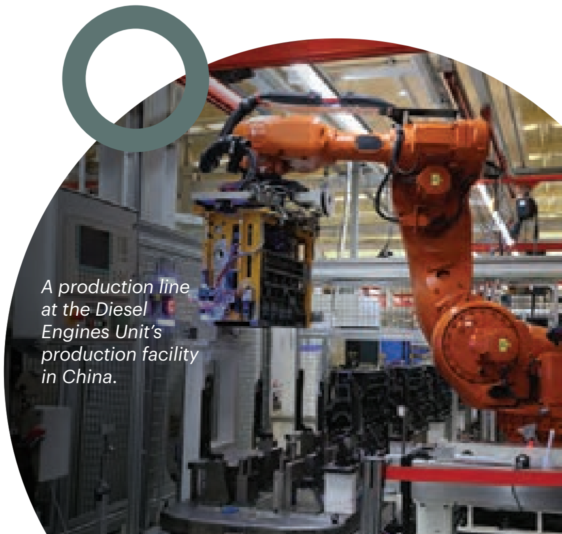
DIVIDENDS

The Group and Company have performed well despite the difficult and uncertain year. Subject to the approval of shareholders at the forthcoming annual general meeting, the Board is proposing the payment of a first and final dividend of one cent per share for FY2020.

APPRECIATION

On behalf of the Board of Directors, I would like to express my thanks to all our stakeholders including our shareholders, customers, suppliers, joint venture partners and business associates for their continuing support. I would also like to thank my fellow Board members for their invaluable contributions, advice and guidance. Last but not least, the management and staff for their hard work, perseverance and dedication in the past year.

KWEK LENG PECK
Executive Chairman
17 March 2021



A production line at the Diesel Engines Unit's production facility in China.

主席致词

尊敬的各位股东，

我很荣幸代表董事会发布截至 2020 年12月31日（“2020 财年”）的年度报告。

空前艰难的一年

今年，全球遭受了一场史无前例的新冠肺炎疫情灾难，这场疫情引发了全球性的健康危机，破坏了整个供应链，并使许多经济体陷入衰退。与过去的疫情相比，我们从未经历影响如此巨大、恢复过程如此漫长的困境。我们的首要任务是确保我们员工的安全，同时继续保持经营，尽量避免业务中断。我们集团的信息技术和人力资源部门已迅速作出反应，确保我们的员工可以在家办公，并为我们的业务提供关键支持。我们的工厂迅速实施了用于筛查和保持安全距离的系统和程序，以确保我们的员工在工作场所受到保护，免受病毒感染。

保持积极的态度

在疫情的高峰时期，我们难以预测疫情的发展趋势以及这场危机的持续时间。由于中国许多城市被完全封锁，我们在中国玉柴国际有限公司的柴油发动机业务在第一季度受到了影响。恢复运营后，我们发现，必须快速工作才能完成积压的订单，满足市场对卡车和农业机械的潜在需求。同样，由于项目在第二季度陷入停顿，我们为新加坡和马来西亚建筑行业供货的建材部门也未能幸免。宿舍中的员工（包括我们的员工）都接受了检测并被隔离。当最终解除隔离时，项目重新启动，我们的工厂也开始全速运转。

稳健的资产负债表和现金状况

与任何重大危机一样，业务计划和预测也变得极为困难。幸运的是，集团制定了应急计划，确保我们有能力在较长时间内承受收入和现金流的下降。我们在财务方面审慎行事，仅允许基本的资本支出。我们还拥有稳健的资产负债表和强劲的净现金状况，使我们有能力应对危机。

业务组合优化

2020年8月，我们将大石股份有限公司（简称为“Tasek”）从马来西亚交易所退市。丰隆亚洲 (Hong Leong Asia) 持有该公司98.3%的股份。通过私有化，Tasek 能够进一步利用我们现有的资源和基础设施。这使我们能够开始对 Tasek 和 BMG Singapore进行整合，以实现更高的效率。最终，Tasek报告显示，2020年已转亏为盈，相比前一年的亏损状态，公司略有盈利。

我们采取了重大措施来处置我们表现不佳的欧威尔中国（“Airwell China”）业务。从2020财年的会计视角来看，空调业务现已被归类为停产业务。我们预计将在2021年上半年完成资产的处置，并在此后清算 Airwell China。

尽管受到业务中断的影响，但负责我们新加坡（BMG）和马来西亚（Tasek）业务的建材部门成功地增加了骨料的供应。

此前，BMG在其经营范围内只有一个固定的预拌混凝土业务供货源。2020年初，我们与一家采石场所有者达成协议，希望购买印尼Karimun采石厂（见新加坡地图）生产的所有骨料。如今，它将可以持续多年获得现成可靠的骨料供应。同样，在2020年最后一个季度，Tasek与双威集团(Sunway Group)签订了一项长期协议，以租赁后者新收购的采石场——Sunway Dolomite 采石场（见马来西亚地图）的一部分，从而确保增加其20mm骨料和采石场石屑的年供应量。

总体而言，这增加了我们的预拌混凝土材料在两个市场的竞争优势。

建立可持续发展的公司

我们的公司成立于1941年，曾是丰隆集团旗下的一家贸易与工业分支机构，如今已经发展成为丰隆亚洲，自成立以来我们克服了许多危机，始终坚持勤奋努力、持之以恒、诚实守信和关爱社区的公司文化，并在此基础上打下了坚实的企业根基。这些文化传承将继续指导我们向前发展。2020年，我们开始推行一系列核心价值观，这些价值观将继续塑造我们的行为。有关这些价值观的具体内容，请参见26页。

展望未来，我很高兴分享我们在董事会的全力支持下共同制定的“2025 年愿景”。

我们渴望成为：
一家以市场领导地位和财务实力著称的著名亚洲跨国公司，力求通过与客户的紧密合作为未来的城市开发和提供可持续的创新城市解决方案。

随着城市化的发展，人们对有关食品、住房、交通以及连通性的绿色解决方案有了更高的要求。我们将重点关注创新和提供可持续解决方案，帮助构建未来的城市。

展望未来

集团每位成员的幸福安康对我们至关重要，我们的经营场所正不断加强新安全工作措施的管理和实施，这些措施已经发展成为严格的运营标准。同时，我们将利用集团在数字化和可持续性举措方面的努力来进一步改善和更新我们的运营模式。前进途中，我们期待集团的努力能换取硕果累累，并对2021年的业绩表现持谨慎乐观的态度。

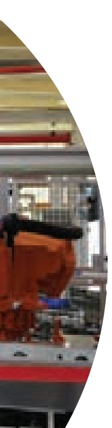
股息

尽管去年遭遇了种种困难和不确定因素，集团和公司仍然取得良好的业绩。董事会建议派发2020财年的首期和末期股息，每股1分，但此项建议须在即将召开的年度股东大会上获得股东的批准。

鸣谢

在此，我谨代表董事会感谢所有利益相关方，包括我们的股东、客户、供应商、合资伙伴和业务伙伴，谢谢大家的一贯支持。我还要感谢董事会其他成员做出的宝贵贡献以及提供的建议和指导。最后，我还要感谢管理层和员工在过去一年的辛勤工作、持之以恒和积极奉献。

郭令栢
执行主席
2021年3月17日



CEO'S REVIEW

DEAR SHAREHOLDERS,

I am pleased to report that the Group has performed well for the year ended 31 December 2020 ("**FY2020**"). It has been a challenging year marked by a global health crisis that has caused a severe downturn across all markets and disrupted major supply chains. The prevailing consensus is that the 2020 pandemic has driven global economies into a sharp recession that is unprecedented in modern times.

Despite major disruptions in the markets, the Group reported higher revenue of S$4.5 billion in FY2020 (FY2019: S$4.1 billion), and Net Profits from Continuing Operations of S$155.2 million (FY2019: S$145.8 million). The Group also achieved Net Profits attributable to the owners of the Company ("**PATMI**") of S$46.7 million (FY2019: S$34.4 million) – a decent performance in a tough macroeconomic environment brought on by the pandemic.

Our key markets in China, Singapore and Malaysia were badly affected but have since been on a steady path of recovery. If not for the strict containment measures taken and strong Government support, we would have suffered a more severe downturn and would not have been able to achieve such financial results. The COVID-19 vaccine development and deployment late in the year has been the game changer and brought some confidence back to the markets.

The Group generated positive Net Cash Flows from Operating Activities of S$306.1 million in FY2020, 30.6% lower compared to S$441.4 million in the previous year.

At the height of the pandemic, our focus was the safety of our staff and particularly our migrant workers who had to be tested regularly and quarantined. Naturally, our projects were delayed as production at the plants slowed down during this period. Safe distancing measures were quickly implemented which added to the operational cost. Normal operations have since been restored and we were able to end the year with all major business units in the black and report positive cash flows.

DIESEL ENGINES UNIT ("YUCHAI")

Yuchai is a leading manufacturer and distributor of engines for on and off-road applications in China through its main operating subsidiary, Guangxi Yuchai Machinery Company Limited ("**GYMCL**"). Yuchai did well with sales volume of engines increasing to 430,320 units in FY2020, up 14.4% year-on-year. The increase came mainly from the heavy- and medium-duty ("**MD**") truck market segments, as well as agricultural engines in the off-road segment. This increase helped to offset the unit sales decline in the bus segment which has been giving way to electric buses now plying intra-cities.

The second half of 2020 was particularly strong for Yuchai as it registered a 43.4% increase year-on-year in truck engine sales, led by a 64.4% gain in MD truck engine sales. Off-road engine sales registered over 50% increase led by agricultural engine sales.

Net revenue reached S$4.1 billion, an increase of 15.6% from the previous year. Gross Margin was affected by change in product mix and competitive pricing in the industry

STEPHEN HO
Executive Director & Chief Executive Officer

POSITIVE NET CASH FLOWS FROM OPERATING ACTIVITIES OF

S$306.1 MILLION

IN FY2020.

China Yuchai's Research & Development Centre

and the year ended with a slightly lower profit after tax ("**PAT**") at S$155.5 million.

Yuchai has invested significantly in R&D to innovate and develop products for the future.

Over the years, Yuchai has been making significant investments in Research and Development ("**R&D**") with the main objective of developing products that will meet the stringent National VI emission standard. The R&D team is also collaborating with third parties on New Energy solutions on hybrid power and fuel cell systems. These New Energy projects involve greener technology and will take several years to determine their potential.

BUILDING MATERIALS UNIT ("BMU")

The Construction industry in Singapore was affected badly by the pandemic and contracted 35.9% in 2020, a sharp retraction from the 1.6% growth posted in 2019. In Malaysia, the situation was no better as the Department of Statistics reported that the construction sector recorded a decline of 19.4% in 2020. Business activities were disrupted as projects had to stop temporarily due to the absence of workers. As a result, BMU's combined sales in both Singapore and Malaysia dropped 28.2% to S$363.0 million for FY2020 and reported a PAT of S$12.7 million.

Digitalisation, Automation and Productivity Improvements are critical for BMU operations.

In light of the disruption and with growing regulatory support, BMU's operations in Singapore embarked on a digitalisation programme and continued with its strategic move towards higher automation and enhanced productivity. This strategy is aligned with the Singapore Government's plan to transform the Building and Construction industry. We expect to implement seven digitalisation and automation projects before the end of 2021. Furthermore, construction of the Group's Precast manufacturing facility in Pulau Punggol Barat ("**ICPH**") (see page 16) is ongoing. When ready, the facility will enable our Precast business division to remain a significant player in Singapore with its high degree of automation and the ability to produce products of higher specification.

Tasek has an integrated cement plant with its own quarry and ready mixed batching plants. The company has a long history of operations in Malaysia and is well known for its brand promise of high-quality products and good customer service. Since Tasek's privatisation, we have been working on improving operations to reduce overhead costs and make it more efficient. As a result, operations reported a small profit in 2020 versus a loss in the previous year.

RIGID PACKAGING UNIT ("REX")

Rex has two plants in China, one in Dongguan and the other in Tianjin, for the manufacture and production of rigid plastic packaging products for the industrial and consumer packaging markets. It has benefited from lower raw material costs during the year and reported a smaller loss in 2020. Management is continuing to push for cost efficiencies in production and sales, as well as other options to improve operations.

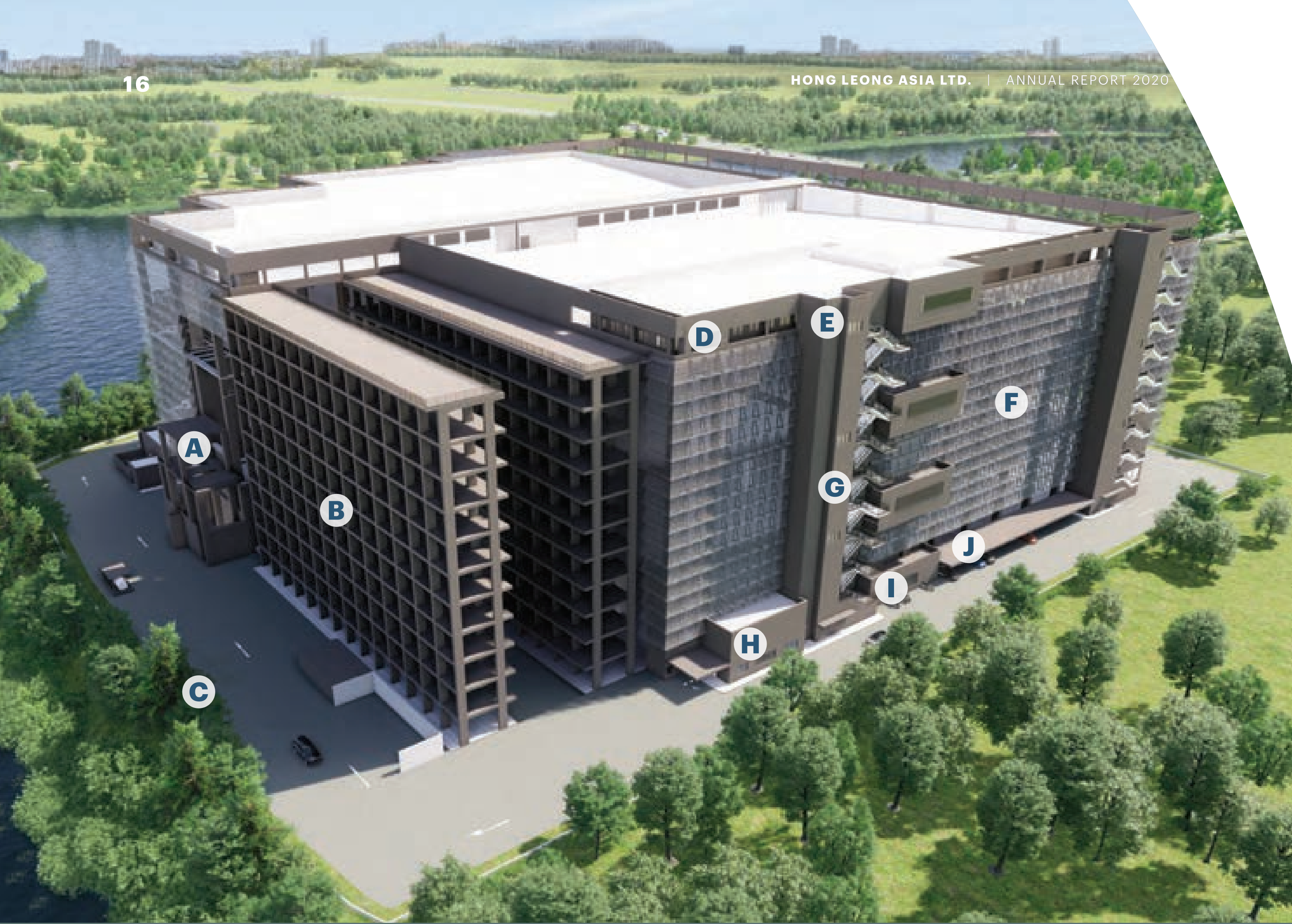
SUSTAINABILITY

A detailed write-up is provided in our Sustainability Report section, but I wanted to share with you that we will start on the next stage of strengthening our Sustainability Agenda and adopt a more holistic and sustainable approach towards managing our Economic, Environmental, Social and Governance (EESG) issues in 2021. To this end, we are inviting external stakeholders to provide their inputs to help us achieve this goal.

PROSPECTS

Each of the main business units have shown their resilience in the face of a challenging environment in 2020. Our key markets are recovering, and with the relentless focus on innovation and productivity improvements, we are cautiously optimistic that we will perform better in 2021.

STEPHEN HO KIAM KONG
Director and
Chief Executive Officer
17 March 2021



Artist's Impression of the Group's Integrated Construction and Prefabrication Hub (ICPH) in Pulau Punggol Barat that is currently in construction. The ICPH is designed with green features that support the Building Materials Unit's efforts in caring for the physical environment, including bringing down energy and water consumption and reducing carbon footprint.

- **A** Waste water treatment and recycling system for Concrete Batching Plant
- **B** High usage of certified green building products for all floors, walls, ceilings and M&E equipment
- **C** Dust monitoring system to keep track of PM 2.5 and PM 10 particulate matter generated by operations
- **D** Monitoring of energy efficiency performance of the various offices' air-conditioning systems
- **E** Lifts equipped with Variable Voltage Variable Frequency (VVVF) drives and sleep mode features
- **F** Naturally ventilated Production Areas enabled by porous, angled facade and 3-storey high airwell
- **G** Carefully selected roofing colour and external paint with high solar reflectance index to mitigate Urban Heat Island effect
- **H** Monitoring of major water usage activities with private meters
- **I** Usage of water efficient sanitary wares & fittings
- **J** Usage of energy efficient LED light fittings

首席执行官的业务回顾

尊敬的各位股东，

很高兴在此与各位汇报，截至2020年12月31日，我们集团在这一年（“2020财年”）取得了良好的业绩。2020财年是充满挑战的一年，全球性的健康危机已导致所有市场严重下滑，并阻断了主要供应链。2020年的疫情使全球经济陷入当今时代前所未见的急剧衰退，这已经成为当前全球的普遍共识。

尽管市场出现重大动荡，但集团在2020财年的营收仍达到了45亿新元（2019财年：41亿新元），持续经营净利润为155.2百万新元（2019财年：145.8百万新元），集团中归属于公司所有者的净利润达到4,670万新元（2019财年：3,440万新元）— 尽管疫情导致宏观经济形势严峻，但集团仍取得了可观的业绩。

我们在中国、新加坡和马来西亚的主要市场均受到了严重影响，但之后一直在稳步复苏。如果没有严格的遏制措施和政府的鼎力支持，我们将遭受更严重的衰退，以至于无法实现此等财务业绩。今年下半年，新冠肺炎疫苗的开发和部署成为了打破黑暗的曙光，让市场在一定程度上恢复了信心。

集团在2020财年通过经营活动产生了3.061亿新元的正净现金流，比上一年的 4.414亿新元低30.6%。

在疫情高峰时期，我们的关注重点是确保员工的安全，尤其是必须接受定期检测和隔离的外来员工的安全。当然，由于在此期间工厂的生产速度放缓，我们的项目也有所延迟。我们快速实施了保持安全距离的措施，这也增加了经营成本。此后，业务已恢复到正常经营状态，我们的所有主要业务部门均获得盈利，并实现了正现金流。

柴油发动机业务（“玉柴”）

玉柴是中国领先的道路用途和非道路用途发动机制造商和经销商，通过其主营子公司——广西玉柴机械有限公司开展业务。玉柴的发动机销量在2020财年增长至430,320台，同比增长14.4%，业绩表现相当出色。增长主要来自重型和中型卡车市场板块以及非道路用途板块的农用发动机。这一增长有助于抵消客车市场销售的下降，客车市场已逐渐被城际通行的电动客车所取代。

玉柴在2020年下半年表现尤为强劲，其卡车发动机销量同比增长43.4%，其中中型卡车发动机销量同比增长64.4%，占据销售主导地位。非道路用途发动机的销量增长了超过50%，其中农用发动机的销量位列榜首。

净收入达41亿新元，较上年增长15.6%。毛利润因行业的产品组合变化和竞争性定价而受到影响，该年度的税后利润 略低，为 1.555 亿新元。

玉柴在研发方面投入了大量资金，用于创新和开发面向未来的产品。

多年来，玉柴在研发方面进行了大量投资，其主要目标是开发符合在2021年施行的严格国六排放标准的产品。研发团队也在与第三方就混合动力和燃料电池系统的新能源解决方案展开合作。这些新能源项目涉及更环保的技术，需要今后数年的时间才能确定其发展潜力。

建筑材料业务

新加坡的建筑业因疫情遭受重创，行业规模在2020年萎缩了35.9%，较2019年1.6%的增长大幅回落。在马来西亚，情况也不容乐观，据统计局报告，2020年建筑业规模萎缩了19.4%。由于员工短缺，项目不得不暂停，业务活动也被迫中断。因此，建筑材料业务在新加坡和马来西亚的2020财年合并销售额下降至3.630亿新元，下降比例为 28.2%，而税后利润则为12.7百万新元。

数字化、自动化和提高生产率对于建筑材料业务的经营至关重要。

考虑到业务中断以及越来越多的法规支持，建筑材料业务在新加坡的经营开始踏上数字化之路，并继续朝着提高自动化水平和生产率的战略方向前进。该策略与新加坡政府的建筑环境业转型计划不谋而合。

我们计划在2021年底之前实施前七个数字化和自动化项目。此外，集团位于榜鹅西岛的预制混凝土生产设施正在建设中（见16页）。建成后，该设施将具有较高的自动化水平且能够生产更高规格的产品，从而巩固我们预制混凝土业务部门在新加坡的市场地位。

马来西亚大石（“**Tasek**”）拥有一家综合水泥厂，厂内设有采石场和预拌混凝土搅拌站。该公司在马来西亚拥有悠久的经营历史，以优质的产品和客户服务而闻名。自Tasek私有化以来，我们一直在努力改善经营并降低管理费用，以提高效率。最终，据运营部门报告，与前一年的亏损相比，2020 年略有盈利。

硬质包装部门（“Rex”）

Rex 在中国设有两家工厂，分别位于东莞和天津，旨在为工业和消费品包装市场生产和制造硬质包装产品。由于全年的原材料成本较低，Rex在2020年报告的损失低于上年度的亏损。管理层将继续提高生产和销售的成本效率，并推动实施旨在改善运营的其他方案。

可持续发展

我们的《可持续发展报告》部分对可持续发展进行了详细阐述。但我想告诉大家，我们将开始进入加强可持续发展议程的下一阶段，并在2021年采用更全面的方法来可持续地管理我们的经济、环境、社会和治理（EESG）问题。为此，我们将向外部利益相关方征求意见，让他们帮助我们实现这一目标。

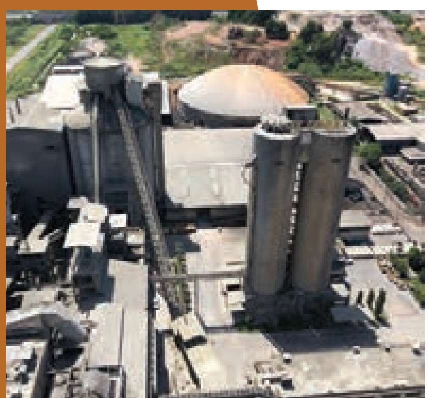
前景展望

面对2020年充满挑战的环境，每个主要业务部门都表现出了强大的韧性。我们的主要市场正在复苏，我们将不懈地致力于创新和提高生产力，并谨慎乐观地认为，我们将在2021年取得更好的业绩。

何剑刚
董事兼首席执行官
2021年3月17日

BOARD OF DIRECTORS



1 KWEK LENG PECK, 64
Executive Chairman

First appointment as Director
1 September 1982

Appointment as Executive Chairman
28 April 2017

Last re-election as Director
18 June 2020

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)
- Hong Leong Finance Limited* (Non-Executive Director)
- Hong Leong Investment Holdings Pte. Ltd. (Executive Director)
- Hong Leong Corporation Holdings Pte Ltd (Executive Director)

Other appointments
Nil

Past directorships in other listed companies and principal commitments held in the preceding three years
- City Developments Limited* (Non-Executive Director)
- Millennium & Copthorne Hotels plc* (Non-Executive Director) *(delisted and privatized in 2019, and now known as Millennium & Copthorne Hotels Limited)*
- Tasek Corporation Berhad* (Non-Executive Chairman) *(delisted on 24 August 2020)*

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.

2 STEPHEN HO KIAM KONG, 61
Executive Director & Chief Executive Officer

First appointment as Director
3 August 2020

Last election as Director
Not applicable

Will be seeking election at the 2021 Annual General Meeting

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)

Other appointments
Nil

Past directorships in other listed companies and principal commitments held in the preceding three years
- Shree Renuka Sugars Limited* (Non-Executive Director)
- Tasek Corporation Berhad* (Non-Executive Director) *(delisted on 24 August 2020)*
- Wilmar International Limited* (Chief Financial Officer)

Mr Ho has extensive experience in finance, treasury and risk management from his executive positions previously held at Wilmar International Limited and Dutch multinational corporate, Royal Philips. Prior to his financial management role, Mr Ho worked for major international financial institutions in Singapore, Hong Kong and New York in the areas of corporate banking, global markets trading, marketing and sales.

Mr Ho holds a Bachelor of Commerce and Administration degree from the Victoria University of Wellington, New Zealand and had attended the Advanced Management Program at the Harvard Business School, Boston, US.

* listed company

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.

BOARD OF DIRECTORS

3 ERNEST COLIN LEE, 80
Non-Executive & 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

Will not be seeking re-election at the 2021 Annual General Meeting

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 three years
Nil

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.

4 KWONG KA LO @ CAROLINE KWONG, 62
Non-Executive & 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 three years
Nil

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.

* listed company

5 NG SEY MING, 46
Non-Executive & Independent Director

First appointment as Director
8 May 2017

Last re-election as Director
18 June 2020

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
- Rajah & Tann Singapore LLP (Partner)

Other appointments
- Christopher & Lee Ong (Partner)
- 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 three years
- XMH Holdings 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.

6 TAN CHIAN KHONG, 65
Non-Executive & Independent Director

First appointment as Director
1 March 2018

Last election as Director
27 April 2018

Will be seeking re-election at the 2021 Annual General Meeting

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)
- Banyan Tree Holdings Limited* (Non-Executive Director)
- CSE Global Limited* (Non-Executive Director)
- The Straits Trading Company Limited* (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 three years
- Xinghua Port Holdings Ltd.* (Non-Executive Director)

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.

* listed company

CORPORATE STRUCTURE

HONG LEONG ASIA

DIESEL ENGINES

Bermuda
- China Yuchai International Limited

China
- Guangxi Yuchai Machinery Company Limited

BUILDING MATERIALS

READY-MIX CONCRETE DIVISION

Singapore
- Island Concrete (Private) Limited

PRECAST CONCRETE DIVISION

Singapore
- HL Building Materials Pte. Ltd.

Malaysia
- HL-Manufacturing Industries Sdn. Bhd.

CEMENT DIVISION

Singapore
- Singapore Cement Manufacturing Company (Private) Limited

Malaysia
- Tasek Corporation Berhad

TRADING & GRANITE DIVISION

Singapore
- HL Building Materials Pte. Ltd.
- HL Granite Resources Pte. Ltd.

Malaysia
- Hayford Holdings Sdn. Bhd.

RIGID PACKAGING

China
- Tianjin Rex Packaging Co., Ltd.
- Dongguan Rex Packaging Company Limited

AIR-CONDITIONING SYSTEMS

China
- Airwell Air-conditioning Technology (China) Co., Ltd.

S.E.A.
- Fedders International Pte. Ltd.

OTHER SEGMENTS

HOSPITALITY & PROPERTY DEVELOPMENT

- HL Global Enterprises Limited

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Directors

Kwek Leng Peck – *Executive Chairman*

Stephen Ho Kiam Kong – *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

Stephen Ho Kiam Kong – Chief Executive Officer

Kwek Pei Xuan – *Head of Sustainability and Corporate Affairs*

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T : (65) 6220 8411
F : (65) 6226 0502

SUSTAINABILITY FEEDBACK

E : sustainability@hla-grp.com

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M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

T : (65) 6227 6660
F : (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

MUFG Bank, Ltd.

Standard Chartered Bank (Singapore) Limited

Sumitomo Mitsui Banking Corporation

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

CEMENTING OUR FUTURE

CREATING LONG-TERM VALUE

Stepping up our **investments in digitising** our systems and processes will help to speed up the business transformation

...we must continue to innovate and take an **informed** and **proactive** approach in addressing and reporting ESG issues

VISION

ESTABLISHED ASIAN MULTINATIONAL KNOWN FOR OUR **MARKET LEADERSHIP** AND **FINANCIAL STRENGTH**, WORKING CLOSELY WITH OUR CUSTOMERS TO **DEVELOP AND DELIVER SUSTAINABLE AND INNOVATIVE URBAN SOLUTIONS** FOR CITIES OF THE FUTURE

VALUES

KEEP THE CUSTOMER FIRST

Stay ahead of our customers' need by constantly having our fingers on the market's pulse and ensuring our products and services exceed their expectations today and in the future

MIND THE DETAILS THAT MATTER

Sometimes, small things can make a big difference, so while we're growing quickly, let's make sure we continue to maintain our attention on things – big and small – that matter

DO THE RIGHT THINGS

Maintain the highest level of business ethics and take personal ownership to conduct ourselves in an honest and responsible manner in order to do what's right

CREATE AN IMPACT BEYOND OUR BUSINESS

Let's ensure our products and our actions as an organisation help nurture an inclusive society and contribute towards environmental sustainability

THINK FAST, WORK FASTER

Let's make sure we take the time to think and plan, but also make sure we take decisive action to put our plans into action and drive our businesses forward

CEO'S INTERVIEW

Q1 Hong Leong Asia has just set forth on a new 2025 Vision outlook, what have been your main priorities as CEO for the Group in starting this journey?

A I am really excited about the new 2025 Vision as there are opportunities for us to do better in strengthening our market leadership in the segments through product innovation and delivering value to the customers. Integrating Tasek Malaysia with the BMG unit in Singapore by sharing best practices will make the operations more efficient. Stepping up our investments in digitising our systems and processes will help to speed up the business transformation. Securing our supply chain and ensuring that we remain cost competitive is also high on the agenda in the post-COVID world.

Q2 You've just joined the company during a time of disruption but also opportunity, are there any traditions and values of the Group you believe remain vital in navigating new territories and why?

A I have told my staff that we want to emerge stronger post COVID-19 and don't let this opportunity go to waste. The entrepreneur spirit, the team work and the perseverance in our staff is key in navigating through these unprecedented times. Above all, the entrepreneur spirit and the belief that we can win is vital to the success of the Group.

Q3 What are some key initiatives or themes being driven at the Group and/or operational levels and what is the excitement behind them?

A We are encouraging our employees to live and breathe the five corporate values - in keeping the customer first, doing the right things, thinking fast and working faster, minding the details that matter and creating an impact beyond our business. At townhall meetings, we would hear their stories on how they have made a difference and many of their stories have touched our hearts. The next step is to drive these values into our Sustainability Agenda and set our Goals over the next 5 years.

Q4 How will this align with supporting the long-term health of the Group's business units?

A We recognized that we all have a role to play in making our businesses greener. As urbanization grows and cities are adapting to become greener and more liveable, we too must deliver sustainable and innovative solutions. Having a clear Sustainability Agenda and setting goals and targets down the organization will help us to realize our full potential.

Artist Impression of Bukit Batok N4C12 HDB Project, image credited to Housing Development Board (HDB)

DO THE RIGHT THINGS

Honouring our Commitment during Tough Times:
In June 2016, our precast unit Hong Leong Building Materials (HLBM) managed to win a HDB project at Bukit Batok N4C12 with new client, BHCC Construction Pte Ltd. However, the construction market was undergoing a downturn and it was a risk with low margins. The jump in raw material prices also made the situation more challenging. But despite the heavy hit, the team soldiered on without cutting corners and delivered the project on time to the satisfaction of the client. HLBM has since gained the confidence of BHCC for its reliability and have remained their primary precaster, garnering successful projects.

SUSTAINABILITY REPORT

STATEMENT BY THE BOARD OF DIRECTORS

At HLA, Sustainability is a tradition, considered essential and among the highest priorities in our business. The focus has always been to safeguard our operations and the well-being of our staff which in turn drives long-term shareholder value in the Company. The Board acknowledges that businesses need to think beyond the borders and framework surrounding their own operations and adopt a broader mindset in considering a sustainable business model.

Climate change and the recent global pandemic have created an even greater urgency for us to prioritise and rebalance our focus on environmental and social issues. In 2021, the Group[1] will be embarking on the next stage of strengthening our sustainability agenda and enabling a more holistic approach in it. We will be sharing more of these updates on the Group's website and subsequent annual reports. Finally, we thank you for your feedback and continuing support in helping us to define and create a sustainable future together.

"THE GROUP WILL BE EMBARKING ON THE NEXT STAGE OF STRENGTHENING ITS OWN SUSTAINABILITY AGENDA."

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.

MESSAGE FROM CHIEF EXECUTIVE OFFICER ("CEO")

Since coming on board in August 2020, I have spoken with many colleagues in the region and longstanding partners who have worked with HLA. There is a common vein that binds: that the Group is built on a solid foundation of prudence, detail-oriented, strong business ethics, and care for the communities in the countries that we operate in. This is the heritage that has defined the Company since 1941. Today, this identity continues to be reinforced in the brands of China Yuchai, our diesel engines business in China, as well as Island Concrete, Singapore Cement, and Tasek Corporation in the building materials businesses in Singapore and Malaysia.

Both the Board and Management team recognise that we must continue to innovate and take an informed and proactive approach in addressing and reporting environmental, social and governance ("**ESG**") issues. In the last few years, we have made good effort in evaluating, assessing and reporting these issues, but we must progress further by means of innovation and digitalisation.

Firstly, we will continue to innovate our production processes and explore the use of alternative raw materials at BMU to mitigate and minimise environmental impact. At the same time, our diesel engines segment has been investing in research and development to develop the next National VI engine products to reduce emissions and achieve higher energy efficiency. The Research & Development ("**R&D**") group in China continue to devote resources to develop new energy engine products and green technology.

Secondly, we have identified our roadmap and rolled out our digitalisation strategy at our BMG plants in Singapore. These projects will contribute toward a more efficient operation and significantly reduce our energy consumption and carbon emissions. As part of the plan, these innovations will be integrated with production processes in Malaysia over time.

Lastly, the Management team is strengthening its commitment towards sustainability and implementing the 2025 Vision at town hall meetings and workshops with employees. Details of the Vision and Values can be found on page 26. As Asia develops and becomes more urbanised, we are well positioned to support and tap on this growth. Together with our customers, we will create innovative and sustainable solutions for cities of tomorrow.

HONG LEONG ASIA VISION 2025

ESTABLISHED ASIAN MULTINATIONAL KNOWN FOR OUR MARKET LEADERSHIP AND FINANCIAL STRENGTH, WORKING CLOSELY WITH OUR CUSTOMERS TO DEVELOP AND DELIVER SUSTAINABLE AND INNOVATIVE URBAN SOLUTIONS FOR CITIES OF THE FUTURE

CORE VALUES

KEEP THE CUSTOMER FIRST	DO THE RIGHT THINGS	THINK FAST, WORK FASTER	MIND THE DETAILS THAT MATTER	CREATE AN IMPACT BEYOND OUR BUSINESS

In this report, you will find a compilation of our efforts in 2020 and aspirations for 2021. We welcome your feedback as we continue our journey to improve our reporting and sustainability practices. Please send in your comments or questions to sustainability@hla-grp.com.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This Sustainability Report ("**SR**") has been prepared in accordance with GRI Standards and complies with 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 2020 to 31 December 2020, unless otherwise specified. The 2019 Sustainability Report was issued in March 2020 and we will continue to publish our progress annually.

A historical comparison to the previous years is presented where possible. We will continue to assess and improve our data collection over time.

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

SUSTAINABILITY FRAMEWORK AND GOVERNANCE

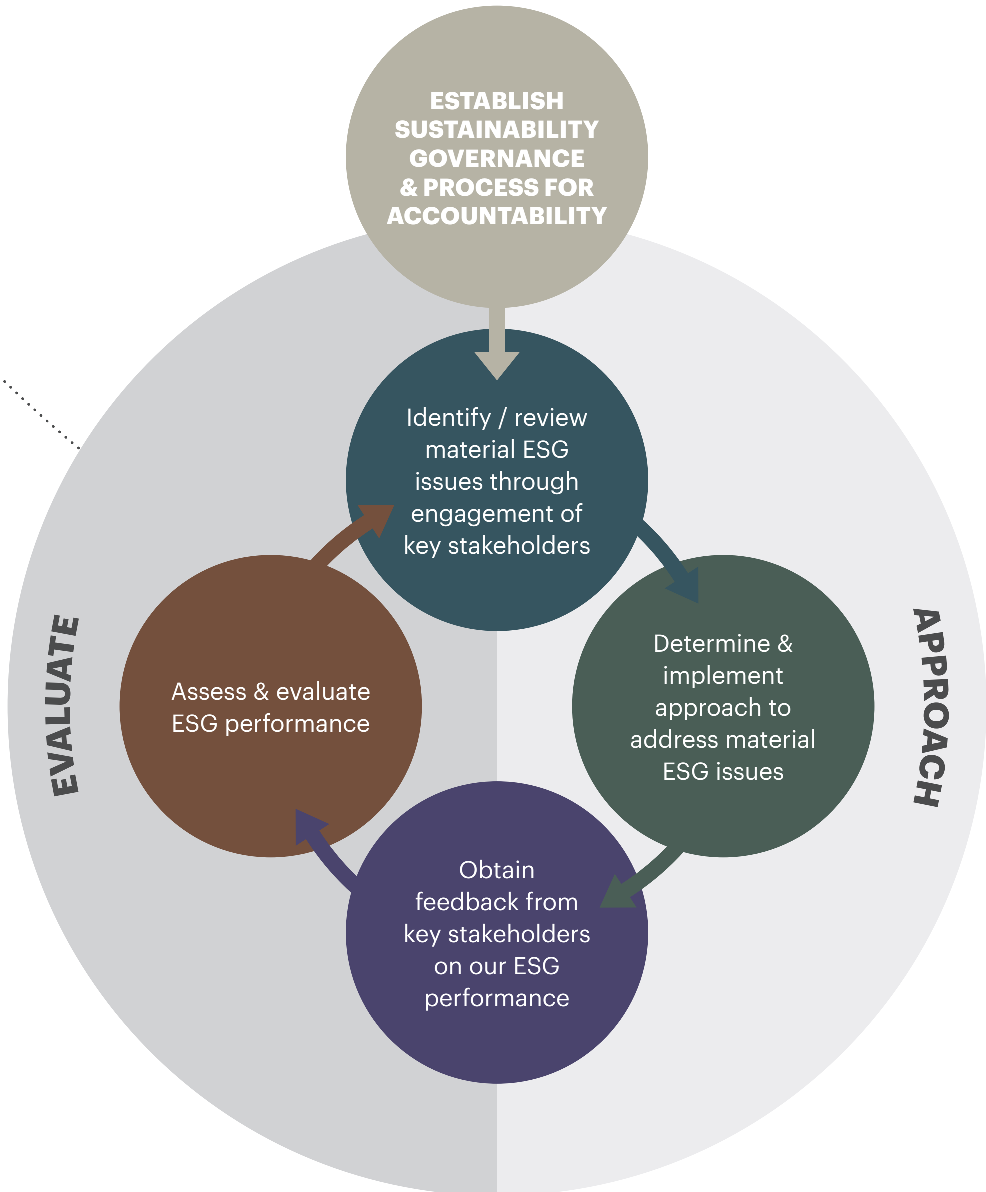
ADDRESSING THE KEY PILLARS OF OUR SUSTAINABILITY FRAMEWORK

GOVERNANCE

The group has developed a governance process to formalise the oversight procedures (Figure 1) to ensure reliability, adequacy and effectiveness of the internal controls and risk management processes over our sustainability practices and reporting aspects.

The identification and managing of material ESG issues is performed by the Sustainability Committee through an approved framework including stakeholder engagement and performance progress reviews. The CEO is responsible for overseeing the overall management of internal control and risk management processes of the Group's businesses and operations.

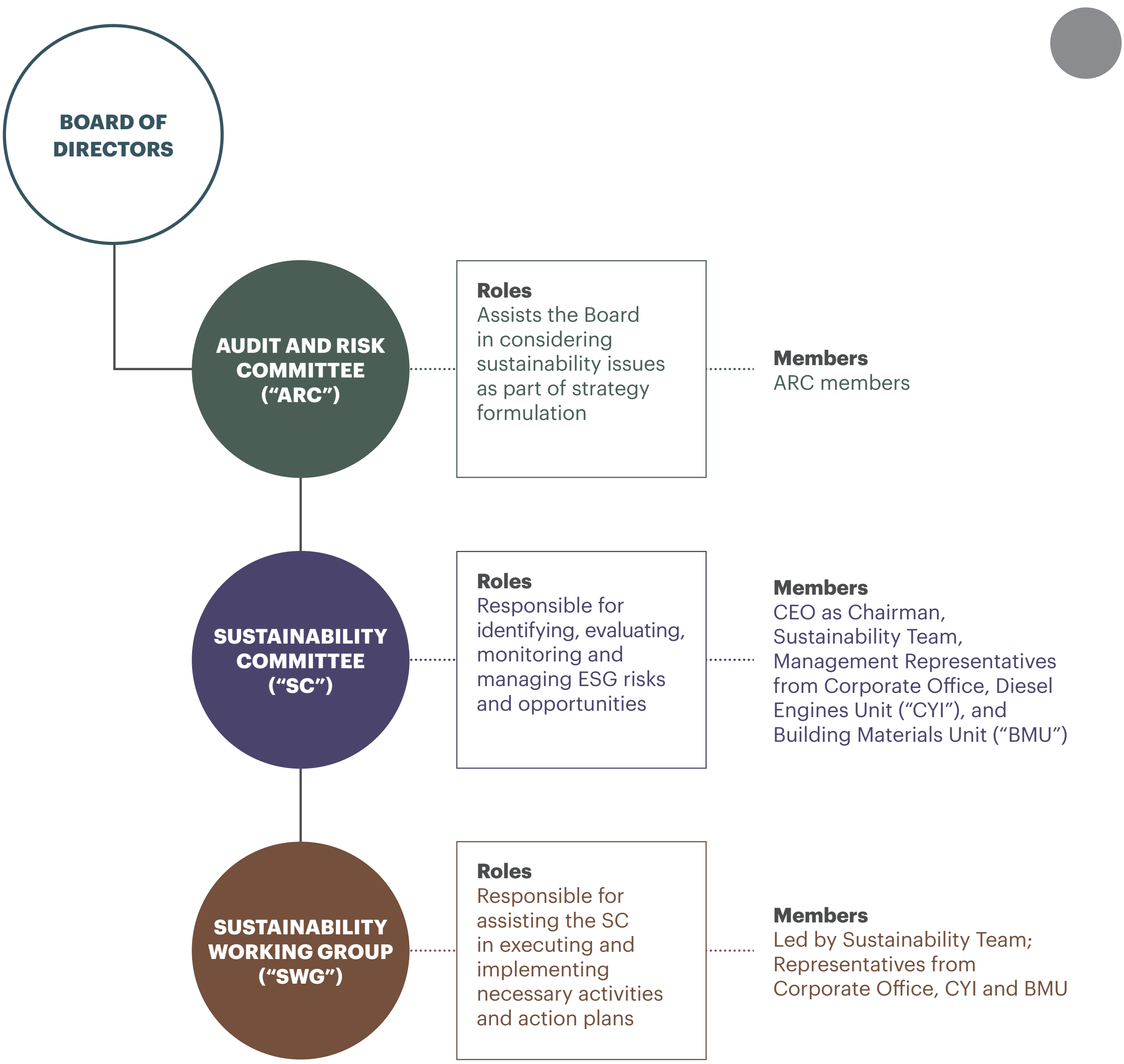
FIGURE 1: **HLA'S SUSTAINABILITY GOVERNANCE PROCESS**



SUSTAINABILITY REPORT

On a quarterly basis, the Sustainability Committee provides a progress update on the Group's performance to the Audit and Risk Committee ("**ARC**"), and makes recommendations to improve the management of sustainability issues. The ARC evaluates and reviews the reporting process and performance annually in order to ensure 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 the Group's strategy formulation (Figure 2).

FIGURE 2: **HLA'S SUSTAINABILITY GOVERNANCE STRUCTURE**



THE GROUP'S KEY STAKEHOLDERS AND MATERIALITY ASSESSMENT PROCESS

OUR KEY STAKEHOLDERS

Business begins with value creation for our key stakeholders through providing products and services supported by employees, customers and suppliers of the business. The business is regulated by the government and the relevant regulatory bodies to ensure positive impact on these stakeholders and local communities. 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.

Developing healthy relations with our key stakeholders is crucial to ensure long-term business value creation. As our business segments are diverse in industry and geography, material issues are compiled from each of the business unit's management team because they have the most interaction with our key stakeholders on the ground and therefore, they are of the best position to assess the material ESG issues that need to be addressed by the Group's Senior Management Team.

MATERIALITY ASSESSMENT

The Group conducted its sustainability materiality assessment (Figure 3) in 2016 with the assistance of an external consultant to frame the highlighted ESG concerns of our key stakeholders. Eight out of 22 material issues were identified as significant to the Group's operations.

FIGURE 3: **HLA'S MATERIAL ASSESSMENT PROCESS**

EDUCATION
Awareness session for senior management and HODs to equip them with knowledge on sustainability, SGX sustainability reporting requirements and GRI Standards reporting framework

RESEARCH
Peer benchmarking review was done to identify a broad range of potential and relevant sustainability issues as well as observing good reporting practices

CORROBORATION
Interviews with senior management to obtain feedback on potential sustainability issues, as well as tapping on their engagement with external stakeholders

PRIORITISATION
Significant sustainability issues ranked and prioritised by senior management, in alignment to HLA's business strategy and focus (Table 1)

The Sustainability Committee reviewed the selected ESG issues in 2020 and validated that these eight issues identified remain unchanged for the current reporting period (Table 1). The SR focuses on the management's approach towards addressing these 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.	1 3 4
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.	1 5 6
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.	1 2 6 7 8
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.	2 8
Shareholders	Shareholders are owners of our company, and their views are crucial in determining the future directions of the Group.	2 4 7
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.	1 2

KEY PILLARS	KEY MATERIAL ISSUES
Our Business Environment	1 Ethical Business Conduct 2 Regulatory Compliance
Understanding our Customers' Needs	3 Product and Service Quality 4 Customer Satisfaction
Looking After our People	5 Fair Employment Practices 6 Health and Safety
Caring for our Physical Environment	7 Energy & Carbon Footprint 8 Dust Emissions Management

OUR BUSINESS ENVIRONMENT

1 ETHICAL BUSINESS CONDUCT

MANAGEMENT APPROACH

We conduct our business with the highest ethical standards and have zero tolerance towards fraud, corruption, bribery and money laundering to ensure accountability to our shareholders. It is our commitment to ensure employees exhibit high levels of professionalism and ethical behaviour when conducting the Group's operations. This is guided and reiterated through our Core Value - *Do the Right Things* and Code of Business Conduct ("**COBC**") policy.

The COBC's policy governs aspects that include 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 is managed and reviewed periodically by our Human Resource ("**HR**") Department and approved by the CEO.

Whistle-blowing procedures are put in place to enable employees or any other persons to raise concerns in confidence about 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. The whistle-blower is given appropriate protection against any reprisals if disclosures are made in good faith. More information about HLA's Whistle-blowing Policy can be found in the Corporate Governance Report on page 78.

Tasek Corporation Berhad | Anti-Bribery & Anti-Corruption Act Internal Training

PERFORMANCE

Overall, none of the Group's business units have reported any cases of legal action for corruption, non-competitive behaviour, anti-trust and monopoly practices in 2020.

In June 2020, the Malaysian Anti-Corruption Commission Act ("**MACC Act**") was amended to introduce a new law imposing greater liability upon Corporations and Directors in the event that their employees are found guilty of any corrupt practices. **Tasek** conducted e-learning trainings for all employees on the severe consequences for committing any acts of bribery and corruption. This was supported by official communication via publication of Tasek's "Anti-Bribery and Anti-Corruption Policy and Compliance Guidelines" document on the business unit's official website.

The HR department has since been in touch with Tasek's suppliers and customers to share the new guidelines and as of the date of this report, 439 out of 578 partners have signed acknowledgements agreeing to comply with the guidelines.

SUSTAINABILITY REPORT

❷ REGULATORY COMPLIANCE

MANAGEMENT APPROACH

In order to maintain the necessary licenses to operate, government and local authority regulatory compliance is crucial. This responsibility principally lies with the heads of each of our business units which is further delegated to their HODs to ensure that regulatory compliance is met within their respective areas of responsibilities.

The HODs regularly engage with government agencies and coordinate periodic inspections as per regulatory requirements. Thereafter, they report to the business unit head for an annual evaluation, or as and when there are regulatory changes.

PERFORMANCE

HLA did not incur any material fines and sanctions related to environmental and social aspects during the year.

A notice of non-compliance with the amount of RM 2.6 million was served to a **BMG** entity by the local regulatory body pertaining to certain sale transactions conducted prior to 2018. This was due to an administrative oversight. Immediate corrective actions were put in place within their policies and procedures to prevent recurrence.

An appeal was submitted to reconsider the penalty, on the basis that the non-compliance was a result of failure to submit proper documentation and did not result in any financial loss to the government agency. The appeal is unsuccessful as 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.

UNDERSTANDING OUR CUSTOMERS' NEEDS

❸ PRODUCT AND SERVICE QUALITY

MANAGEMENT APPROACH

Our Sales & Marketing teams proactively engages with customers to ensure that the products as well as pre- and post-order services meet or exceed their expectations. This close level of engagement enables our Sales & Marketing teams to address issues promptly. Each of the business units' marketing department conducts formal surveys to obtain customer feedback on our products and services that enable us to gauge the success of our previous strategies and identify areas for improvement.

R&D continues to be a main driver across all our business units with customer feedback on new products and features regularly circulated to every R&D personnel for further action. In the case of our diesel engines unit, the R&D team continually innovates to enhance the safety features, efficiency and environmental aspects of our engine designs.

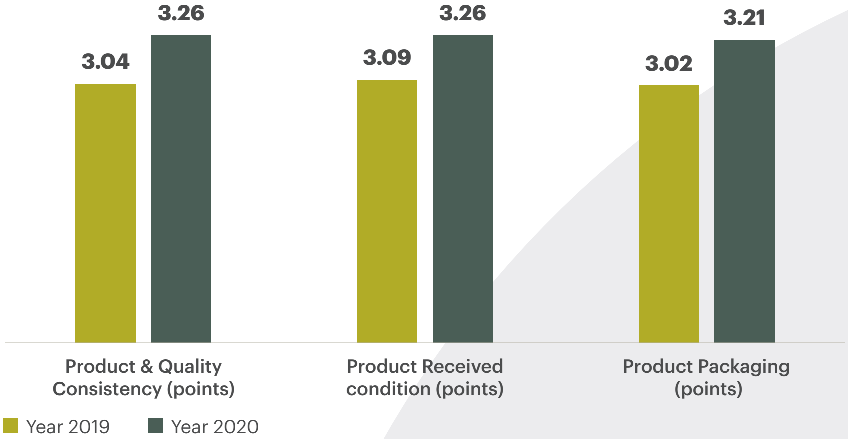
At BMG, the R&D teams frequently review customer feedback and make site visits with the sales teams to solve issues and understand the changing requirements in the industry. They also conduct various tests on the use of new or alternative materials or trial new formulas to produce products with lower carbon footprint.

PERFORMANCE

Over at **Tasek**, the cement segment saw an improvement in customer satisfaction towards product quality in 2020 as compared to 2019 (seen in Table 2). Assessed by 77 customers, these scores are collected as a final average and the criteria for product quality consists of product and quality consistency, state and condition of products received and packaging quality upon delivery to our customers.

The technical R&D team has recently achieved certification in CEM | 52.5N, a higher grade of Ordinary Portland Cement ("OPC") mainly used by precast players for its high early strength and hence, ability to produce concrete products up to G80-G100. Since launching, Tasek has been able to compete in the precast market as well as offer Ready Mix Concrete ("**RMC**") players better cost savings as CEM | 52.5N maximises the usage of supplementary cement materials and waste products of other industries such as fly ash and ground granulated blast furnace slag.

TABLE 2: **CUSTOMER SURVEY RESULTS FOR CEMENT QUALITY (TASEK CEMENT)**



* Note: Scores are rated upon a total of 4 points

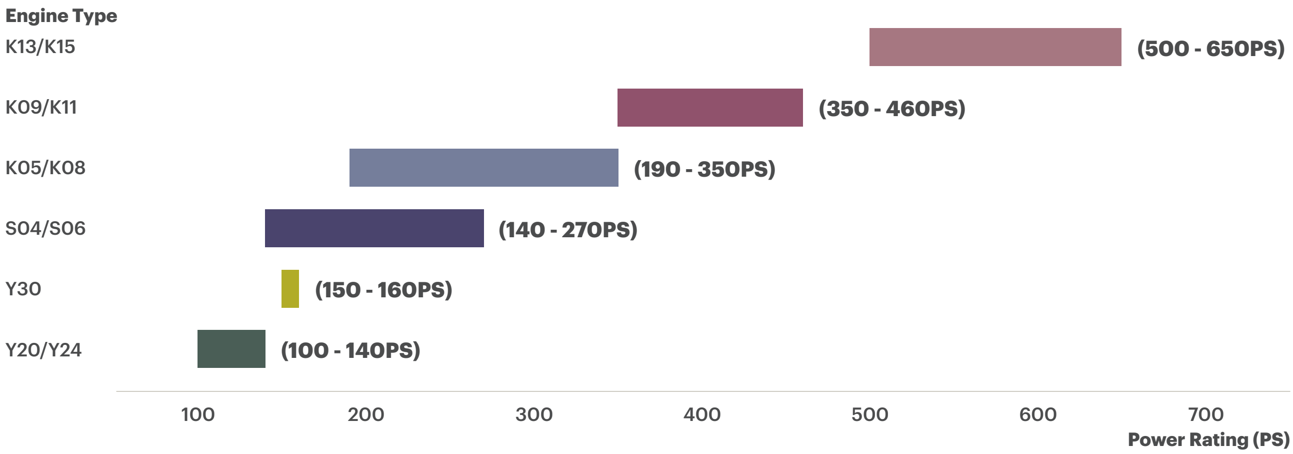
SUSTAINABILITY REPORT

Within our diesel engines unit, R&D in green technology and product innovation has enabled us to build a series of engine products with more stringent emission standards and greater energy efficiency. Currently, our engineering laboratory is equipped with 84 engine test benches and 16 parts and components test benches, of which prototypes and commercially-ready products have been produced. In 2020, our R&D efforts were recognised in respect of the continuous improvements in engine production quality control systems as seen in Figure 4 presenting the list of awards received.

FIGURE 4: **LIST OF AWARDS RECEIVED BY GYMCL IN 2020**

In China's current transition towards more stringent emissions standards, July 2021 marks the mandatory shift to full implementation of National VI(a) engines in which Table 3 shows our complete range of products. Other than K15, the rest of the products as seen in the table are already available in the market.

TABLE 3: **GYMCL NATIONAL VI(A) EMISSION STANDARD COMPLIANT ENGINES**



During the year, all material complaints regarding the quality of our products and services have been resolved. We will continue to strive towards ensuring the highest standards within this area with best practices, as well as effective and continuous communication with our customers and suppliers.

❹ CUSTOMER SATISFACTION

MANAGEMENT APPROACH

Enhancing customer experience, gaining their confidence and trust in our products is key to ensuring the Group's continued success and growth. This is influenced by the quality of products supplied and the associated services rendered to our customers across China, Malaysia and Singapore within the diesel engines and building materials industries. The management teams of these business units know their customers best and are therefore required to set individual benchmarks on the criteria and standards based on their knowledge of our supply chains and markets in which we operate.

A key practice of this is to establish the pre-qualification process for significant tenders particularly on supplier selection criteria including local regulations compliance and certified quality management systems as per the example seen in Figure 5. Major suppliers are evaluated at least once a year on quality of goods and services provided. Ad-hoc visits to our suppliers' sites are also part of the evaluation, especially for new suppliers. For those who do not meet the benchmark, warnings are issued and counselling provided, while those with serious lapses are immediately terminated.

FIGURE 5: **EXAMPLE OF PRE-QUALIFICATION CRITERIA FOR HDB TENDER SUBMISSIONS (BMG)**

Supplier Selection	• Quality, reliability and price • Financially sound
Local Regulatory Compliance	• Cement tender: SS EN 197 • Aggregate Tender: SS EN 12620, ASTM C 295, ASTM C 1260
Certified Quality Management Systems	• Certified accreditation by ISO (ISO 9001, etc.), BizSafe, etc. • Suppliers to be similarly certified

PERFORMANCE

Based on our customer survey results, we are pleased to inform that all of the Group's business units surpassed the internal benchmarks set for customer satisfaction.

The shared success in high quality service is a reflection of the tight coordination between our Sales & Marketing and Operation teams to manage customer relations and handle production and delivery smoothly. The results show that these departments are able to react promptly and satisfy our customers in a professional manner on our products and services.

The **diesel engines unit** received positive customer satisfaction on Yuchai's brand promise and image that includes high product quality, service, efficiency, and customer service attitude. The average rating of 93% surpassed the business unit's target of 91%. These results were collected through a consolidation of key sales channels that include customer service hotlines, a customer service mobile application, service management offices located across China, technical service website and third-party customer satisfaction surveying bodies.

The precast segment under **BMG** received an average rating of over 80% in customer satisfaction on the manufacture, supply and delivery of precast concrete components for projects completed in 2020. These scores were rated based upon a customer evaluation criteria set by the Building and Construction Authority (BCA) of five assessment points including quality performance, site planning and control, progress of works, housekeeping and response to instructions (details found in Table 4).

TABLE 4: **CUSTOMER EVALUATION CRITERIA FOR PRECAST (BMG)**

NO.	CRITERION	DETAILS
1.	**Quality Performance**	Quality impacts structural works (installation process) and architectural works significantly in terms of timely completion.
2.	**Site Planning and Control**	High standards of production planning process which if not done properly, contributes to unnecessary delays onsite.
3.	**Progress of Works**	Related to site planning and control, focused on the timely delivery of precast components to site.
4.	**Housekeeping**	Safety and condition of products delivered to site from point of loading to point of unloading.
5.	**Response to Instructions**	Coordination and good working relation with client in terms of planning to achieve timely completion of the project.

In the case of Tasek's RMC segment, areas highlighted for improvement include more efficient delivery intervals, mobilisation of supply at night, delivery to new project sites beyond our supply range, and truck maintenance improvements. Tasek's Senior Management team has identified digitalisation as a key solution to these issues and has since worked with cartage contractors to increase the availability of trucks through efficient logistics management and productivity monitoring. They are also looking to set up more site plants to better meet customers' demands, reduce delivery lead-time and fulfil orders placed after normal operating hours.

During the year, the Group did not receive any reports regarding any incidents from the users of our products or visitors to our production sites.

LOOKING AFTER OUR PEOPLE

5 FAIR EMPLOYMENT PRACTICES

MANAGEMENT APPROACH

Employees are our valuable assets and a crucial driver for the success of the Group. Our employees are treated and evaluated equally based on merits, competency, experience and other relevant qualities for their professional and personal development within the organisation.

In response to evolving customers' and market needs, we recognise the importance of workforce diversity as it promotes innovation and sustainability. One of our commitments is to build a workforce and workplace that nurtures inclusion, equality and respect for all. Our COBC clearly states our commitment to respect each and every employee within our culturally diverse workforce. This is agreed by our employees during the on-boarding process and is acknowledged on an annual basis.

Regular dialogue between our employees and their supervisors is integral to our workplace practice to ensure healthy relationships in the Group. Employees are free to voice any concerns and feedback in a timely manner to the Management either directly or through their supervisors, HODs and unions. For more serious grievances, the Group's whistle-blowing channel offers a safe alternative.

We acknowledge that strong human capital is vital for the success of our businesses. Hence, training and development programmes are implemented to enhance the workforce knowledge and skill-sets necessary for growth as well as to build a pool of talent who can transition over time into senior management roles. Such trainings are conducted by in-house specialists and external experts on-site and off-site. In addition, our employees are encouraged to suggest other types of trainings that will benefit their work and personal development.

PERFORMANCE

In the review of headcount, the Group employed 7,929 full-time staff (seen in Table 5), approximately 88% of whom 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.

Overall staff turnover rate is relatively low in the Group. Business units regularly review labour productivity along with business growth plans to evaluate the need for new headcount.

As of 31 December 2020, the number of employees at our **diesel engines business unit** stood at 6,693, a decrease of 239 employees from the previous year. The decrease was primarily due to greater operational efficiencies realised from the innovation and application of advanced technology and artificial intelligence in its manufacturing operations.

The Group has initiated annual employee satisfaction evaluations by conducting employee satisfaction surveys. In September 2020, **Tasek** kick-started this process in its cement and concrete business units. The approach led by Tasek's HR department was approved by management and subsequently was well received by employees. Results from our Employee Satisfaction Survey were mainly positive. We also identified areas that needed improvement such as career growth, employee recognition and stress management in the workplace. HR has since worked with the HODs to initiate regular engagement sessions with their staff to discuss job performance matters and quality of the workplace environment. The same employee survey will be carried out for BMG in 2021.

At **BMG**, a total of 146 training sessions equivalent to 5,289 hours[2] were conducted for employees. These are trainings in areas such as health and safety, laws and regulations, quality management systems, risk management, anti-bribery compliance framework, scheduled waste management, specialised technical skills for production and operation personnel, energy management, financial and enterprise resource planning systems and process control improvements.

2 Training sessions and hours disclosed in 2020 Sustainability Report were for building materials business unit only.

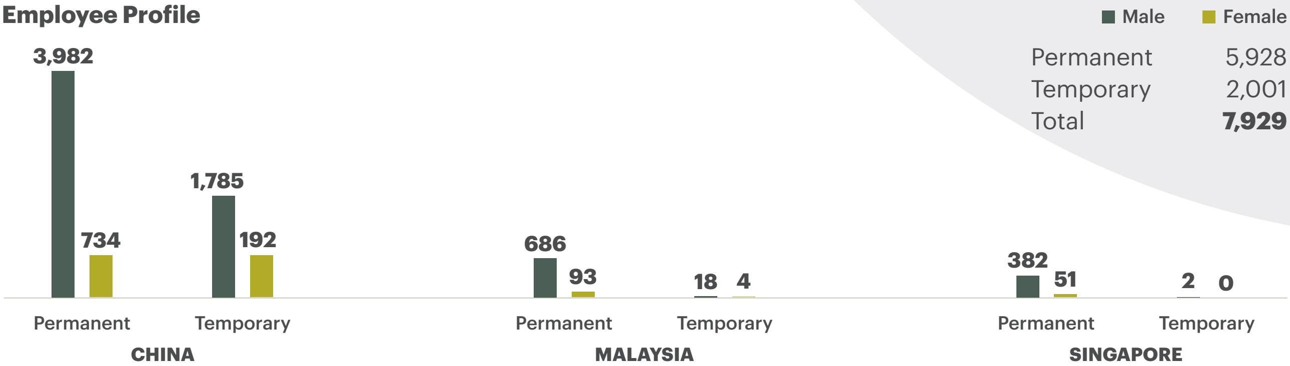
SUSTAINABILITY REPORT

Tasek Cement Basic Occupation First Aid Refresher Training, January 2020

Authorised Entrant and Stand-by Person for Confined Space Certification Training, December 2020

TABLE 5: **SUMMARY OF PEOPLE PERFORMANCE (HLA)**

Employee Profile



Employee Movements

Region	**New Hires**					**Total**	**Departures**					**Total**
	Age Group			Gender			Age Group			Gender		
	<30	30-50	>50	Male	Female		<30	30-50	>50	Male	Female	
China (Rate[3])	303	71	7	350	31	381	160	363	96	491	128	619
	3.8%	0.9%	0.1%	4.4%	0.4%		2.0%	4.6%	1.2%	6.2%	1.6%	7.8%
Malaysia (Rate[3])	29	21	7	43	14	57	31	44	27	88	14	102
	0.4%	0.3%	0.1%	0.5%	0.2%		0.4%	0.6%	0.3%	1.1%	0.2%	1.3%
Singapore (Rate[3])	1	17	5	18	5	23	18	69	14	97	4	101
	0.0%	0.2%	0.1%	0.2%	0.1%		0.2%	0.9%	0.2%	1.2%	0.1%	1.3%
						461						**822**

6 HEALTH AND SAFETY

MANAGEMENT APPROACH

Each of the business units have a dedicated Safety, Health & Environment ("**SHE**") Department responsible for instilling a "Safety First" mindset. They are mainly responsible for compliance with local rules and regulations, identification of health and safety risks and the corresponding mitigating actions, conducting regular on-site inspections, investigations as required as well as organising and providing health and safety trainings for our employees.

New employees are given basic safety trainings as part of the induction programme that includes on-site training where applicable.

Refresher courses are conducted periodically for technical, engineering and operations personnel. Pre-employment health screening and annual health reviews are conducted for those in high-risk operation positions to ensure the employee is deemed fit to carry out such tasks. Possible health hazards such as respiratory diseases and

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

SUSTAINABILITY REPORT

hearing loss have been identified in the Group's manufacturing industries. Upon entering the operation area, employees are provided personal protective equipment ("**PPE**") to mitigate both health and safety risks. Any employee caught not wearing PPE is first given a warning followed by disciplinary actions including termination of employment for repeat offenders.

A risk assessment is conducted for all the operational activities to evaluate the severity and likelihood of incidents that include accidents and health-related conditions. The formulated matrix enables us to identify high-risk activities and implement the necessary controls. The SHE department works closely with the Production and Operation teams in order to reduce the likelihood of these risks including proper implementation of safety procedures, provision of suitable PPE and safety trainings to ensure employees' safety throughout the operation.

PERFORMANCE

In the midst of the COVID-19 pandemic, we have adhered to strict procedures within our head office and business units in order to protect our employees' safety and health. This includes temperature monitoring, contact tracing and safety management implementation. We have also strengthened IT support and backup to support the implementation of work-from-home arrangements to curb the spread of COVID-19 with minimal impact to our daily business operations. Meanwhile, we remain committed to ensuring the health and safety of our employees, and any persons working on-site, including visitors, suppliers and subcontractors.

COVID-19 Safety Briefing by Island Concrete (ICPL) Safety Management Officers to workers at Sungei Kadut plant in Singapore

ICPL truck driver with visual red identifier on safety helmet that indicates "Ready to Work

Registration and temperature screening for contractors entering Tasek Cement premises in Malaysia

Safe Distancing Compliance during operations and safety briefings at Tasek Cement plant in Malaysia

The number of incidents reported in Table 6 on page 46 refers to incidents that have happened within our BMU. Overall, the total number of injury incidents and rate of occurrences for employees have reduced in 2020.

However, we regret to report two fatalities involving personnel employed by a contractor that occurred at Tasek's cement plant during a "work-at-height" activity, defined as any activity performed at the height of 10 feet and above. We assisted the authorities in the investigation in which the contractor was found to be negligent for not abiding by our safety procedures. At the same time, immediate action was taken to identify the necessary corrective measures and strengthen our standard operating procedures. The identified preventive steps include:

1) **Strengthen permit to work (PTW) procedure:** Ensure workers obtain the necessary approvals that include safety preparation before performing any dangerous activities on-site such as working-at-height activities.

2) **Strengthen scaffolding management:** Improve both house-keeping and safety management procedures at scaffolding areas, particularly those left idle for long periods.

3) **Strengthen on-site supervision:** Ensure all activities are carried out according to the PTW procedure and improve communication of safety matters via on-site briefings especially with foreign workers that do not speak English or Malay well.

We have since been in touch with the families of the two deceased personnel to send our condolences and to provide additional support. We acknowledge that the emotional grief experienced by these families is irreversible and unquantifiable. It remains our firm duty to continuously strengthen the above practices to enhance workplace safety on our premises. We have terminated the contractor at fault of negligence and will not be using their services again.

SUSTAINABILITY REPORT

TABLE 6: **HLA STATISTICS ON REPORTABLE INCIDENT**

	Employees				Contractors			
Year	**Number of Injuries**	**Hours Worked**	**Injury Rate** (per mil hours)	**Fatalities**	**Number of Injuries**	**Hours Worked**	**Injury Rate** (per mil hours)	**Fatalities**
2020	10	19,312,432	0.52	0	6	1,161,404	5.17	2
2019	11	20,057,840	0.55	0	2	1,327,973	1.51	0
2018	12	20,041,142	0.60	0	4	1,620,579	2.47	0

Our diesel engines business unit has not recorded any reportable work-related incident[4] in 2018, 2019 and 2020.

Health and safety remain a key focus area for the Group and we continue to raise awareness of safe practices through regular training and communication to employees and contractors.

CARING FOR THE PHYSICAL ENVIRONMENT

7 ENERGY & CARBON FOOTPRINT[5,6,7]

MANAGEMENT APPROACH

Our operations have an impact on the environment and we remain committed to evaluating solutions to be implemented within our manufacturing processes in order to move towards a cleaner and greener direction. The energy consumption and carbon emissions are identified to be significant components in our operations that impact the environment. Therefore, we have key indicators and systems in place to measure and monitor performance efficiency of these emissions.

Within our BMU, energy consumption is closely monitored and managed by the Production and Electrical & Energy department. Analysis of our energy consumption helps to identify any anomalies and these are reported to management for further investigation and remedial actions to be taken.

The greatest direct contributor to energy consumption within the Group is recognised as Scope 1 emissions and derived from the operations of our cement plant in Malaysia under Tasek Group. Coal is

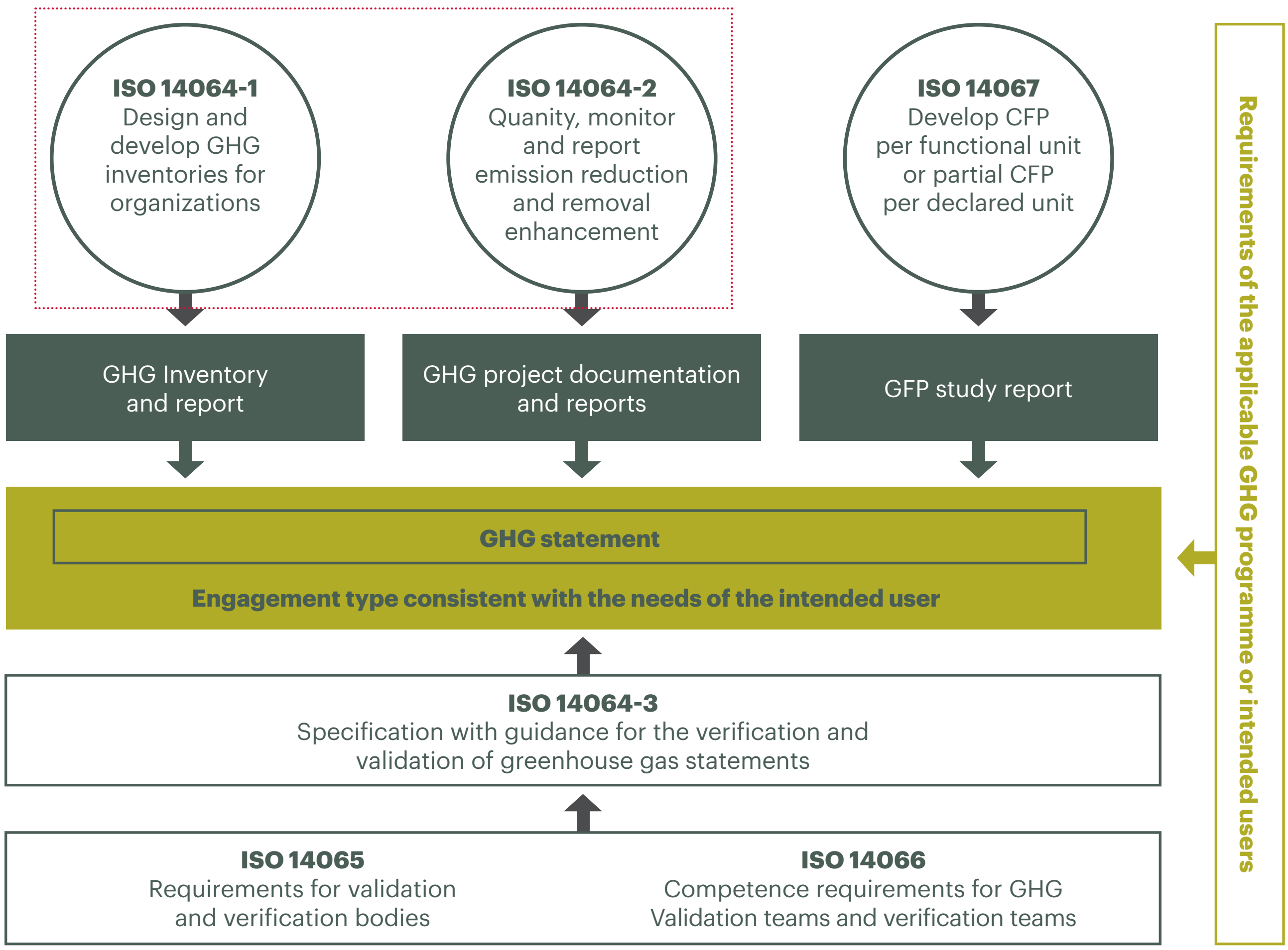
4 Reportable incident refers to work-related accident, workplace accident, dangerous occurrence and occupational disease that require statutory reporting to the relevant local authorities as mandated by the local regulations.
5 Source of default net calorific values for fuels used: 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
6 Source of Scope 1 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative database.
7 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.

the main source of energy used to fire up the kiln for clinker production, a key component of cement. As a result, the calcination process of clinker manufacturing is a significant contributor to greenhouse gas ("**GHG**") emissions.

In order to reduce energy consumption and GHG emissions, Tasek's Industrial Ecology Department ("**IED**") was established in 2016 to explore alternative raw materials ("**ARM**") and fuel sources in the manufacture of cement. The IED proposes strategies to decrease clinker production to help reduce carbon emitted from calcination as well as using the waste or by-products generated from other industries. Utilising alternative raw materials can help to reduce the amount of limestone required in clinker production by up to 5%.

We measure ourselves by adopting standards under ISO 14064-1 and 14064-2 (see Figure 6 for more information) as a way to evaluate the effectiveness of existing and new approaches to reduce emissions.

FIGURE 6: **RELATIONSHIP AMONG THE ISO 14060 FAMILY OF GHG STANDARDS (SOURCED FROM ISO ONLINE BROWSING PLATFORM**



SUSTAINABILITY REPORT

PERFORMANCE

The Group's overall energy consumption (seen in Table 7) decreased compared to the previous year as a result of a shorter operating period during the year caused by the COVID-19 pandemic that triggered a nationwide lock-down. Stated in Table 7 as "Others" under energy consumption by fuel type represents the use of alternative fuels such as saw dust, petroleum coke, and waste oil within our cement plant operations in Malaysia. The reduction recorded is attributed to the lack of suitability and availability of such materials as well as processing issues.

We continue to proactively look at ways to reduce the electricity consumption in our **BMU** operations. Electricity is a major operational expense in the business and is also a major source of GHG emissions.

Meanwhile, our **diesel engines business unit** has pledged to use clean and green energy in its operations. Solar panels have been installed at the roof of factory buildings and this has resulted in 8.7% of factory's electricity requirements met by solar energy.

TABLE 7: **HLA'S ENERGY CONSUMPTION AND SCOPE 1 EMISSIONS, BY FUEL TYPE AND BUSINESS UNIT**

Energy Consumption (Non- renewable)	**Unit Measurement**	**2017**	**2018**	**2019**	**2020**
By Business Unit					
BMU	TJ	8,399	8,099	7,947	6,478
Diesel Engine	TJ	370	375	458	613
By Fuel Type					
Coal	TJ	6,727	6,962	7,064	5,768
Gas and Diesel Oil	TJ	586	629	720	761
Others	TJ	1,456	883	621	561
Total Energy Consumption	**TJ**	**8,769**	**8,474**	**8,405**	**7,090**
Overall Energy Intensity	**TJ/S$ million**	**2.39**	**2.24**	**2.07**	**1.59**

Scope 1 Emissions (By Business Unit)	**Unit Measurement**	**2017**	**2018**	**2019**	**2020**
BMU	tCO_2	1,740,384	1,841,504	1,759,408	1,469,372
Diesel Engine	tCO_2	26,841	27,425	33,038	44,174
Scope 1 Total Emissions	**tCO_2**	**1,767,225**	**1,868,929**	**1,792,446**	**1,513,546**
Scope 1 Emissions Intensity	**tCO_2/S$ million**	**481**	**494**	**442**	**339**

TABLE 8: **HLA'S ELECTRICITY CONSUMPTION AND SCOPE 2 EMISSIONS, BY FUEL TYPE AND BUSINESS UNIT**

Electricity Consumption (By Business Unit)	Unit Measurement	2017	2018	2019	2020
BMU	MWh	230,672	256,899	246,723	209,958
Diesel Engine	MWh	268,553	244,376	264,493	298,572
Electricity Generated from Solar Energy (Diesel Engine unit)	%	9.1	9.9	9.3	8.7
Total Electricity Consumption	**MWh**	**499,225**	**501,275**	**511,216**	**508,530**
Overall Electricity Intensity	**MWh/S$ million**	**136**	**132**	**126**	**114**

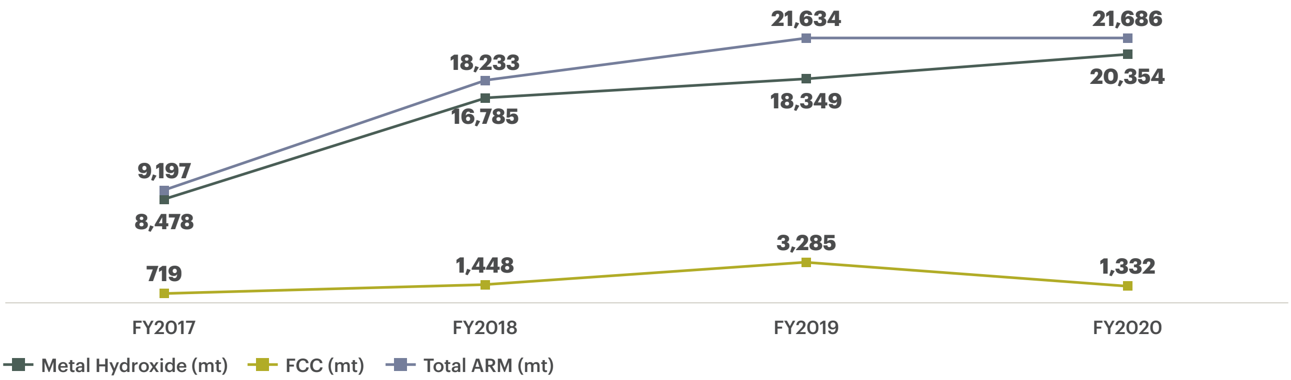
Scope 2 Emissions (By Business Unit)	Unit Measurement	2017	2018	2019	2020
BMU	tCO_2	158,581	176,737	169,517	143,844
Diesel Engine	tCO_2	188,249	169,728	184,997	210,069
Scope 2 Total Emissions	**tCO_2**	**346,830**	**346,465**	**354,514**	**353,913**
Scope 2 Emissions Intensity	**tCO_2/S$ million**	**94**	**92**	**87**	**79**

PERFORMANCE

Meanwhile in **Tasek**, the IED continues to target the increase of ARM usage in the production of cement such as fly ash and copper slag, as well as review and test alternative fuels including waste oil, refuse-derived fuels, saw dust and soap sludge. We have adopted the guidelines on Environmentally Sound Co-Processing of Scheduled Waste in Cement Industry developed by the Department of Environment in Malaysia in 2019.

This initiative targets to reduce clinker consumption which in turn, contributes towards the decrease in GHG emissions and pollution as well. The process of collecting treated scheduled waste from other industries can reduce the need for disposal to landfill. The use of waste materials that includes metal hydroxide sludge and spent Fluid Catalytic Cracking Catalyst ("**FCC**") as ARM has increased this year and recorded cumulatively 70,750 metric tonnes from 2017 until 2020 seen in Table 9.

TABLE 9: **UTILISATION OF ALTERNATIVE RAW MATERIALS IN CEMENT PRODUCTION (TASEK)**

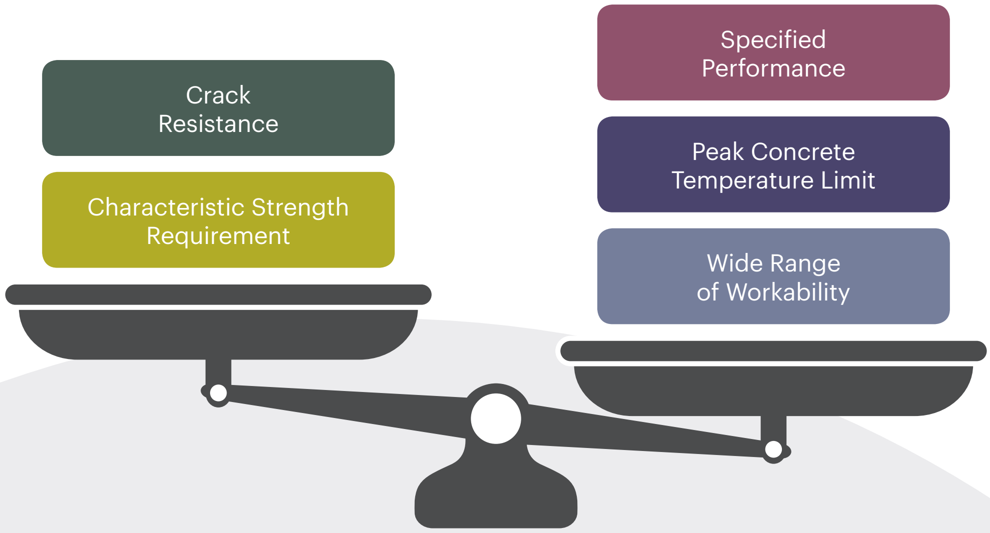


SUSTAINABILITY REPORT

Under BMG, the cement and ready-mix concrete business units work hand-in-hand to develop greener products for our customers' needs in Singapore. Within R&D efforts, our technical team focuses on the manufacture of Portland fly-ash concrete ("**PFAC**"). In 2020, the ready-mix concrete segment had successfully completed a commercial project to deliver 9000 cubic meters of PFAC 30.5 as a low-heat concrete product. More details on our design-mix approach and how particular benefits of PFAC meet certain requirements not typical of traditional cement can be found in Figure 7 and Figure 8, respectively.

FIGURE 7: **EVALUATION PROCESS FOR CONCRETE DESIGN MIX COMPOSITION**

STEP 1 Concrete Specification for Performance Requirement



***Note**: *Workability* refers to how easily freshly-mixed concrete can be mixed, placed, consolidated and finished with minimal loss of homogeneity

STEP 2 Material Evaluation and Selection

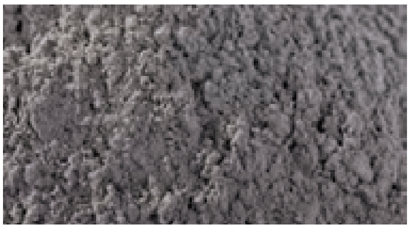
Other major considerations with regards to concrete performance:
Concreting construction methods to ensure *good crack resistance*, and that the proposed concrete mix can provide durability in its lifecycle.

FIGURE 8: **BENEFITS OF PORTLAND FLY-ASH CONCRETE (PFAC)**

What is the alternative cement used in the manufacture of PFAC?
PFAC utilises a "greener" cement as compared to Ordinary Portland Cement (OPC) which typically consists of 95% clinker which is the main material that contributes to carbon emissions in cement production. This alternative cement is a mix of OPC and pulverised fuel ash ("**PFA**") which is collected from the burning of pulverised coal in coal-fired electricity power stations. The ash is very fine and is removed from the flue gases by electrostatic precipitators. It is only procured from specific designated power plants with stringent quality control measures to ensure safe, consistent quality.

How does this make PFAC green?
Utilising PFA as its base material as opposed to pure OPC directly reduces the need for clinker production by between 30% to 50% and hence helps decrease carbon emissions significantly. The treatment and utilisation of pulverised coal which is incorporated into the mix also helps to optimise recycled materials, reducing the consumption of natural raw materials, water and energy to create a more sustainable construction material.

Not only green, PFAC also proves high quality and performance
The components of PFA are fine and spherical in shape and hence, the workability of fresh concrete produced with PFA is improved during pumping and casting, producing a cementitious material that meets or even exceeds the functional performance capabilities of OPC. Other advantages of using PFA in comparison to OPC includes long-term strength development, lower water penetration and lower temperature rise which reduces the risk of thermal cracking during curing.



Fly-ash cement

Test trials on PFAC at Island Concrete Batching Plant, Singapore

8 DUST EMISSIONS MANAGEMENT

MANAGEMENT APPROACH

Dust is emitted during activities such as clinker grinding and concrete mixing as well as processing of other raw materials during the production process. The heads of our plant operations are committed to ensure dust emission mitigation measures are in place and effective at all times and we are in compliance with Environmental Quality (Clean Air) Regulation 2014 in Malaysia to prevent air pollution and health issues in nearby communities.

As dust emissions are typically found to be of high levels within cement plant operations, Tasek has implemented dust emissions mitigation technologies to control dust emissions in a holistic manner since 2017.

An online real time continuous dust emission monitoring system is installed in Tasek's cement plant and linked to the local Department of Environment's monitoring system. Any violation of dust emission levels will trigger the monitoring system to alert our production department to take prompt remedial action and investigation. A direct communication channel is provided for the nearby communities to enable them to address any relevant environmental issue to the plant's SHE Manager for corrective action.

SUSTAINABILITY REPORT

PERFORMANCE

At **Tasek**, dust emission limits have been lowered from 100 mg/Nm^3 to 50 mg/Nm^3 in 2019 in accordance with the Environmental Quality (Clean Air) Regulation 2014. In order to accommodate this new regulation, the cement manufacturing business unit completed the first phase of upgrading the dust collectors from an electrostatic precipitator to a European filter technology in 2019. The existing and upgraded dust filtering systems have performed 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 downs of certain plant processes, the operation personnel took prompt actions to rectify the issue and notified the regulators accordingly.

The second phase of upgrading our dust emissions filter system started in 2020 and is expected to be completed in 2021 with the assistance of an external vendor.

Other than the cement manufacturing operation, we also place equal emphasis across our ready-mixed concrete batching operations and pre-cast plants to ensure our processes and maintenance of equipment are in good order to control dust emissions.

MOVING FORWARD

Since our sustainability reporting journey started in 2016, the Group has made commendable efforts to learn about the various issues that concern our business units as we aim to assess and reformulate our approach.

In 2021, our key focus is to transition towards a more informative and proactive approach in our reporting framework and communications and build a strong foundation to push our sustainability agenda forward. This will involve a revision of our sustainability framework and driving internal initiatives to work towards incorporating a suitable sustainability mind-set within the organisation. This will be complemented by professional trainings for our employees as well as establishing a dedicated advisory committee to delve deeper into specialised sustainability matters. By early 2022, we aim to gather internal feedback on the Group's new sustainability framework implementation to close gaps and refine our work towards a more cohesive agenda in line with our overall business strategy.

We are looking forward to sharing a new roadmap towards sustaining responsible business growth for HLA in our 2021 Annual Report.

This Report is made in accordance with a resolution of the Board dated 23 March 2021.

From left to right:

Saw Kok Wei, President of Business Units of JP | **Ooi Boon Hoe**, CEO of JP
Stephen Ho, CEO of HLA | **Logendran**, GM of ICPL

On 8th December 2020, Island Concrete (ICPL) signed a long-term lease agreement with Jurong Port (JP) to build and operate a ready-mixed concrete plant within the future JP RMC Eco-System.

Artist Impression of Jurong Port Ready-Mixed Concrete Port-Centric Ecosystem (image credits: Jurong Port Pte Ltd)

CORPORATE GOVERNANCE

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 principles and provisions in the 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, China Yuchai International Limited ("**CYI**") and its listed subsidiary HL Global Enterprises Limited ("**HLGE**"), are listed on 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 report and/or annual report on Form 20F filing.

BOARD OF DIRECTORS

Executive Directors
Mr Kwek Leng Peck, Executive Chairman
Mr Stephen Ho Kiam Kong, Executive Director and Chief Executive Officer

Independent Directors
Mr Ernest Colin Lee, Lead Independent Director
Ms Kwong Ka Lo @ Caroline Kwong
Mr Ng Sey Ming
Mr Tan Chian Khong

KEY OBJECTIVES
Provides leadership by setting the strategic objectives of the Company together with the Senior Management team to achieve long-term success for the Company and its subsidiaries (the "**Group**"). Oversees the performance of the Group for accountability to shareholders by ensuring that necessary financial, operation and human resources are in place for the Company to meet its strategic objectives, which are supported by an adequate and effective system of risk management and internal controls.

CORPORATE GOVERNANCE

Audit and Risk Committee	Mr Tan Chian Khong (Chairman) Mr Ernest Colin Lee Ms Kwong Ka Lo @ Caroline Kwong Mr Ng Sey Ming **Key objectives** Assists the Board in the review of the Company's financial reporting, internal accounting controls, audit function, sustainability issues/reports, and key risks under a risk management framework.
Nominating Committee	Mr Ernest Colin Lee (Chairman) Mr Kwek Leng Peck Ms Kwong Ka Lo @ Caroline Kwong **Key objectives** Assists the Board in its succession plan through the review of board size, composition and skills set and provides recommendations on the independence of directors, appointment, re-nomination and retirement of Directors. Assists the Board in the evaluation of the performance of the Board, the Board Committees and the Directors.
Remuneration Committee	Mr Ernest Colin Lee (Chairman) Mr Ng Sey Ming Mr Tan Chian Khong **Key objectives** Assists the Board in the review and determination of the remuneration of the Board and the Key Management Personnel ("**KMP**"), including setting appropriate remuneration frameworks and policies to reflect a performance-based remuneration system.
Hong Leong Asia Share Option Scheme 2000 Committee	Mr Ernest Colin Lee (Chairman) Mr Kwek Leng Peck Mr Ng Sey Ming Mr Tan Chian Khong **Key objectives** Reviews and approves the grant of options to eligible participants pursuant to the terms of the Company's Share Option Scheme.

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 28 to 52 of this Annual Report 2020 ("**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.

CORPORATE GOVERNANCE

Mr Stephen Ho was appointed to the Board and as CEO-Designate on 3 August 2020. He was given update by key Management on the Group's business and operations including an overview of the organizational structure, key internal controls, roles and responsibilities of the various departments, and given a Directors' manual by the Company Secretary which includes, *inter alia*, the Company's internal corporate governance practices, and directors' duties and responsibilities pursuant to the relevant legislation.

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. Mr Stephen Ho, being a first time Director of a listed company in Singapore, had completed the full modules of the LED Programme.

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.

Three in-house seminars/webinars were conducted by invited external speakers in 2020, on the following topics:

(a) Emerging Technology: Innovation, Future of Work and Cyber;
(b) Geopolitical Risk Landscape; and
(c) ESG Integration: A Pathway to Business Resilience

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

All the Board members attended various training webinars, seminars and workshops in 2020 which accounted for more than 200 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.

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 88 to 91 and the Financial Statements on pages 189 to 192 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 2020.

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 (including via electronic means) 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 2020, 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.

CORPORATE GOVERNANCE

Directors' Attendance (including via electronic means) at the AGM, and Meetings of the Board and Board Committees in 2020 (Provision 1.5)

Number of meetings held in 2020:	Board	ARC	NC	RC	SOSC	AGM
	4	3	2	2	1	1
Name of Director	**Number of meetings attended in 2020**					
Kwek Leng Peck	4	N.A.	2	2[(a)]	1	1
Stephen Ho Kiam Kong[(b)]	2	1[(a)]	1[(a)]	N.A.	N.A.	N.A.
Tan Eng Kwee[(b)]	2	2[(a)]	N.A.	N.A.	N.A.	1
Ernest Colin Lee	4	3	2	2	1	1
Kwong Ka Lo @ Caroline Kwong	4	3	2	2[(a)]	1[(a)]	1
Ng Sey Ming	4	3	2[(a)]	2	1	1
Tan Chian Khong	4	3	2[(a)]	2	1	1

N.A. – Not applicable

Notes:
(a) Attendance by invitation for all or part of the meeting.
(b) Mr Stephen Ho was appointed as a Director on 3 August 2020 in place of Mr Tan Eng Kwee who resigned from the Board on 16 August 2020.

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:

- Mr Tan Chian Khong, the only ID who holds other listed company board representations, is four, and

- each ED, Mr Kwek Leng Peck and Mr Stephen Ho, did not exceed two, all being representations on the boards of related corporations of the Company including one listed subsidiary 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.

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 KMP 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.

CORPORATE GOVERNANCE

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 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 2020 was more than $200,000, which was largely for the legal services rendered by R&T to the following wholly-owned subsidiaries of the Company - (i) HL Granite Resources Pte. Ltd. for the acquisition of assets relating to its quarry operations, and (ii) HL Cement (Malaysia) Sdn. Bhd. and Ridge Star Limited in relation to their unconditional voluntary take-over offer for Tasek Corporation Berhad. Mr Ng had abstained from the deliberation and decision-making in the engagement of R&T as solicitors for these transactions. 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. Mr Lee who is retiring by rotation pursuant to the Company's Constitution at the 2021 AGM has informed the Board that he would not be seeking re-election as an Independent Non-Executive Director. Upon his cessation as Director after the 2021 AGM, he will also cease to be the Lead ID, the chairman of the NC, RC and SOSC as well as a member of the ARC of HLA. Please refer to the section 'Succession Planning for the Board, the Board Chairman and KMP (Provision 4.1)' on page 65 of this report for information relating to his successors.

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, including the NC's recommended target to achieve a level of at least 20% female representation on the Board by 2021. 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 pay particular attention to 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.

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 80 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 (and taking into consideration the retirement of Mr Ernest Colin Lee at the 2021 AGM) 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. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR.

CORPORATE GOVERNANCE

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 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 Stephen Ho 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/Rigid Packaging Unit)
- Mr Kwek Ken Wee, General Manager (Group HR)

Mr Stephen Ho joined the Company on 3 August 2020 as the CEO-Designate pending the former CEO, Mr Tan Eng Kwee's departure from the Company on 16 August 2020 to allow for a smooth transition in the role of the CEO. Mr Ho assumes the CEO responsibilities in full with effect from 17 August 2020.

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 2020. With the cessation of Mr Ernest Colin Lee as a Director following the conclusion of the 2021 AGM, he will cease to be the Lead ID and Mr Tan Chian Khong has been appointed to succeed him as the Lead ID.

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 23 of the AR, for the composition of the NC. With the cessation of Mr Ernest Colin Lee as a Director following the conclusion of the 2021 AGM, he will also cease to be the NC chairman and Ms Caroline Kwong, an existing member of the NC, has been appointed to succeed him as the NC chairman. In compliance with the NC's term of reference to have at least three NC members, with the majority being IDs, Mr Tan Chian Khong has been appointed as a new member of the NC following the conclusion of the 2021 AGM.

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 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 Chief Financial Officer ("**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 2020. 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.

CORPORATE GOVERNANCE

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 Ernest Colin Lee and Mr Tan Chian Khong will be retiring by way of rotation while Mr Stephen Ho who was appointed by the Board on 3 August 2020, will also be retiring, at the 2021 AGM. Other than Mr Lee who will not be seeking re-election, the other retiring Directors being eligible, have offered themselves for election/re-election at the 2021 AGM. The NC has considered Mr Tan's contribution and performance, and Mr Ho's wealth of experience in finance, treasury, risk management, sales and marketing, and recommended to the Board to nominate their re-election/election at the 2021 AGM. Detailed information on the Directors who are proposed to be elected/re-elected at the 2021 AGM can be found under the sections on 'Board of Directors' and 'Additional Information on Directors Seeking Election/Re-election' of the AR.

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).

The NC had recommended the appointment of Mr Stephen Ho as a Director and CEO of the Company taking into consideration his wealth of experience in finance, treasury, risk management, as well as sales and marketing and having worked in companies with operations in Asia-Pacific. As recommended by the NC, on 22 July 2020, the Board approved the appointment of Mr Ho as a Director and CEO of the Company. Pending the departure of Mr Tan Eng Kwee from the Company on 16 August 2020, Mr Ho joined the Company as CEO-Designate on 3 August 2020 to allow for a smooth transition in the role of the CEO, which responsibilities he assumed in full with effect from 17 August 2020.

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 three years, and other relevant information, in the notice of AGM, and additional information for Directors proposed for election/re-election at the 2021 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.

Mr Ernest Colin Lee who is due for retirement by rotation at the 2021 AGM will not be seeking re-election as a Director. Upon his cessation as a Director after the AGM, he will also cease to be the Lead ID, the chairman of the NC, RC and SOSC as well as a member of the ARC of the Company. As part of the succession planning, the NC and the Board have identified the following Directors to succeed Mr Lee in his various Board/Board Committee appointments following his retirement at the 2021 AGM:

- Mr Tan Chian Khong as the Lead ID;
- Ms Kwong Ka Lo @ Caroline Kwong as the chairman of the NC; and
- Mr Ng Sey Ming as the chairman of the RC and SOSC.

The NC and the Board have also identified the following Directors for appointment as new Board Committee members following Mr Lee's retirement at the 2021 AGM in compliance with the respective Board Committees' terms of reference relating to the committee composition and size:

- Mr Tan Chian Khong as a new member of the NC; and
- Ms Kwong Ka Lo @ Caroline Kwong as a new member of the RC and SOSC.

On 16 July 2020, the Board announced the resignation of Mr Tan Eng Kwee as a Director and CEO of the Company, and his effective date of departure on 16 August 2020. Subsequently on 22 July 2020, the Board announced the appointment of Mr Stephen Ho as a Director and CEO of the Company, having considered his wealth of experience in finance, treasury, risk management as well as sales and marketing and having worked in companies with operations in Asia-Pacific and particularly China. Pending Mr Tan's departure, Mr Ho joined the Company as the CEO-Designate on 3 August 2020 to allow for a smooth transition and continuity of leadership at the Senior Management level. He assumed full responsibilities as the CEO of the Company on 17 August 2020.

CORPORATE GOVERNANCE

In February 2020, Ms Leong Sook Han resigned as the CFO of the Company. The Company is currently considering the suitability of internal potential successors and external candidates for appointment as CFO 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. With the cessation of Mr Ernest Colin Lee as a Director following the conclusion of the 2021 AGM, he will also cease to be the RC chairman and Mr Ng Sey Ming, an existing member of the RC, has been appointed to succeed him as the RC chairman. In compliance with the RC's term of reference to have at least three RC members, all of whom shall be NEDs with the majority being IDs, Ms Caroline Kwong has been appointed as a new member of the RC following the conclusion of the 2021 AGM.

The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's 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. With the cessation of Mr Ernest Colin Lee as a Director following the conclusion of the 2021 AGM, he will also cease to be the RC and SOSC chairman. Mr Ng Sey Ming, an existing member of these committees, has been appointed to succeed him as the RC and SOSC chairman. In compliance with the RC's and SOSC's terms of reference to have at least three members each, all of whom shall be NEDs with the majority being IDs, Ms Caroline Kwong has been appointed as a new member of the RC and SOSC following the conclusion of the 2021 AGM.

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 2020.

The Company Secretaries maintain records of all RC and SOSC meetings including records of key deliberations and decisions taken. Two meetings of the RC and a meeting of SOSC were convened during 2020.

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.

CORPORATE GOVERNANCE

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, nonfinancial 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 88 to 91 and the Financial Statements on pages 189 to 192 of the AR.

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. It was extended at the AGM in April 2010 for a further period of ten years from 30 December 2010 to 29 December 2020. At the AGM held in June 2020, the shareholders approved the second extension of the duration of the SOS for another period of ten years from 30 December 2020 to 29 December 2030.

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 2020 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

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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 88 to 91 and the Financial Statements on pages 189 to 192 of the AR.

Directors' Remuneration for FY 2020 (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 2020 is set out below:

	Total Remuneration (nearest thousand)	Base Salary[1]	Variable Bonuses/ Allowances[1]	Board/ Board Committee Fees[2]	Share Option Grants[3]	Other Benefits	Total
	$'000	%	%	%	%	%	%
Executive Directors							
Kwek Leng Peck[4] (Executive Chairman)	1,245	40.7	38.1	16.0	0	5.2	100
Stephen Ho Kiam Kong[4 & 5] (CEO)	490	47.5	32.2	8.8	0	11.5	100
Tan Eng Kwee[3, 4 & 6] (former CEO)	574	65.1	5.6	21.2	3.1	5.0	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 paid/payable are inclusive of employer's central provident fund contributions.
(2) These fees comprise Board and Board Committee fees (excluding ARC fees) for FY 2020, which are subject to approval by shareholders as a lump sum at the 2021 AGM, and the ARC fees for FY 2020 that had already been approved by shareholders at the 2020 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 Stephen Ho was appointed a Director and the CEO-Designate on 3 August 2020 and the Board fee payable to him for FY 2020 is pro-rated accordingly. He assumed full responsibilities as the CEO on 17 August 2020 after Mr Tan Eng Kwee's departure from the Company.
(6) Mr Tan Eng Kwee resigned as a Director and the CEO of the Company on 16 August 2020 and the Board fee payable to him for FY 2020 is pro-rated accordingly.

Remuneration of KMP (not being a Director or CEO) for FY 2020 (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 2020 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 2020 (Provision 8.2)
During FY 2020, Ms Kwek Pei Xuan, a daughter of Mr Kwek Leng Peck, the Executive Chairman, is an employee of the Company whose annual remuneration falls within the remuneration band of S$200,000 and below. There were no other 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.

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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). • Safe management measures are implemented at workplaces.
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.

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
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 CYI and its 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.

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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 Deputy CFO (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 Deputy CFO 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 Deputy CFO, 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 2020 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).

As of the date of this report, CYI is still in the process of evaluating its internal controls over financial reporting. The SOX program will be subject to final review by the auditors, and is currently on-going. To date, CYI's management has not received any report on material weaknesses from its auditors. The full results will not be known until the finalization of CYI's FY 2020 annual report filing on Form 20F in mid April 2021.

As part of internal audit program for FY 2020, 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 2020.

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. With the cessation of Mr Lee as a Director following the conclusion of the 2021 AGM, he will also cease to be a member of the ARC.

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 and taking into consideration the retirement of Mr Lee at the 2021 AGM, 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 (Provision 10.1)
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;

- 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;

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- 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 three 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 page 93 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 2020, 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.
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 84% 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 2020. 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 2020 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 2020, 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 2020, please refer to note 25 of the Notes to the Financial Statements on page 184.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2021, 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 2021 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 18 June 2020. 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 2021 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.

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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 2020 (excluding transactions less than $100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)		Aggregate value of all IPTs conducted in FY 2020 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
			$'000		$'000
Associates of Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**")	HLIH is a controlling shareholder of the Company. Its associates are IPs being associates of a controlling shareholder	Corporate Secretarial Services • Provision of corporate secretarial services by IP to the Group:	341	Construction-related Transaction • Sales of raw materials by the Group to IPs:	1,748

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 without fear of retaliation in any form. 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 annually to ensure that it remains current. For more details on the said policy including the procedures for raising concerns, please refer to the Company's website at www.hlasia.com.sg.

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, is a member of the Institute of Internal Auditors of Singapore and the Institute of Singapore Chartered Accountants.

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 2020 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 members attend external training programmes to keep abreast of developments. As the Head of IA is a member of the Institute of Internal Auditors of Singapore and Institute of Singapore Chartered Accountants, 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 conducted for 2020, the ARC is satisfied with the quality and effectiveness of the IA function and that the IA function has adequate resources and appropriate independent 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.

CORPORATE GOVERNANCE

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, 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.

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 attended the 2020 AGM and will endeavor to attend the 2021 AGM. All Directors, except Mr Stephen Ho who was appointed in August 2020, attended the 2020 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 remain a concern, the Company has decided, for the time being, not to implement voting in absentia by electronic means.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions to be proposed at the general meetings 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 (except for the 2020 AGM which was done by way of proxy votes) and would continue to do so in respect of all resolutions to be proposed at the 2021 AGM assuming that the Company is able to resume convening physical general meetings. With electronic poll voting assuming that the Company is able to resume convening physical general meetings, 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 2021 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.

2020 AGM and 2021 AGM
In view of the COVID-19 situation, the 2020 AGM was convened and held by electronic means on 18 June 2020 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 (the "**Order**"). Alternative Arrangements relating to attendance at the AGM 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 AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, were put in place for the 2020 AGM. The mode of the convening and conduct of the 2021 AGM are dependent on the COVID-19 situation in Singapore nearer the date of the 2021 AGM. Shareholders would be notified by the Company in advance of the 2021 AGM.

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.

Following the amendments to Rule 705(2) of the Listing Manual of SGX-ST, which took effect on 7 February 2020, the Company has ceased to release announcements of the Group's quarterly unaudited financial statements. Commencing FY 2020, 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.

For the financial year under review, the CEO and the then Corporate Controller, now the Deputy CFO, not being identified as the Company's KMP (in the absence of the CFO) provided assurance to the ARC and the Board on the integrity of the 1H unaudited financial statements. The CEO and the then Corporate Controller 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 1H in accordance with the regulatory requirements.

CORPORATE GOVERNANCE

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. The Company had published the notice of its 2020 AGM on its corporate website and also released the same via SGXNET in accordance with the Order which sets out the Alternative Arrangements in respect of, *inter alia*, general meetings of companies and also the requirement for all notices of general meeting of issuers to be published on SGXNET and, if available, the issuer's corporate website.

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. The Board Chairman and the chairmen of the respective Board Committees will also attend such meetings.

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 fifth year of its Sustainability Reporting journey, the Company periodically reviews its approach to ensure that the relevant sustainability challenges are addressed across the value chain in order to achieve meaningful engagement with various stakeholders, greater ownership in tracking our environmental footprint and even higher standards of health and safety in the workplace environment. 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 28 to 52 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.

CORPORATE GOVERNANCE

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 all Directors and employees from 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 (if the Company is required to announce 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 (if the Company is not required to announce its quarterly financial statements). 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. Between 13 March 2020 and 25 February 2021, the Company announced that an aggregate of $115.7 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 utilization 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.

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 2020.

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 98 to 216 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 2020 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
Stephen Ho Kiam Kong (appointed on 3 August 2020)
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 of the financial year, or date of appointment if later, or at the end of the financial year.

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

DIRECTORS' 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 or date of appointment	**At end of the year**
Kwek Leng Peck		
The Company		
Hong Leong Asia Ltd. *	3,826,600	7,870,700
– 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
Stephen Ho Kiam Kong		
The Company		
Hong Leong Asia Ltd. *	–	103,500
Ernest Colin Lee		
The Company		
Hong Leong Asia Ltd. *	80,000	80,000

* Ordinary shares

DIRECTORS' STATEMENT

Directors' interests (cont'd)

The directors' interests in the Company as at 31 December 2020 disclosed above remained unchanged as at 21 January 2021 except for Mr Kwek Leng Peck whose option to subscribe for 300,000 ordinary shares under the Hong Leong Asia Share Option Scheme 2000 had lapsed on 4 January 2021.

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). The HLA Share Option Scheme was extended at the annual general meeting ("AGM") of the Company held on 29 April 2010 for a further period of 10 years from 30 December 2010 to 29 December 2020. At the Company's AGM held on 18 June 2020, the shareholder approved the second extension of the duration of the HLA Share Option Scheme for another period of ten years from 30 December 2020 to 29 December 2030. 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.

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.

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)**

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.

(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
11/6/2020	$0.54	397,000	11/6/2021 to 10/6/2030

(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
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.

DIRECTORS' STATEMENT

Share options (cont'd)

By the Company (cont'd)

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

(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.

(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.

DIRECTORS' STATEMENT

Share options (cont'd)

By the Company (cont'd)

(c) **Unissued Shares under option**

There were a total of 1,017,000 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 2020	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31 December 2020	Number of option holders at 31 December 2020	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	–	–	300,000	50,000	1	3/6/2020 to 2/6/2029
11/6/2020	$0.54	–	397,000	–	–	397,000	5	11/6/2021 to 10/6/2030
Total		920,000	397,000	–	300,000	1,017,000		

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;

DIRECTORS' STATEMENT

Share options (cont'd)

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

(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.

(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 2020	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2020	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.

DIRECTORS' STATEMENT

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 three 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.

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	Stephen Ho Kiam Kong Director

17 March 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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 2020, 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 2020 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 2020

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 2020, the carrying amount of the Group's property, plant and equipment is $993.8 million.

Management has identified impairment indicators in the property, plant and equipment of certain subsidiaries within the Building Materials segment with carrying amount of $65.8 million due to the operating losses made in the recent years. Accordingly, management has estimated the recoverable amounts of these assets based on value-in-use calculations. No impairment loss was recorded as a result of the assessment. 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.

The recoverable amounts of the property, plant and equipment with impairment indicators were determined by management using value-in-use calculations. We evaluated the reasonableness of the key assumptions used in the underlying cash flow forecasts as approved by the Board of Directors, which included the discount rate, budgeted revenue and expected margins by comparing against historical performance and macroeconomic information. This included an evaluation of how management had considered the implications of the COVID-19 pandemic in their assessment of the key assumptions and inputs used in the forecasts. 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 5 Impairment assessment of intangible assets and property, plant and equipment to the financial statements.

Capitalisation of development costs

As at 31 December 2020, the carrying amount of the Group's intangible assets amounted to $264.8 million, of which $222.3 million pertained to development costs that were capitalised by the diesel engines segment. There was significant management judgement involved in determining what constitutes development activities and when a project moves from the research phase into the development phase. Management judgement is also required to ascertain the nature of expenses that qualify for capitalisation.

Our audit procedures included, amongst others, obtaining an understanding and testing controls over the initiation, evaluation and approval of the development projects. We also tested the controls over the authorisation, approval and recording of expenses and monitoring of the on-going development projects. We evaluated management's judgement relating to the determination of the research and development phases and the determination of which costs can be capitalised by conducting inquiries of the engineers in the Research and Development ("R&D") department to understand the status of the development projects. We also inspected feedback from the testers and work orders from the R&D department to support management's assertion that the development projects are still in progress. We inspected supporting documents, on a sampling basis, and compared the documentation to the Group's capitalisation criteria.

We also assessed the adequacy of the Group's disclosures concerning this in Note 38 Significant accounting judgements and estimates and Note 4 Intangible assets to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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 2020

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

17 March 2021

BALANCE SHEETS

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current assets					
Property, plant and equipment	3	993,781	951,772	261	112
Intangible assets	4	264,800	145,609	36	72
Investment in subsidiaries	6	–	–	219,876	212,367
Interests in associates	7	42,954	43,688	14,605	14,605
Interests in joint ventures	8	61,016	67,972	–	–
Investment property	9	1,185	1,265	–	–
Other investments	10	36,359	16,198	–	–
Non-current receivables	11	2,433	5,811	–	10,000
Capitalised contract costs	24	25,962	26,350	–	–
Right-of-use assets	20	114,376	127,944	10	56
Deferred tax assets	12	81,561	82,029	–	–
Long-term deposits	16	28,462	9,655	–	–
		1,652,889	1,478,293	234,788	237,212
Current assets					
Inventories	13	967,929	594,208	–	–
Development properties	14	3,438	3,422	–	–
Other investments	10	1,268	1,785	–	–
Trade and other receivables	15	1,861,607	1,718,514	289,470	269,712
Cash and short-term deposits	16	1,346,149	1,318,983	1,220	8,557
		4,180,391	3,636,912	290,690	278,269
Assets of disposal group classified as held for distribution to owners	6(e)	23,620	–	–	–
		4,204,011	3,636,912	290,690	278,269
Total assets		5,856,900	5,115,205	525,478	515,481

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

BALANCE SHEETS

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Current liabilities					
Trade and other payables	21	2,163,413	1,738,047	4,841	3,035
Contract liabilities	24	176,504	74,594	–	–
Lease liabilities	20	9,063	11,309	6	41
Provisions	23	57,499	45,168	–	–
Loans and borrowings	19	495,390	647,510	101,239	194,875
Current tax payable		12,475	13,546	69	72
Derivatives		99	47	–	–
		2,914,443	2,530,221	106,155	198,023
Liabilities directly associated with disposal group classified as held for distribution to owners	6(e)	3,121	–	–	–
		2,917,564	2,530,221	106,155	198,023
Net current assets		1,286,447	1,106,691	184,535	80,246
Non-current liabilities					
Loans and borrowings	19	327,915	113,789	200,000	100,000
Deferred tax liabilities	12	29,107	35,068	2,851	2,631
Deferred grants	22	105,338	126,823	–	–
Other non-current payables	21	38,945	34,044	–	–
Contract liabilities	24	13,676	10,391	–	–
Lease liabilities	20	6,019	11,703	8	16
Retirement benefit obligations		2	2	–	–
		521,002	331,820	202,859	102,647
Total liabilities		3,438,566	2,862,041	309,014	300,670
Net assets		2,418,334	2,253,164	216,464	214,811
Equity attributable to owners of the Company					
Share capital	17	467,890	467,890	467,890	467,890
Reserves	18	411,416	296,934	(251,426)	(253,079)
Reserve attributable to disposal group classified as held for distribution to owners	6(e)	667	–	–	–
		879,973	764,824	216,464	214,811
Non-controlling interests		1,538,361	1,488,340	–	–
Total equity		2,418,334	2,253,164	216,464	214,811
Total equity and liabilities		5,856,900	5,115,205	525,478	515,481

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 2020

	Note	Group 2020 $'000	Group 2019 $'000
Continuing operations			
Revenue	24	4,496,207	4,094,448
Cost of sales		(3,776,760)	(3,373,693)
Gross profit		719,447	720,755
Other item of income			
Other income		87,606	71,473
Other items of expense			
Selling and distribution expenses		(266,467)	(294,857)
Research and development expenses		(125,029)	(97,173)
General and administrative expenses		(165,780)	(166,546)
Finance costs	26	(37,526)	(37,352)
Other expenses		(5,429)	(1,640)
Share of results of associates and joint ventures, net of income tax		(11,752)	4,966
Profit before income tax from continuing operations	25	195,070	199,626
Income tax expense	28	(42,077)	(36,789)
Profit from continuing operations, net of tax		152,993	162,837
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	6(e)	2,214	(17,067)
Profit for the year		155,207	145,770
Attributable to:			
Owners of the Company			
– Profit from continuing operations, net of tax		45,262	45,878
– Profit/(loss) from discontinued operation, net of tax		1,483	(11,435)
		46,745	34,443
Non-controlling interests			
– Profit from continuing operations, net of tax		107,731	116,959
– Profit/(loss) from discontinued operation, net of tax		731	(5,632)
		108,462	111,327
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
– Basic	29	6.05	6.13
– Diluted	29	6.05	6.13
Earnings per share (cents per share)			
– Basic	29	6.25	4.61
– Diluted	29	6.25	4.61

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 2020

	Group	
	2020	**2019**
	$'000	$'000
Profit for the year	155,207	145,770
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	20,176	6,483
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	105,225	(58,069)
Net fair value changes of debt instruments at fair value through other comprehensive income ("FVOCI")	(550)	602
Other comprehensive income for the year, net of income tax	124,851	(50,984)
Total comprehensive income for the year	280,058	94,786
Attributable to:		
Owners of the Company	103,018	26,211
Non-controlling interests	177,040	68,575
Total comprehensive income for the year	280,058	94,786
Attributable to:		
Owners of the Company		
– Total comprehensive income from continuing operations, net of tax	101,535	37,646
– Total comprehensive income from discontinued operation, net of tax	1,483	(11,435)
	103,018	26,211

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 2020

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share option reserve $'000
At 1 January 2020		467,890	4,351	15,801	8,378	5,267
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		–	–	–	20,277	–
Net fair value changes of debt instruments at FVOCI		–	–	–	(430)	–
Other comprehensive income for the year, net of tax		–	–	–	19,847	–
Total comprehensive income for the year		–	–	–	19,847	–
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends paid to shareholders	30	–	–	–	–	–
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–
Cost of share-based compensation		–	–	–	–	47
Contribution by non-controlling interests		–	–	–	–	–
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests		–	–	–	–	–
Others						
Transfer to statutory reserve		–	–	570	–	–
Reserve attributable to disposal group classified as held for distribution to owners	6(e)	–	–	–	–	–
At 31 December 2020		467,890	4,351	16,371	28,225	5,314

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

Translation reserve $'000	Surplus/ (deficit) on changes of non-controlling interests $'000	Reserve attributable to disposal group classified as held for distribution to owners $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
(40,812)	43,035	–	260,914	764,824	1,488,340	2,253,164
–	–	–	46,745	46,745	108,462	155,207
36,426	–	–	–	36,426	68,799	105,225
–	–	–	–	20,277	(101)	20,176
–	–	–	–	(430)	(120)	(550)
36,426	–	–	–	56,273	68,578	124,851
36,426	–	–	46,745	103,018	177,040	280,058
–	–	–	(7,478)	(7,478)	–	(7,478)
–	–	–	–	–	(69,459)	(69,459)
–	–	–	–	47	–	47
–	–	–	–	–	11,149	11,149
–	19,562	–	–	19,562	(68,709)	(49,147)
–	–	–	(570)	–	–	–
(667)	–	667	–	–	–	–
(5,053)	62,597	667	299,611	879,973	1,538,361	2,418,334

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group	Note	Share capital $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share option reserve $'000
At 1 January 2019		467,890	4,351	15,425	2,192	5,243
Profit for the year		–	–	–	–	–
<u>Other comprehensive income</u>						
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						
<u>Contributions by and distributions to owners</u>						
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–
Cost of share-based compensation		–	–	–	–	24
<u>Changes in ownership interests in subsidiaries</u>						
Acquisition of non-controlling interests		–	–	–	–	–
<u>Others</u>						
Transfer to statutory reserve		–	–	376	–	–
At 31 December 2019		467,890	4,351	15,801	8,378	5,267

Translation reserve $'000	Surplus/(deficit) on changes of non-controlling interests $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
(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
–	(8,263)	–	(8,263)	(23,908)	(32,171)
–	–	(376)	–	–	–
(40,812)	43,035	260,914	764,824	1,488,340	2,253,164

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Company	**Note**	**Share capital** $'000	**Capital reserve** $'000	**Share option reserve** $'000	**Accumulated (losses)/ profits** $'000	**Total equity** $'000
At 1 January 2020		467,890	9,199	2,491	(264,769)	214,811
Total comprehensive income for the year		–	–	–	9,084	9,084
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends paid to shareholders	30	–	–	–	(7,478)	(7,478)
Cost of share-based compensation		–	–	47	–	47
At 31 December 2020		467,890	9,199	2,538	(263,163)	216,464
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

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 2020

	Note	Group 2020 $'000	Group 2019 $'000
Operating activities			
Profit before income tax from continuing operations		195,070	199,626
Profit/(loss) before income tax from discontinued operation		2,220	(17,067)
Adjustments for:			
Share of results of associates and joint ventures, net of income tax		11,752	(4,966)
Cost of share-based payments		47	24
Depreciation and amortisation		122,477	115,238
Allowance recognised for inventory obsolescence, net		3,285	8,391
Impairment losses (written back)/recognised for trade and other receivables		(3,079)	7,418
Impairment losses on property, plant and equipment and intangible assets		1,159	3,341
Impairment losses recognised for development properties		–	600
Property, plant and equipment written off	25	1,587	877
Finance costs		38,101	39,021
Dividend income from other investments	25	(86)	(253)
Interest income		(34,441)	(37,203)
Loss/(gain) on disposal of:			
– property, plant and equipment		2,695	6
– right-of-use assets		(5,344)	(1,824)
– other investments		(384)	(438)
Fair value loss/(gain) on investments	25	239	(221)
Fair value (gain)/loss on derivatives	25	(199)	1,138
Provisions for warranties and other costs, net		69,678	81,954
Operating cash flows before changes in working capital		404,777	395,662
Changes in working capital:			
Inventories and development properties		(344,257)	(53,722)
Trade and other receivables, and capitalised contract costs		(100,644)	(125,385)
Trade and other payables, and contract liabilities		425,396	306,681
Grant received from government		28,971	38,242
Provisions utilised	23	(59,585)	(74,190)
Cash flows from operations		354,658	487,288
Income taxes paid		(48,586)	(45,933)
Net cash flows generated from operating activities		306,072	441,355

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 2020

	Note	Group 2020 $'000	Group 2019 $'000
Investing activities			
Additional investment in joint ventures		–	(8,126)
Dividends received from:			
– associates and joint ventures		1,037	3,180
– other investments	25	86	253
Interest received		35,404	36,635
Net release/(placement) of deposits with banks		14,344	(29,880)
Purchase of:			
– property, plant and equipment		(137,310)	(164,152)
– intangible assets		(105,105)	(102,123)
– other investments		–	(6,811)
Net cash inflow from disposal of:			
– property, plant and equipment		10,896	548
– right-of-use assets		11,667	2,173
– other investments		270	3,208
Tax and relevant expenses in relation to a subsidiary disposed previously		–	(7,677)
Net cash flows used in investing activities		(168,711)	(272,772)
Financing activities			
Acquisition of non-controlling interests in subsidiaries		(49,147)	(32,171)
Contribution by non-controlling interests		11,149	–
Dividends paid to non-controlling interests of subsidiaries		(69,459)	(68,427)
Dividends paid to shareholders of the Company		(7,478)	–
Interest paid		(38,001)	(40,051)
Proceeds from borrowings		486,283	586,900
Repayment of borrowings		(446,362)	(587,069)
Repayment of obligations under lease liabilities		(13,454)	(15,902)
Net cash flows used in financing activities		(126,469)	(156,720)
Net increase in cash and cash equivalents		10,892	11,863
Cash and cash equivalents at the beginning of the financial year	16	1,204,236	1,224,105
Effect of exchange rate changes on balances held in foreign currencies		59,323	(31,732)
Cash and cash equivalents at the end of the financial year	16	1,274,451	1,204,236

Note:

Cash and cash equivalents totalling $1,096,226,000 (2019: $1,056,048,000) are held in countries which have foreign exchange controls.

The cash flow effect of acquisitions and disposals of subsidiaries are shown in Note 6.

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 2020

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 packaging products, air-conditioning systems (discontinued operation – See Note 6(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 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) 16: *COVID-19 Related Rent Concessions*	1 June 2020
Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	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 2020

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

2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.3 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 2.12(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.

2.4 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.

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.6 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 2.7.

The Group has not entered into any joint operation arrangement.

2.7 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.

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.

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

2.7 Associates and joint ventures (cont'd)

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.

2.8 Foreign currency

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.8 Foreign currency (cont'd)

(b) ***Consolidated financial statements (cont'd)***

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.

2.9 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 2.23. 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.

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 5 to a maximum of 50 years
Leasehold improvements	:	1 to 64 years
Plant and machinery	:	3 to 30 years
Office furniture, fittings and equipment	:	3 to 20 years
Motor and transport vehicles	:	3.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.10 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.

2.11 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.

2.12 Intangible assets

(a) ***Goodwill***

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

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

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

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

2.12 Intangible assets (cont'd)

(a) ***Goodwill (cont'd)***

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.8.

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

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

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

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

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

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

Gains or losses arising from 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.12 Intangible assets (cont'd)

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

(i) Trademarks

Trademarks acquired are assessed as either finite or indefinite. Trademark with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that trademark may be impaired. The amortisation expense 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.

(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)

2.13 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.13 Financial instruments (cont'd)

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

Subsequent measurement (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.13 Financial instruments (cont'd)

(b) ***Financial liabilities (cont'd)***

Subsequent measurement (cont'd)

(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.

2.14 Share capital and share issuance expenses

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

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.18 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.19 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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.21 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.21 Revenue from contracts with customers (cont'd)

(b) ***Sale of cement and related products (cont'd)***

– 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.

(c) ***Sale of rigid packaging products and air-conditioning systems***

Revenue from sale of rigid 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.21 Revenue from contracts with customers (cont'd)

(h) ***Interest income***

Interest income is recognised using the effective interest method.

Contract balances

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 2.13 for details.

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.

2.22 Leases

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:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.22 Leases (cont'd)

(a) ***As lessee (cont'd)***

Right-of-use assets (cont'd)

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 2.18.

Lease liabilities

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.

Short-term leases and leases of low-value assets

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.23 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.

2.24 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.

(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.

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

2.24 Taxes (cont'd)

(b) ***Deferred tax (cont'd)***

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.24 Taxes (cont'd)

(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.

2.25 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.

2.26 Non-current assets held for distribution to owners

Non-current assets and disposal groups classified as held for distribution to owners are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for distribution to owners if the Group is committed to distribute the asset or disposal group to the owners. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for distribution to owners have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.27 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.

2.28 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit 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.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 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 2020

3. Property, plant and equipment

Group	Freehold land $'000	Buildings and leasehold land $'000
Cost		
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 and 1 January 2020	58,947	488,044
Translation differences	(50)	24,861
Additions	–	3,298
Transfers	–	16,372
Disposals	–	(21,283)
Write-off	–	(2,433)
Transfer to assets classified as held-for-distribution to owners (Note 6(e))	–	–
At 31 December 2020	58,897	508,859
Accumulated depreciation and impairment losses		
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 and 1 January 2020	1,555	168,032
Translation differences	–	9,393
Charge for the year	–	21,026
Impairment losses made	–	–
Disposals	–	(5,743)
Write-off	–	(1,463)
Transfer to assets classified as held-for-distribution to owners (Note 6(e))	–	–
At 31 December 2020	1,555	191,245
Net book value		
At 31 December 2019	57,392	320,012
At 31 December 2020	57,342	317,614

* An amount of $5,634,000 (2019: $4,261,000) and Nil (2019: $1,733,000) were capitalised as intangible assets and capitalised contract costs respectively.

Leasehold improvements $'000	Plant and machinery $'000	Office furniture, fittings and equipment $'000	Motor and transport vehicles $'000	Construction-in-progress $'000	Total $'000
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
–	48,289	837	939	9,298	84,174
158	13,140	3,114	3,948	107,693	131,351
–	155,140	1,644	181	(173,337)	–
–	(53,303)	(956)	(1,328)	(886)	(77,756)
(2)	(11,561)	(2,647)	(182)	–	(16,825)
–	(7,096)	(1,495)	(63)	(116)	(8,770)
2,073	1,020,235	39,489	35,710	150,015	1,815,278
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
–	30,263	915	478	68	41,117
83	82,271	5,367	2,936	–	111,683*
–	782	–	–	–	782
–	(51,619)	(898)	(1,149)	–	(59,409)
(2)	(11,028)	(2,572)	(173)	–	(15,238)
–	(7,096)	(1,495)	(63)	(116)	(8,770)
1,860	561,104	33,981	30,451	1,301	821,497
138	358,095	6,328	3,793	206,014	951,772
213	459,131	5,508	5,259	148,714	993,781

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Company	Leasehold improvements	Office furniture, fittings and equipment	Motor and transport vehicles	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2019	659	1,118	–	1,777
Additions	2	58	–	60
At 31 December 2019 and 1 January 2020	661	1,176	–	1,837
Additions	–	14	217	231
Disposals	(594)	–	–	(594)
At 31 December 2020	67	1,190	217	1,474
Accumulated depreciation				
At 1 January 2019	594	1,090	–	1,684
Charge for the year	23	18	–	41
At 31 December 2019 and 1 January 2020	617	1,108	–	1,725
Charge for the year	19	20	18	57
Disposals	(569)	–	–	(569)
At 31 December 2020	67	1,128	18	1,213
Net book value				
At 31 December 2019	44	68	–	112
At 31 December 2020	–	62	199	261

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. Intangible assets

Group	Patents and development expenditure, technology know-how and computer software with finite useful lives $'000	Trade-marks with indefinite useful lives $'000	Trade-marks with finite useful lives $'000	Club membership $'000	Goodwill $'000	Total $'000
Cost						
At 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 and 1 January 2020	152,080	36,430	7,014	313	11,569	207,406
Additions	111,231	–	–	–	–	111,231
Write-off	(87)	–	–	–	–	(87)
Transfer to assets classified as held-for-distribution to owners (Note 6(e))	(58)	–	(7,229)	–	–	(7,287)
Translation differences	9,104	1,675	215	–	–	10,994
At 31 December 2020	272,270	38,105	–	313	11,569	322,257
Accumulated amortisation and impairment losses						
At 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 and 1 January 2020	40,602	3,639	7,014	252	10,290	61,797
Amortisation charge for the year	1,171	–	–	30	–	1,201
Write-off	(87)	–	–	–	–	(87)
Impairment losses	–	–	–	–	377	377
Transfer to assets classified as held-for-distribution to owners (Note 6(e))	(58)	–	(7,229)	–	–	(7,287)
Translation differences	1,298	(57)	215	–	–	1,456
At 31 December 2020	42,926	3,582	–	282	10,667	57,457
Net carrying amount						
At 31 December 2019	111,478	32,791	–	61	1,279	145,609
At 31 December 2020	229,344	34,523	–	31	902	264,800

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. 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 4 years (2019: 1 to 5 years). Development expenditure for the design, construction and testing of new diesel engines amounting to $222,255,000 (2019: $108,596,000) is 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 9 years (2019: 10 years).

Trademarks

Trademarks belonging to the Group's diesel engines segment and lifestyle appliances unit are estimated to have an indefinite useful life because management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group. Trademark acquired in respect of the Group's air-conditioning systems segment are estimated to have remaining useful life of 12 years (2019: 13 years), which have been fully impaired in previous 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.

Company	**Computer software and related costs**	**Club membership**	**Total**
	$'000	$'000	$'000
Cost			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,502	313	1,815
Accumulated amortisation and impairment losses			
At 1 January 2019	1,484	222	1,706
Amortisation charge for the year	7	30	37
At 31 December 2019 and 1 January 2020	1,491	252	1,743
Amortisation charge for the year	6	30	36
At 31 December 2020	1,497	282	1,779
Net carrying amount			
At 31 December 2019	11	61	72
At 31 December 2020	5	31	36

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

5. 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 were recognised as technology know-how. As at 31 December 2020, the carrying amount was $1,646,000 (2019: $1,759,000) (net of accumulated impairment losses, accumulated amortisation and exchange difference).

In late 2018, the Group had commenced the production of 4Y20 engines. Since 2019, the production volume had gradually ramped up to meet the market demand and management believed that there was no indicator for further impairment in 2019 and 2020. Management had also considered there was no significant changes to the market and economic environment that will have a favorable effect to the recoverable amount of the intangible asset and had concluded that no reversal of impairment was necessary in 2019 and 2020.

Development expenditure

During 2020, the Group capitalised technology development costs of $107,919,000 (2019: $70,811,000) (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 are not available for use. No impairment was identified in 2019 and 2020.

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's best estimation of future business outlook.

In 2020, in view of current speed of technological change, the Group shortened the projection period to 8 years (2019: 10 years). Both the 2019 and 2020 cash flow forecasts were based on the updated financial budgets approved by the senior management with no terminal value.

The assumptions used in the assessment for the development costs in 2020 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 growth rate was estimated at around 10% year-on-year from 2021 to 2023 due to enforcement of implementation of new emission standard, and expected to decrease to 5% in 2024 and 2025. Management assumed no revenue growth from 2026 to 2028 after reaching the commercial deployment of technology (2019: The revenue was estimated to grow significantly from 2020 to 2022, and the growth expected to decrease to 10% to 15% from 2023 to 2025 and subsequently remain at a constant growth rate of 0% from 2026 to 2029).

- Discount rate of 12.4% (2019: 13.3%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Diesel engines segment (cont'd)

Development expenditure (cont'd)

A decrease in demand can lead to a decline in profit from operation. If the demand decreases by 25.9% (2019: 4.5%) from management's estimate, it would result in impairment of the development costs. If the pre-tax discount rate increases by 7.7% (2019: 0.8%) 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.

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). As at 31 December 2020, the carrying amount was $34,523,000 (2019: $32,791,000) (net of accumulated impairment losses, accumulated amortisation and 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 Group has the right to use the trademark licence for unlimited period.

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 and 2020.

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 10-year period.

The assumptions used in the assessment for the trademark in 2020 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 12.4% (2019: 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 rate used to extrapolate the budget was 6.0% (2019: 5.7%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Diesel engines segment (cont'd)

Trademark (cont'd)

A decrease in demand can lead to a decline in profit from operation. If the demand decreases by 13.9% (2019: 17.6%) from management's estimate, it would result in impairment of the trademark. If the pre-tax discount rate increases by 1.2% (2019: 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 2.4% (2019: 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 $782,000 (2019: $780,000) in the income statement under the line item "Cost of sales" in respect of specific plant and equipment which are no longer in use.

Air-conditioning systems segment

Airwell Air-conditioning Technology (China) Co., Ltd. and its subsidiary, Airwell Air-conditioning (Hong Kong) Company Limited (collectively, "Airwell") had ceased business operations in 2020. Please refer to Note 6(e) for details. The trademark and plant and equipment of Airwell had been fully impaired in prior years.

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 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).

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 in the income statement under the line item "General and administrative expenses". The trademark was fully impaired in 2019.

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

Air-conditioning systems segment (cont'd)

Trademark (air-conditioning appliances) (cont'd)

The assumptions used in the assessment for the trademark in 2019 were:

– Royalty rate of 0.5% based on assessment of royalty rates of similar trademarks.

– Discount rate of 20.0% which reflects the current market assessment of the risks specific to the CGU.

– Revenue growth rate of 3% per annum perpetually.

For 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.

Property, plant and equipment

In 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 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 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.

6. Investment in subsidiaries

	Company	
	2020	2019
	$'000	$'000
Shares, at cost	232,387	232,387
Amounts due from subsidiaries	101,455	93,946
Impairment losses	(113,966)	(113,966)
	219,876	212,367

Impairment of investment in subsidiaries

During the financial year ended 31 December 2020, management performed an impairment review of its investment in subsidiaries, which have been incurring operating losses. As a result of the review, no additional impairment was recognised (2019: $8,100,000).

The Company assessed the recoverable amount of its investment in subsidiaries based on fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Investment in subsidiaries (cont'd)

Impairment of investment in subsidiaries (cont'd)

Assets pledged as security

As at 31 December 2020, the Group's investment in a subsidiary with a carrying amount of $108,179,000 (2019: $107,000,000) is pledged to secure the Group's loans and borrowings (Note 19).

(a) Composition of the Group

The Group has the following significant investment in subsidiaries:

Names of subsidiaries	Country of incorporation	Effective equity interest Group	
		2020	2019
		%	%
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	44.72	41.75

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. 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	
		2020	2019
		%	%
Held by the Group (cont'd)			
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	34.17	31.90
Guangxi Yuchai Equipment Mould Company Limited (2)	The People's Republic of China	34.17	31.90
Guangxi Yuchai Machinery Company Limited (2)	The People's Republic of China	34.17	31.90
Guangxi Yuchai Machinery Monopoly Development Co., Ltd (2)	The People's Republic of China	24.54	22.91
Guangxi Yulin Hotel Company Limited (2)	The People's Republic of China	34.17	31.90
HL Global Enterprises Limited ("HLGE") (2) (3)	Singapore	22.43	20.94
Jining Yuchai Engine Company Limited (2)	The People's Republic of China	34.17	31.90
Tasek Corporation Berhad (4)	Malaysia	98.28	88.16
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	34.17	31.90

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Ernst & Young LLP, Singapore, is the auditor of all significant Singapore-incorporated subsidiaries while other member firms of Ernst & Young Global are auditors of significant foreign incorporated subsidiaries.

(1) The directors consider CYI as a subsidiary of the Company as the Group owns 18,270,965 (2019: 17,059,154) or 44.72% (2019: 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% (2019: 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 2020.

(4) The effective equity interest was computed based on the total number of ordinary shares excluding treasury shares. In 2020, the Group acquired additional 10.12% equity interest in Tasek Corporation Berhad from its non-controlling interests. Please refer to Note 6(d) for details.

(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 2020

6. 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 2020:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	65.83%	108,920	1,489,196	42,188
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 [1]	Malaysia	11.84%	(1,765)	20,276	–

[1] Following the acquisition of additional equity interest in Tasek Corporation Berhad in 2020, the Group's equity interest had increased to 98.28% as at 31 December 2020.

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 $1,075,150,000 (2019: $987,995,000) held in the PRC are subject to local exchange control regulations. These regulations place restrictions 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 2020

6. 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 is as follows:

Summarised balance sheets

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad
	2020	**2019**	**2019**
	$'000	$'000	$'000
Current			
Assets	3,739,857	3,175,457	105,697
Liabilities	(2,650,153)	(2,155,565)	(42,023)
Net current assets	1,089,704	1,019,892	63,674
Non-current			
Assets	1,366,630	1,189,538	106,635
Liabilities	(262,868)	(186,165)	(1,526)
Net non-current assets	1,103,762	1,003,373	105,109
Net assets	2,193,466	2,023,265	168,783

Summarised income statement and statement of comprehensive income

	Guangxi Yuchai Machinery Company Limited		Tasek Corporation Berhad
	2020	**2019**	**2019**
	$'000	$'000	$'000
Revenue	4,102,795	3,549,762	198,192
Profit/(loss) before income tax	196,591	202,537	(10,426)
Income tax (expense)/credit	(31,135)	(27,902)	2,085
Profit/(loss) after tax	165,456	174,635	(8,341)
Other comprehensive income	109,962	(59,403)	(248)
Total comprehensive income	275,418	115,232	(8,589)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI (cont'd)

Other summarised information

	Guangxi Yuchai Machinery Company Limited 2020 $'000	Guangxi Yuchai Machinery Company Limited 2019 $'000	Tasek Corporation Berhad 2019 $'000
Net cash flows generated from operations	318,828	356,782	14,240
Net cash flows used in investing activities	(182,770)	(207,374)	(7,144)
Net cash flows (used in)/generated from financing activities	(100,984)	(129,624)	1,536
Acquisition of significant property, plant and equipment	(109,851)	(181,291)	(8,820)

(d) Acquisition of ownership in subsidiaries

China Yuchai International Limited ("CYI")

In 2020, the Group's subsidiary company, Well Summit Investments Limited, acquired an additional 2.97% equity interest in CYI from its non-controlling interests for a cash consideration of $25,577,000.

The difference of $26,563,000 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Investment in subsidiaries (cont'd)

(d) Acquisition of ownership in subsidiaries (cont'd)

Tasek Corporation Berhad ("Tasek")

In 2019, 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 ordinary shares ("Ordinary Shares") (excluding treasury shares) and 6% cumulative participating preference shares ("Preference Shares") of Tasek not already held by the Joint Offerors at an offer price of Malaysian Ringgit ("MYR") MYR 5.50 per share. The offer price was subsequently revised on 2 August 2019 to MYR 5.80 per share (the "Revised Offer").

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 had been recognised as "deficit on changes of non-controlling interests" within equity in 2019.

In 2020, as reported in the Company's announcement on 12 May 2020, the Joint Offerors launched a voluntary unconditional take-over offer to acquire all the remaining Ordinary Shares (excluding treasury shares) and the Preference Shares of Tasek not already held by the Joint Offerors (the "Offer") at an offer price of MYR 5.80 per share.

The Offer closed on 3 August 2020 and Tasek was subsequently delisted from the Official List of the Main Market of Bursa Malaysia Securities Berhad on 24 August 2020.

The Joint Offerors acquired an additional 10.12% equity interest in Tasek from its non-controlling interests for a cash consideration of $23,570,000 in 2020. The difference of $7,001,000 between the consideration and the carrying value of the additional interest acquired had been recognised as "deficit on changes of non-controlling interests" within equity in 2020.

As at 31 December 2020, the Group holds approximately 98.28% of the total issued and paid-up Ordinary Shares (excluding treasury shares) and 64.91% of the total issued and paid-up Preference Shares.

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:

	2020	**2019**
	$'000	$'000
Consideration paid for acquisition of non-controlling interests	(49,147)	(32,171)
Decrease in equity attributable to non-controlling interests	68,709	23,908
Increase/(decrease) in equity attributable to owners of the Company	19,562	(8,263)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Investment in subsidiaries (cont'd)

(e) Disposal group held for distribution to owners and discontinued operation

On 30 September 2020, the Company announced that its subsidiary, Airwell Air-conditioning Technology (China) Co., Ltd. ("Airwell China"), entered into a sale and purchase agreement for the sale of assets (mainly right-of-use assets and building) for a cash consideration of RMB 141,000,000. Subsequent to an update on the asset sale announced on 16 November 2020, the business operations of Airwell China and its subsidiary (collectively, "Airwell") had ceased as at 31 December 2020. Accordingly, the assets and liabilities related to Airwell have been presented in the balance sheet as "assets of disposal group classified as held for distribution to owners" and "liabilities directly associated with disposal group classified as held for distribution to owners" and its results are presented separately in the consolidated income statement as "profit/(loss) from discontinued operation, net of tax". The results of Airwell for the years ended 31 December are as follows:

	Group	
	2020	**2019**
	$'000	$'000
Revenue	10,206	9,641
Expenses	(10,497)	(22,452)
Gain on disposal of assets, net	2,905	–
Impairment loss on property, plant and equipment and intangible assets	–	(2,507)
Finance costs	(575)	(1,669)
Other income/(expenses)	181	(80)
Profit/(loss) before tax from discontinued operation	2,220	(17,067)
Income tax expense	(6)	–
Profit/(loss) after tax from discontinued operation	2,214	(17,067)
Attributable to:		
Owners of the Company	1,483	(11,435)
Non-controlling interests	731	(5,632)
	2,214	(17,067)
Earnings/(loss) per share from discontinued operation attributable to owners of the Company (cents per share)		
– Basic	0.20	(1.52)
– Diluted	0.20	(1.52)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Investment in subsidiaries (cont'd)

(e) Disposal group held for distribution to owners and discontinued operation (cont'd)

The major classes of assets and liabilities of Airwell classified as held for distribution to owners and the related translation reserve as at 31 December are as follows:

	2020 $'000
Assets	
Plant and equipment	–
Intangible assets	–
Trade and other receivables	7,454
Cash and cash equivalents	16,166
Assets of disposal group classified as held for distribution to owners	23,620
Liabilities	
Trade and other payables	2,589
Contract liabilities	337
Provisions	195
Liabilities directly associated with disposal group classified as held for distribution to owners	3,121
Net assets directly associated with disposal group	20,499
Equity	
Translation reserve	667
Reserve attributable to disposal group classified as held for distribution to owners	667

The net cash flows incurred by the disposal group are as follows:

	2020 $'000	**2019** $'000
Operating	(7,218)	(3,346)
Investing	21,393	1,328
Financing	459	(408)
Net cash inflow/(outflow)	14,634	(2,426)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7. Interests in associates

The Group and Company's material investments in associates are summarised below:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Singapore Cement Manufacturing Company (Private) Limited	21,179	21,098	14,605	14,605
Cement Industries (Sabah) Sdn. Bhd.	19,842	20,690	–	–
Other associates	1,933	1,900	–	–
	42,954	43,688	14,605	14,605

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest 2020	Effective equity interest 2019
			%	%
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	29.48	26.45

(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% (2019: 30%) as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7. 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 SFRS(I) 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	34,854	32,324	29,947	36,182		
Non-current assets	21,054	22,679	45,383	41,571		
Total assets	55,908	55,003	75,330	77,753		
Current liabilities	(9,400)	(8,571)	(6,677)	(5,721)		
Non-current liabilities	(4,150)	(4,237)	(2,513)	(3,067)		
Total liabilities	(13,550)	(12,808)	(9,190)	(8,788)		
Net assets	42,358	42,195	66,140	68,965		
Proportion of the Group's ownership	50%	50%	30%	30%		
Carrying amount of significant associates	21,179	21,098	19,842	20,690	41,021	41,788
Carrying amount of other associates					1,933	1,900
Carrying amount of the investment in associates					42,954	43,688

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7. 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	50,863	82,065	97,489	118,061		
Profit after tax	263	2,190	604	1,275		
Group's share of results of significant associates	132	1,095	181	383	313	1,478
Group's share of results of other associates					18	(111)
Group's share of results of associates for the year					331	1,367
Other comprehensive income of significant associates	–	–	–	–	–	–
Other comprehensive income of other associates					–	–
Group's share of results for the year representing the Group's share of total comprehensive income for the year					331	1,367

8. Interests in joint ventures

	Group	
	2020	**2019**
	$'000	$'000
Y&C Engine Co., Ltd.	29,601	34,001
MTU Yuchai Power Company Limited	12,648	11,573
Eberspaecher Yuchai Exhaust Technology Co. Ltd	2,569	6,140
Other joint ventures	16,198	16,258
	61,016	67,972

8. Interests in joint ventures (cont'd)

Particulars of the significant joint venture entities are as follows:

Names of significant joint venture entity	Country of incorporation	Principal activities	Effective equity interest 2020 %	2019 %
Joint venture entity of China Yuchai International Limited ("CYI")				
MTU Yuchai Power Company Limited ("MTU Yuchai") [1][2]	The People's Republic of China	Manufacturing of off-road diesel engines	17.09	15.95
Y&C Engine Co., Ltd. [1][3]	The People's Republic of China	Manufacturing and sale of heavy duty diesel engines, spare parts and after-sales services	15.38	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	16.74	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% (2019: 50%) as at 31 December 2020.

(3) Proportion of ownership interest held by the Group in Y&C Engine Co., Ltd. is 45% (2019: 45%) as at 31 December 2020.

(4) Proportion of ownership interest held by the Group in Eberspaecher Yuchai is 49% (2019: 49%) as at 31 December 2020. Eberspaecher Yuchai was incorporated on 5 December 2018. In 2019, the Group injected RMB 41.1 million (approximately $7.9 million) into Eberspaecher Yuchai as payment of its investment.

As at 31 December 2020, the Group's share of joint ventures' capital commitment that are contracted but not paid for was $435,000 (2019: $15,636,000).

As at 31 December 2020, the Group's share of outstanding bill receivables discounted with banks for which a joint venture retained a recourse obligation were $8,142,000 (2019: $8,681,000).

As at 31 December 2020, the Group's share of outstanding bill receivables endorsed to suppliers for which a joint venture retained a recourse obligation were $11,870,000 (2019: $2,207,000).

Significant restrictions

As at 31 December 2020, 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 $6,187,000 (2019: $8,656,000) 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 $13,250,000 (2019: $11,740,000) was used as collateral by the banks for the issuance of bills to suppliers. The Group's share of bill receivables of $5,805,000 (2019: $9,810,000) was used as collateral by the banks for the issuance of bills to suppliers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

8. 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 SFRS(I) 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**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and short-term deposits	32,700	31,850	8,753	1,789	462	10,537		
Other current assets	261,837	204,841	54,103	42,768	8,924	1,539		
Total current assets	294,537	236,691	62,856	44,557	9,386	12,076		
Non-current assets	150,528	149,468	14,563	15,132	9,267	4,635		
Total assets	445,065	386,159	77,419	59,689	18,653	16,711		
Other current liabilities	(272,565)	(269,590)	(49,801)	(34,696)	(13,410)	(4,181)		
Non-current liabilities	(84,930)	(16,250)	–	–	–	–		
Total liabilities	(357,495)	(285,840)	(49,801)	(34,696)	(13,410)	(4,181)		
Net assets	87,570	100,319	27,618	24,993	5,243	12,530		
Proportion of the Group's ownership	45%	45%	50%	50%	49%	49%		
Group's share of net assets	39,407	45,144	13,809	12,497	2,569	6,140		
Unrealised profit on transactions with joint venture	(9,806)	(11,143)	(1,161)	(924)	–	–		
Carrying amount of significant joint ventures	29,601	34,001	12,648	11,573	2,569	6,140	44,818	51,714
Carrying amount of other joint ventures							16,198	16,258
Carrying amount of the investment in joint ventures							61,016	67,972

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

8. 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	603,091	474,658	61,409	35,299	9,174	693		
Depreciation and amortisation	(11,856)	(5,153)	(469)	(1,259)	(72)	(5)		
Interest income	461	336	112	23	19	11		
Interest expense	(8,586)	(5,845)	(508)	(990)	–	–		
(Loss)/profit after tax	(17,719)	8,782	1,281	118	(7,802)	(3,774)		
Group's share of results	(7,974)	3,952	641	59	(3,823)	(1,849)		
Unrealised (profit)/loss on transactions with joint venture	(811)	1,671	5	58	–	–		
Group's share of results of significant joint ventures	(8,785)	5,623	646	117	(3,823)	(1,849)	(11,962)	3,891
Group's share of results of other joint ventures							(121)	(292)
Group's share of results of joint ventures for the year							(12,083)	3,599
Other comprehensive income of significant joint ventures	–	–	–	–	–	–	–	–
Other comprehensive income of other joint ventures							–	(161)
Group's share of results for the year representing the Group's share of total comprehensive income for the year							(12,083)	3,438

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9. Investment property

	Group	
	2020	**2019**
	$'000	$'000
Cost		
At 1 January and 31 December	6,747	6,747
Accumulated depreciation		
At 1 January	5,482	5,403
Charge for the year	75	75
Translation differences	5	4
At 31 December	5,562	5,482
Net carrying amount	1,185	1,265
Fair value	2,435	2,204
Income statement:		
Rental income	46	74
Direct operating expenses (including repairs, maintenance and depreciation expense) arising from the rental generating property	(111)	(133)

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 have 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
2020	Market comparison and cost method	Comparable price: $35 to $85 per square foot	The estimated fair value increases with higher comparable price
2019	Market comparison and cost method	Comparable price: $32 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 2020

10. Other investments

Financial instruments as at 31 December

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Non-current				
At fair value through other comprehensive income				
Quoted equity securities				
– related corporations (quoted in Singapore)	1,478	1,851	–	–
– other companies (quoted in Singapore, Malaysia and United States of America)	34,881	14,347	–	–
	36,359	16,198	–	–
Current				
At fair value through profit or loss				
Quoted equity securities				
– other company (quoted in Singapore)	1,268	1,785	–	–

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.

11. Non-current receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Amounts due from subsidiaries	–	–	298,773	308,773
Lease receivables	34	70	–	–
Retention sums	2,399	5,660	–	–
Others	–	81	–	–
Less: Allowance for expected credit losses	–	–	(298,773)	(298,773)
	2,433	5,811	–	10,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. 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			
	2020		2019	
	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 15)	42	39	421	396
After 1 year but within 5 years	36	34	75	70
Total gross lease receivables	78	73	496	466
Less: Amounts representing unearned finance income	(5)	–	(30)	–
Present value of minimum lease payments receivables	73	73	466	466

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

As at 31 December 2020, the amounts due from subsidiaries are non-trade in nature, unsecured and non-interest bearing. As at 31 December 2019, the amounts due from subsidiaries were non-trade in nature, unsecured and non-interest bearing except for an amount of $10,000,000 which bore interest at weighted average rate of 3.4% per annum and due in 2021. The settlement of the other amounts is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. Deferred tax

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1 January 2020 $'000	Recognised in income statement $'000	Withholding taxes paid on remittance of dividends $'000	Translation differences $'000	At 31 December 2020 $'000
Deferred tax liabilities					
Property, plant and equipment	(11,001)	(17,441)	–	(791)	(29,233)
Unremitted income	(3,423)	(220)	–	4	(3,639)
Withholding tax on dividend income	(20,644)	(7,237)	6,131	(1,111)	(22,861)
	(35,068)	(24,898)	6,131	(1,898)	(55,733)
Deferred tax assets					
Property, plant and equipment	790	6,677	–	164	7,631
Inventories	3,615	878	–	207	4,700
Intangible assets	1,819	(955)	–	79	943
Trade and other receivables	2,014	(403)	–	95	1,706
Provisions	48,318	15,016	–	2,825	66,159
Deferred grants	14,933	(2,483)	–	597	13,047
Other items	10,540	2,717	–	744	14,001
	82,029	21,447	–	4,711	108,187
Total	46,961	(3,451)	6,131	2,813	52,454

Group	At 1 January 2019 $'000	Recognised in income statement $'000	Withholding taxes paid on remittance of dividends $'000	Translation differences $'000	At 31 December 2019 $'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)
	(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
	72,934	11,342	–	(2,247)	82,029
Total	38,193	4,109	6,065	(1,406)	46,961

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. Deferred tax (cont'd)

The following table represents the classification of the Group's net deferred tax assets in the balance sheet:

	Group	
	2020	**2019**
	$'000	$'000
Deferred tax assets	81,561	82,029
Deferred tax liabilities	(29,107)	(35,068)
	52,454	46,961

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company	
	2020	**2019**
	$'000	$'000
Deferred tax liabilities		
Property, plant and equipment	–	(18)
Unremitted income	(2,865)	(2,623)
	(2,865)	(2,641)
Deferred tax assets		
Provisions	14	10

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	
	2020	**2019**
	$'000	$'000
Deferred tax assets	14	10
Deferred tax liabilities	(2,865)	(2,641)
	(2,851)	(2,631)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. Deferred tax (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020	**2019**
	$'000	$'000
Unutilised tax losses	141,100	136,039
Unutilised capital allowances and investment allowances	33,927	33,199
Other unrecognised temporary differences relating to provisions and deferred grants	41,559	41,573
	216,586	210,811

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 (2019: $10,691,000) 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.

13. Inventories

	Group	
	2020	**2019**
	$'000	$'000
Raw materials and consumables	432,354	324,844
Manufacturing work-in-progress	18,231	12,128
Finished goods	517,344	257,236
Total inventories at the lower of cost and net realisable value	967,929	594,208

	2020	**2019**
	$'000	$'000
Inventories recognised as an expense in cost of sales (Note 25)	3,237,427	2,820,749
Inclusive of the following charge/(credit):		
– Inventory obsolescence	16,669	6,619
– Reversal of inventory obsolescence	(10,975)	(3,167)

The reversal of inventory obsolescence was made when the related inventories were sold above their carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. Development properties

	Group 2020 $'000	Group 2019 $'000
Freehold land	2,922	2,922
Development costs	11,077	11,061
Allowance for anticipated losses	(10,561)	(10,561)
	3,438	3,422

Movements in the carrying amounts of development properties are as follows:

	Group 2020 $'000	Group 2019 $'000
At 1 January	3,422	4,025
Translation adjustments	1	(17)
Provision for impairment	–	(600)
Capitalisation of costs during the year	15	14
At 31 December	3,438	3,422

No borrowing cost has been capitalised in 2020 and 2019.

The change in allowance for anticipated losses in respect of development properties during the year is as follows:

	Group 2020 $'000	Group 2019 $'000
At 1 January	10,561	9,992
Translation adjustments	–	(31)
Provision recognised during the year	–	600
At 31 December	10,561	10,561

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Trade and other receivables

	Group 2020 $'000	Group 2019 $'000
Trade receivables	181,928	273,191
Bill receivables	1,584,523	1,352,875
Less: Allowance for expected credit losses	(4,812)	(8,686)
Net trade receivables	1,761,639	1,617,380
Amounts receivable from:		
– ultimate holding company (non-trade)	16	33
– immediate holding company (non-trade)	1	1
– associates and joint ventures (trade)	257	118
– associates and joint ventures (non-trade)	10,056	2,259
– other related corporations (trade)	2,297	14,927
– other related corporations (non-trade)	452	249
Advances paid to suppliers	11,577	10,341
Prepaid expenses	4,006	5,125
Refundable deposits	3,027	3,106
Tax recoverable	49,454	46,425
Lease receivables (Note 11)	39	396
Other receivables	324,477	313,824
Less: Allowance for expected credit losses	(305,691)	(295,670)
Net other receivables	99,968	101,134
Total trade and other receivables	1,861,607	1,718,514

	Company 2020 $'000	Company 2019 $'000
Amounts receivable from:		
– ultimate holding company (non-trade)	15	33
– immediate holding company (non-trade)	41	46
– subsidiaries (non-trade)	292,103	272,378
– other related corporations (non-trade)	5	6
Prepaid expenses	29	26
Refundable deposits	5	9
Other receivables	12,369	12,331
Less: Allowance for expected credit losses	(15,097)	(15,117)
Total trade and other receivables	289,470	269,712

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. 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 2020, other receivables included an amount of approximately $229,664,000 (2019: $219,414,000) due from former subsidiaries. The balance had been fully provided for in prior years, pending the outcome of the liquidation process in China.

The maximum exposure to credit risk for trade and bill receivables at the reporting date is as follows:

	Group	
	2020	**2019**
	$'000	$'000
Diesel engines	1,643,151	1,495,037
Building materials	113,632	116,466
Rigid packaging	4,856	5,877
	1,761,639	1,617,380

Company

The non-trade balances due from subsidiaries include loans and advances of $171,496,000 (2019: $142,886,000) which bear interest at rates ranging from 0.84% to 2.99% (2019: 2.41% to 3.64%) per annum. The weighted average effective interest rate at the balance sheet date in respect of the interest-bearing balances is 1.67% (2019: 2.60%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Trade and other receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Group	
	Weighted average loss rate	**Gross carrying amount at default**	**Expected credit loss**
	%	$'000	$'000
2020			
Current	–	92,607	–
Past due 0 to 30 days	0.1	35,461	9
Past due 31 to 120 days	0.1	33,466	3
Past due 121 days to one year	11.3	14,661	1,651
Past due more than one year	54.9	5,733	3,149
Total	2.6	181,928	4,812
2019			
Current	0.1	190,476	101
Past due 0 to 30 days	0.2	34,631	79
Past due 31 to 120 days	0.2	27,464	54
Past due 121 days to one year	19.0	10,517	1,993
Past due more than one year	63.9	10,103	6,459
Total	3.2	273,191	8,686

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	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
At 1 January	304,356	302,536	313,890	313,903
Allowances (written back)/made	(3,079)	7,418	–	–
Amounts written off	(64)	(170)	–	–
Transfer to assets classified as held-for-distribution to owners	(811)	–	–	–
Translation differences	10,101	(5,428)	(20)	(13)
At 31 December	310,503	304,356	313,870	313,890

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 $23,746,000 (2019: $13,515,000) for certain trade receivables. These guarantees included cash collateral held from certain customers of $16,711,000 (2019: $7,982,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

As at 31 December 2020, outstanding bill receivables discounted with banks for which the Group retained a recourse obligation were $452,355,000 (2019: $438,021,000). All bill receivables discounted have contractual maturities of less than 12 months at the time of discounting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Trade and other receivables (cont'd)

As at 31 December 2020, outstanding bill receivables endorsed to suppliers with recourse obligation were $372,958,000 (2019: $216,403,000).

Receivables subject to offsetting arrangements

The Company had certain counterparties with receivables and payables that are offset as follows:

	Gross carrying amounts $'000	Gross amounts offset in the balance sheet $'000	Net amounts in the balance sheet $'000
Company			
31 December 2020			
Current			
Amounts due from subsidiaries	1,329	(207)	1,122
Amounts due to subsidiaries	(207)	207	–
31 December 2019			
Current			
Amounts due from subsidiaries	7,694	(200)	7,494
Amounts due to subsidiaries	(200)	200	–

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 $'000	Related amounts not set off in the balance sheet $'000	Net amounts $'000
Group			
31 December 2020			
Trade and other receivables	20,000	(5,052)	14,948
Trade and other payables	(20,353)	5,052	(15,301)
31 December 2019			
Trade and other receivables	13,904	(4,485)	9,419
Trade and other payables	(20,404)	4,485	(15,919)

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For the financial year ended 31 December 2020

16. Cash, short-term deposits and long-term deposits

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Short-term fixed deposits	199,874	245,780	145	4,989
Cash at banks and in hand	1,146,275	1,073,203	1,075	3,568
	1,346,149	1,318,983	1,220	8,557
Long-term deposits	28,462	9,655	–	–
	1,374,611	1,328,638	1,220	8,557

	Group	
	2020	**2019**
	$'000	$'000
Long-term deposits	(28,462)	(9,655)
Short-term deposits*	(52,604)	(68,849)
Restricted deposits	(35,260)	(45,898)
Cash at bank attributable to discontinued operation	16,166	–
Cash and cash equivalents in the cash flow statement	1,274,451	1,204,236

* 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.

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 12 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	
	2020	**2019**	**2020**	**2019**
	%	%	%	%
Fixed deposits	2.60	2.52	1.11	1.77

Interest rates will be repriced within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

17. Share capital

	Group and Company			
	2020		2019	
	No. of shares	Amount	No. of shares	Amount
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	747,817	467,890	747,817	467,890

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.

18. Reserves

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Capital reserve	4,351	4,351	9,199	9,199
Statutory reserve	16,371	15,801	–	–
Fair value reserve	28,225	8,378	–	–
Share option reserve	5,314	5,267	2,538	2,491
Translation reserve	(5,053)	(40,812)	–	–
Surplus on changes of non-controlling interests	62,597	43,035	–	–
Accumulated profits/(losses)	299,611	260,914	(263,163)	(264,769)
	411,416	296,934	(251,426)	(253,079)

(a) Capital reserve comprises:

	Group		Company	
	2020	2019	2020	2019
	$'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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. Reserves (cont'd)

(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% (2019: 10%) of profit after tax of subsidiaries arrived at under generally accepted accounting principles applicable in the PRC. The transfer to the statutory reserve is mandatory until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to the approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The statutory reserve is not available for dividend distribution to shareholders.

(c) The 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.

19. Loans and borrowings

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Current liabilities				
Unsecured bank loans	484,921	647,510	101,239	194,875
Secured bank loans	10,469	–	–	–
	495,390	647,510	101,239	194,875
Non-current liabilities				
Unsecured bank loans	301,650	100,000	200,000	100,000
Secured bank loans	26,265	13,789	–	–
	327,915	113,789	200,000	100,000
Total loans and borrowings	823,305	761,299	301,239	294,875

The secured bank loans are secured on assets with the following carrying values:

	Group	
	2020	**2019**
	$'000	$'000
Investment in a subsidiary (Note 6)	108,179	107,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. Loans and borrowings (cont'd)

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 2020 and 2019.

Terms and conditions of outstanding loans and borrowings are as follows:

	31 December 2020		
Group	**Weighted average interest rate**	**Year of maturity**	**Carrying amount**
	%		$'000
Secured bank loans:			
– MYR floating rate loans	3.3	2021	10,469
– MYR floating rate loans	3.3	2022	10,469
– MYR floating rate loans	3.3	2023	10,469
– MYR floating rate loans	3.3	2024	5,327
			36,734
Unsecured bank loans:			
– USD floating rate loans	0.9	2021	5,654
– SGD floating rate loans	1.6	2021	119,485
– SGD floating rate loans	1.0	2022	60,000
– SGD floating rate loans	1.0	2023	140,000
– RMB fixed rate loans	3.8	2021	351,796
– RMB fixed rate loans	3.3	2022	101,650
– USD fixed rate loans	0.8	2021	2,753
– MYR fixed rate loans	2.4	2021	5,233
			786,571
			823,305
Company			
Unsecured bank loans:			
– USD floating rate loans	0.9	2021	5,654
– SGD floating rate loans	1.8	2021	95,585
– SGD floating rate loans	1.0	2022	60,000
– SGD floating rate loans	1.0	2023	140,000
			301,239

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. Loans and borrowings (cont'd)

Group	31 December 2019 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	2.6	2020	8,158
– SGD floating rate loans	2.8	2020	220,288
– 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:			
– USD floating rate loans	2.6	2020	6,037
– SGD floating rate loans	2.8	2020	188,838
– 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 2020

19. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2019	Cash flows	Non-cash changes				2020
			Foreign exchange movement	New leases	Remeasurement	Other	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans							
– current	647,510	(222,857)	20,268	–	–	50,469	495,390
– non-current	113,789	262,778	1,817	–	–	(50,469)	327,915
Lease liabilities							
– current	11,309	(13,454)	414	2,887	(141)	8,048	9,063
– non-current	11,703	–	125	2,239	–	(8,048)	6,019
	784,311	26,467	22,624	5,126	(141)	–	838,387

	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

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under lease liabilities (Note 20) due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. 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:

			Cash flows		
Group	**Carrying amount** $'000	**Contractual cash flows** $'000	**Within 1 year** $'000	**1 to 5 years** $'000	**More than 5 years** $'000
31 December 2020					
Floating interest rate loans	361,873	371,850	140,762	231,088	–
Fixed interest rate loans	461,432	471,223	364,638	106,585	–
Trade and other payables	2,163,413	2,163,413	2,163,413	–	–
Non-current payables	38,945	38,945	–	38,945	–
Lease liabilities	15,082	17,998	9,950	7,982	66
	3,040,745	3,063,429	2,678,763	384,600	66
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

			Cash flows		
Company	**Carrying amount** $'000	**Contractual cash flows** $'000	**Within 1 year** $'000	**1 to 5 years** $'000	**More than 5 years** $'000
31 December 2020					
Floating interest rate loans	301,239	308,166	104,926	203,240	–
Trade and other payables	4,841	4,841	4,841	–	–
Lease liabilities	14	15	7	8	–
	306,094	313,022	109,774	203,248	–
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	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. 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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leasehold land and land use rights	**Building and office space**	**Plant and machinery**	**Office furniture, fittings and equipment**	**Total**
	$'000	$'000	$'000	$'000	$'000
Group					
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 and 1 January 2020	110,513	17,263	141	27	127,944
Additions	2,695	2,727	–	–	5,422
Disposal	(8,000)	(129)	–	–	(8,129)
Depreciation expense	(9,210)	(5,968)	–	(9)	(15,187)
Transfer	140	–	(140)	–	–
Translation differences	3,815	512	(1)	–	4,326
At 31 December 2020	99,953	14,405	–	18	114,376

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. Leases (cont'd)

As a lessee (cont'd)

	Building and office space $'000	Office furniture, fittings and equipment $'000	Total $'000
Company			
At 1 January 2019	75	26	101
Depreciation expense	(39)	(6)	(45)
At 31 December 2019 and 1 January 2020	36	20	56
Depreciation expense	(36)	(10)	(46)
At 31 December 2020	–	10	10

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group $'000	Company $'000
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 and 1 January 2020	23,012	57
Additions	5,126	–
Accretion of interest	790	1
Payments	(14,244)	(44)
Remeasurement	(141)	–
Translation differences	539	–
At 31 December 2020	15,082	14
Current	9,063	6
Non-current	6,019	8
At 31 December 2020	15,082	14
Current	11,309	41
Non-current	11,703	16
At 31 December 2019	23,012	57

The lease liabilities included an amount of $73,000 (2019: $472,000) which is secured by a charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. Leases (cont'd)

As a lessee (cont'd)

	Interest rate %	2020 Year of maturity	Carrying amount $'000
Group			
Lease liabilities	1.3 – 6.4	2021 – 2026	15,082
Company			
Lease liabilities	3.0	2023	14

	Interest rate %	2019 Year of maturity	Carrying amount $'000
Group			
Lease liabilities	1.3 – 6.4	2020 – 2025	23,012
Company			
Lease liabilities	3.0	2020 – 2023	57

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. Leases (cont'd)

As a lessee (cont'd)

The following are the amounts recognised in the income statement:

	Group	
	2020	**2019**
	$'000	$'000
Depreciation expense of right-of-use assets	15,187	14,019
Interest expenses on lease liabilities	790	1,056
Expenses relating to short-term leases	2,856	2,830
Expenses relating to leases of low-value assets	2	2
Total amount recognised in profit or loss	18,835	17,907

The Group had total cash outflows for leases of $17,102,000 (2019: $19,790,000) in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $5,126,000 (2019: $5,993,000) in 2020.

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 is as follows:

	Group	
	2020	**2019**
	$'000	$'000
Within 1 year	1,738	1,037
After 1 year but within 5 years	4,884	2,450
After 5 years	3,747	1,261
	10,369	4,748

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

21. Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Trade payables	1,407,789	1,140,523	–	–
Accrued expenses	344,374	307,461	3,158	2,587
Other payables	31,632	26,788	58	8
Refund liabilities	209,717	146,303	–	–
Deferred grants (Note 22)	4,866	3,853	73	–
Amounts due to:				
– immediate holding company (non-trade)	150	190	91	135
– subsidiaries (trade)	–	–	1,461	292
– associates and joint ventures (trade)	115,882	69,378	–	–
– associates and joint ventures (non-trade)	102	16	–	–
– other related corporations (trade)	48,544	42,755	–	–
– other related corporations (non-trade)	357	780	–	13
Total trade and other payables (current)	2,163,413	1,738,047	4,841	3,035

	Group	
	2020	**2019**
	$'000	$'000
Other payables (non-current)		
Provision for bonus	38,945	34,044

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

22. Deferred grants

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At 1 January	130,676	120,671	–	–
Received and receivable during the year	10,889	36,937	391	–
Grant disbursed to partner of joint project	(9,705)	–	–	–
Released to consolidated income statement	(28,054)	(23,291)	(318)	–
Translation differences	6,398	(3,641)	–	–
At 31 December	110,204	130,676	73	–
Current (Note 21)	4,866	3,853	73	–
Non-current	105,338	126,823	–	–
	110,204	130,676	73	–

The government grants received were mainly to support and fund production facilities and research and development activities for new engines.

23. Provisions

Group	Claims and restoration costs	Warranties	Onerous contracts	Total
	$'000	$'000	$'000	$'000
At 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 and 1 January 2020	1,868	42,155	1,145	45,168
Provision made	542	67,100	2,747	70,389
Provision utilised	(93)	(59,492)	–	(59,585)
Provision reversed	(114)	–	(597)	(711)
Transferred to liabilities directly associated with disposal group classified as held for distribution to owner (Note 6(e))	–	(195)	–	(195)
Translation differences	(2)	2,369	66	2,433
At 31 December 2020	2,201	51,937	3,361	57,499

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:

			2020		
Segments	**Diesel engines** $'000	**Building materials** $'000	**Rigid packaging** $'000	**Others** $'000	**Consolidated total** $'000
Major product or service lines					
Sale of heavy-duty engines	1,342,204	–	–	–	1,342,204
Sale of medium-duty engines	1,322,510	–	–	–	1,322,510
Sale of light-duty engines	470,232	–	–	–	470,232
Sale of precast concrete products	–	44,361	–	–	44,361
Sale of ready-mix concrete	–	150,029	–	–	150,029
Sale of cement	–	158,623	–	–	158,623
Sale of other goods	–	9,975	–	–	9,975
Sale of rigid packaging products	–	–	25,732	–	25,732
Hospitality operations	7,909	–	–	4,692	12,601
Others [1]	959,940	–	–	–	959,940
	4,102,795	362,988	25,732	4,692	4,496,207

(1) Included sales of power generator sets, engine components, service-type maintenance services and others.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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):

			2020		
Segments	**Diesel engines**	**Building materials**	**Rigid packaging**	**Others**	**Consolidated total**
	$'000	$'000	$'000	$'000	$'000
Geographical markets					
The PRC	4,092,143	–	24,378	–	4,116,521
Singapore	–	204,034	1,354	–	205,388
Malaysia	–	158,954	–	4,692	163,646
Others	10,652	–	–	–	10,652
	4,102,795	362,988	25,732	4,692	4,496,207
Timing of revenue recognition					
Goods and services transferred at a point in time	4,094,886	362,988	25,732	–	4,483,606
Goods and services transferred over time	7,909	–	–	4,692	12,601
	4,102,795	362,988	25,732	4,692	4,496,207

			2019		
Segments	**Diesel engines**	**Building materials**	**Rigid packaging**	**Others**	**Consolidated total**
	$'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 packaging products	–	–	31,835	–	31,835
Hospitality operations	8,826	–	–	7,064	15,890
Others [(1)]	722,850	–	–	–	722,850
	3,549,762	505,787	31,835	7,064	4,094,448

[(1)] Included sales of power generator sets, engine components, service-type maintenance services and others.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 packaging**	**Others**	**Consolidated total**
	$'000	$'000	$'000	$'000	$'000
Geographical markets					
The PRC	3,536,596	–	30,517	–	3,567,113
Singapore	9	307,091	1,276	–	308,376
Malaysia	127	198,696	–	7,064	205,887
Others	13,030	–	42	–	13,072
	3,549,762	505,787	31,835	7,064	4,094,448
Timing of revenue recognition					
Goods and services transferred at a point in time	3,540,936	505,787	31,835	–	4,078,558
Goods and services transferred over time	8,826	–	–	7,064	15,890
	3,549,762	505,787	31,835	7,064	4,094,448

Contract balances

	Group	
	2020	**2019**
	$'000	$'000
Trade receivables (Note 15)	177,116	264,505
Capitalised contract costs	25,962	26,350
Contract liabilities	190,180	84,985

The Group has recognised impairment losses written back on receivables arising from contracts with customers amounting to $3,373,000 (2019: impairment losses of $5,698,000).

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

24. Revenue (cont'd)

Contract balances (cont'd)

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 are subsequently recognised in income statement when the Group performs the contract.

	Group	
	2020	**2019**
	$'000	$'000
Capitalised contract costs relating to service fee charges on development of technology know-how		
At 1 January	26,350	8,825
Addition	4,819	18,469
Reclassification to intangible assets	(4,295)	–
Released to consolidated income statement	(2,271)	–
Utilisation	–	(301)
Translation differences	1,359	(643)
At 31 December	25,962	26,350

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 are expected to be satisfied within 1 to 3 years.

	Group	
	2020	**2019**
	$'000	$'000
Contract liabilities		
Unfulfilled maintenance services	36,538	34,978
Advance from customer	153,642	50,007
At 31 December	190,180	84,985
Current	176,504	74,594
Non-current	13,676	10,391
At 31 December	190,180	84,985

Set out below are the amounts of revenue recognised from:

	Group	
	2020	**2019**
	$'000	$'000
Amounts included in contract liabilities at the beginning of the year	72,538	14,278

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

24. Revenue (cont'd)

Performance obligations

The transaction price allocated to the remaining performance obligation as at the end of the year are as follows:

	Group 2020 $'000	Group 2019 $'000
Within 1 year	22,862	24,587
More than 1 year	13,676	10,391

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.

25. Profit before income tax from continuing operations

Profit before income tax from continuing operations includes the following:

	Note	Group 2020 $'000	Group 2019 $'000
Impairment losses (written back)/recognised for trade and other receivables		(2,468)	6,360
Inventories recognised as an expense in cost of sales	13	3,237,427	2,820,749
Amortisation of intangible assets		1,201	886
Depreciation of property, plant and equipment		105,748	99,508
Depreciation of investment property		75	75
Depreciation of right-of-use assets		15,021	13,846
Property, plant and equipment written off		1,587	877
Audit fees paid/payable:			
– auditors of the Company		1,069	1,208
– other auditors		1,324	1,425
Non-audit fees paid/payable to:			
– auditors of the Company		110	91
– other auditors		232	231
Exchange loss/(gain), net		1,206	(1,058)
Fair value loss/(gain) on investments		239	(221)
Fair value (gain)/loss on derivatives		(199)	1,138
Loss on disposal of property, plant and equipment		770	6
Gain on disposal of right-of-use assets		(514)	(1,824)
Gain on disposal of other investments		(384)	(438)
Provisions made, net		69,569	81,827
Allowance recognised for inventory obsolescence, net		5,694	3,452
Impairment losses on property, plant and equipment		782	780
Impairment losses on intangible assets		377	54
Impairment losses recognised for development properties		–	600
Dividend income from other investments		(86)	(253)
Interest income:			
– cash and short-term deposits		(34,357)	(37,148)
– other related corporations		(47)	(36)
Sale of scrap		(566)	(1,077)
Government grant[1]		(46,145)	(24,198)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25. Profit before income tax from continuing operations (cont'd)

(1) Government grants were mainly to support and fund production facilities and research and development activities for new engines. In 2020, the Group also recognised Coronavirus Disease 2019 ("COVID-19") related government assistance for its operations in Singapore, China and Malaysia. The grants had been included in the "Other income" line item or deducted against related expenses in the income statement.

26. Finance costs

	Group	
	2020	**2019**
	$'000	$'000
Bank term loans	25,741	25,659
Lease liabilities	790	1,056
Bills and other discounting	9,926	9,321
Bank charges	919	1,138
Facilities fees	150	178
	37,526	37,352

27. Employee benefits

	Group	
	2020	**2019**
	$'000	$'000
Wages and salaries	329,306	293,333
Cost of share-based payments	47	24
Contributions to defined contribution plans	58,477	63,653
	387,830	357,010

28. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	**2019**
	$'000	$'000
Consolidated income statement:		
Current tax charge		
– Current year	38,986	41,598
– Over provision in respect of prior years	(360)	(700)
	38,626	40,898

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28. Income tax expense (cont'd)

Major components of income tax expense (cont'd)

	Group	
	2020	**2019**
	$'000	$'000
Deferred tax expense		
– Movements in temporary differences	(3,952)	(11,016)
– Under provision in respect of prior years	166	842
	(3,786)	(10,174)
Withholding tax expense	7,237	6,065
Income tax expense recognised in profit or loss	42,077	36,789

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 2020 and 2019 are as follows:

	Group	
	2020	**2019**
	$'000	$'000
Profit before income tax from continuing operations	195,070	199,626
Income tax using the PRC tax rate of 25% (2019: 25%)	48,768	49,907
Adjustments:		
Effect of different tax rates in other countries	1,593	(758)
Effect of tax concessions	(15,642)	(15,201)
Non-deductible expenses	6,308	9,403
Tax-exempt income	(3,078)	(4,021)
Utilisation of deferred tax benefits previously not recognised	(254)	(3,949)
Deferred tax benefits not recognised	1,896	2,373
Tax credits for research and development expense	(5,353)	(6,291)
(Over)/under provision in respect of prior years:		
– current	(360)	(700)
– deferred	166	842
Withholding tax expense	7,237	6,065
Others	796	(881)
	42,077	36,789

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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% (2019: 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 2020, the amount of deferred tax liability recognised in respect of withholding tax payable was $22,861,000 (2019: $20,644,000). The amount of unrecognised deferred tax liability relating to undistributed earnings of the PRC enterprises is estimated to be $48,068,000 (2019: $48,941,000).

29. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on:

		Group	
		2020	**2019**
		$'000	$'000
(i)	Net profit attributable to owners of the Company	46,745	34,443
	(Less)/add back: (Profit)/loss from discontinued operation, net of tax attributable to owners of the Company	(1,483)	11,435
	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	45,262	45,878

		2020	**2019**
		No. of Shares	No. of shares
(ii)	Number of issued ordinary shares at beginning and end of the year	747,817,118	747,817,118

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. Earnings per share (cont'd)

Diluted earnings 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	
	2020 No. of shares	**2019** No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	747,817,118	747,817,118
Dilutive effect of share options	16,651	21,982
Weighted average number of ordinary shares (diluted)	747,833,769	747,839,100

570,000 (2019: 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

	Group	
	2020 $'000	**2019** $'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
First and final tax exempt dividend paid of 1 cent per share in respect of year 2019 (2019: Nil in respect of year 2018)	7,478	–
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 2020: 1 cent (2019: 1 cent) per share	7,478	7,478

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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). The HLA Share Option Scheme was extended at the annual general meeting ("AGM") of the Company held on 29 April 2010 for a further period of 10 years from 30 December 2010 to 29 December 2020. At the Company's AGM held on 18 June 2020, the shareholder approved the second extension of the duration of the HLA Share Option Scheme for another period of ten years from 30 December 2020 to 29 December 2030. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 2020	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	–	–	300,000
11/6/2020	$0.54	–	397,000	–	–
Total		920,000	397,000	–	300,000

Number of options outstanding at 31 December 2020	Number of options exercisable at 1 January 2020	Number of options exercisable at 31 December 2020	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
50,000	–	16,500	–	–	3/6/2020 to 2/6/2029
397,000	–	–	–	–	11/6/2021 to 10/6/2030
1,017,000	570,000	586,500	–		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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	On 11 June 2020
Fair value at measurement date ($)	1.18 – 1.44	0.13 – 0.25	0.14 – 0.17	0.12 – 0.15
Share price ($)	3.17	1.31	0.52	0.52
Exercise price ($)	3.17	1.31	0.53	0.54
Expected volatility (%)	72.0 – 79.0	21.1 – 34.0	40.6 – 48.4	38.2 – 42.2
Expected option life (years)	2 – 4	2 – 4	2 – 4	2 – 4
Expected dividends (%)	3.0	3.1	–	0.5
Risk-free interest rate (%)	0.9 – 1.4	0.6 – 0.8	1.7 – 1.8	0.3 – 0.5

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 (2019: $0.53 to $3.17). The weighted average remaining contractual life for these options is 4.68 years (2019: 4.85 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 2020

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 2020	Options granted	Options exercised	Options cancelled/ lapsed	Balance at 31 December 2020	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 2020	Group 2019
	$'000	$'000
Capital commitments in respect of property, plant and equipment	95,645	115,842

Operating lease commitments as lessee

The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are $54,000 within one year and $224,000 within five years (2019: $20,000 within one year and $16,000 within five years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Related party transactions

(a) ***Compensation of key management personnel***

	Group	
	2020	**2019**
	$'000	$'000
Short-term employee benefits	10,848	10,909
Defined contribution plans	67	106
Equity compensation benefits	18	14
	10,933	11,029

Directors' remuneration included in key management personnel compensation amounted to $2,763,000 (2019: $2,577,000).

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 (2019: 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, 520,000 (2019: 700,000) options granted to key management personnel were outstanding, of which 300,000 (2019: 500,000) were Options granted to the Executive Directors of the Company.

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 2020 and 2019, 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 (2019: 430,000) options granted to key management personnel were outstanding. These options are subject to a vesting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Related party transactions (cont'd)

(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 $332,063 (2019: $208,412). No balance was outstanding at the balance sheet date (2019: 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	
	2020	**2019**
	$'000	$'000
Sale of engines and materials		
– associates and joint ventures	250,720	180,225
– related corporations	526,448	354,640
Purchase of materials, supplies and engines		
– associates and joint ventures	601,178	458,391
– related corporations	248,477	374,168
Management services income		
– an associate	444	444
Management services paid and payable		
– related corporations	166	402
Rental paid and payable (include general expenses)		
– immediate holding company	491	514
General and administrative expenses		
– joint ventures	1,454	–
– related corporations	11,158	16,926
Delivery, storage, distribution and handling expenses		
– related corporations	62,445	60,122
Hospitality, restaurant and consultancy service income		
– a joint venture	782	1,419
– related corporations	1,350	3,030
Rental income		
– joint ventures	833	674
– related corporations	911	421
Purchase of vehicles and machineries		
– related corporations	566	556
Purchase of intangible assets		
– related corporations	–	33,525

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Related party transactions (cont'd)

(c) ***Outstanding balances with a related party***

As at 31 December 2020, fixed deposits held with a related party amounted to $27,304,000 (2019: Nil).

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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 are significant financial 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 the income statement.

The following are credit risk management practices and quantitative and qualitative information about amounts 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 Notes 15 and 24.

As at 31 December 2020 and 31 December 2019, there was no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

34. Financial risk management objectives and policies (cont'd)

(b) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and short-term deposits.

The Group's and the Company's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts. The Group's and the Company's debt obligations are mainly denominated in Singapore Dollar, United States Dollar, Chinese Renminbi, Ringgit Malaysia and 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.

	Profit before income tax	
	100 bp Increase	**100 bp Decrease**
	$'000	$'000
Group		
31 December 2020		
Floating rate instruments	(1,620)	1,620
31 December 2019		
Floating rate instruments	(1,136)	1,136

	Profit before income tax	
	100 bp Increase	**100 bp Decrease**
	$'000	$'000
Company		
31 December 2020		
Floating rate instruments	(3,011)	3,011
31 December 2019		
Floating rate instruments	(2,899)	2,899

34. Financial risk management objectives and policies (cont'd)

(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 is disclosed in Note 19.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

34. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk (cont'd)***

The Group's and the Company's financial assets and liabilities balances that have exposures to foreign currencies are as follows:

Group	Singapore Dollar	Chinese Renminbi	2020 United States Dollar	Ringgit Malaysia	Euro
	$'000	$'000	$'000	$'000	$'000
Other investments	1,268	–	–	–	–
Trade and other receivables	128	19,883	56,011	1,527	2,003
Cash and bank balances	36,789	222	9,490	3,067	780
Loans and borrowings	(296)	–	(5,654)	–	–
Trade and other payables	(77,622)	(646)	(84,582)	(6,908)	(2,076)
	(39,733)	19,459	(24,735)	(2,314)	707
Add/(less): Loan payables/ (receivables) forming part of net investment in foreign entities	75,016	(18,704)	–	–	–
	35,283	755	(24,735)	(2,314)	707

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

34. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk (cont'd)***

	2019					
Group	**Singapore Dollar** $'000	**Chinese Renminbi** $'000	**United States Dollar** $'000	**Ringgit Malaysia** $'000	**Euro** $'000	**Hong Kong Dollar** $'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)

	2020		2019	
Company	**Chinese Renminbi** $'000	**United States Dollar** $'000	**Chinese Renminbi** $'000	**United States Dollar** $'000
Trade and other receivables	–	55,786	–	55,940
Cash and bank balances	66	191	63	660
Loans and borrowings	–	(5,654)	–	(6,037)
Trade and other payables	–	(20)	–	(1)
	66	50,303	63	50,562

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

34. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk (cont'd)***

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	
	2020	**2019**
	$'000	$'000
Group		
Singapore Dollar	3,528	1,853
Chinese Renminbi	76	230
United States Dollar	(2,474)	(5,841)
Ringgit Malaysia	(231)	539
Euro	71	(508)
Hong Kong Dollar	–	(94)
Company		
Chinese Renminbi	7	6
United States Dollar	5,030	5,056

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

31 December 2020	**Group** **Quoted prices in active markets for identical instruments (Level 1)** $'000	**Significant observable inputs other than quoted prices (Level 2)** $'000	**Total** $'000
Financial assets			
Other investments	37,627	–	37,627
Bill receivables	–	1,584,523	1,584,523
At 31 December 2020	37,627	1,584,523	1,622,150
Financial liabilities			
Derivatives	–	99	99
At 31 December 2020	–	99	99

31 December 2019	**Group** **Quoted prices in active markets for identical instruments (Level 1)** $'000	**Significant observable inputs other than quoted prices (Level 2)** $'000	**Total** $'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 2020

35. Fair value of assets and liabilities (cont'd)

(c) ***Level 2 fair value measurements***

The Group's derivatives at the end of the reporting period consist of the following:

i. 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.

ii. 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.

iii. In 2020, the Group entered into forward currency contracts which were used for the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to 2021. 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.

(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 15), cash and short-term deposits (Note 16), trade and other payables (Note 21), and current loans and borrowings (Note 19) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of non-current receivables (Note 11) and other non-current payables (Note 21) 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 16) and non-current loans and borrowings (Note 19) 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:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Group	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
31 December 2020					
Assets					
Other investments	–	1,268	36,359	–	37,627
Non-current receivables	2,399	–	–	–	2,399
Trade receivables	177,116	–	–	–	177,116
Bill receivables	–	–	1,584,523	–	1,584,523
Due from related corporations	13,079	–	–	–	13,079
Refundable deposits	3,027	–	–	–	3,027
Lease receivables	73	–	–	–	73
Other receivables	18,786	–	–	–	18,786
Cash and bank balances	1,374,611	–	–	–	1,374,611
	1,589,091	1,268	1,620,882	–	3,211,241
Liabilities					
Trade payables	–	–	–	1,407,789	1,407,789
Accrued expenses	–	–	–	344,374	344,374
Other payables	–	–	–	31,632	31,632
Refund liabilities	–	–	–	209,717	209,717
Due to related corporations	–	–	–	165,035	165,035
Loans and borrowings	–	–	–	823,305	823,305
Lease liabilities	–	–	–	15,082	15,082
Other non-current payables	–	–	–	38,945	38,945
	–	–	–	3,035,879	3,035,879

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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	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
31 December 2019					
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
Other non-current payables	–	–	–	34,044	34,044
	–	–	–	2,552,549	2,552,549

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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**
	$'000	$'000	$'000
31 December 2020			
Assets			
Due from related corporations	289,389	–	289,389
Refundable deposits	5	–	5
Other receivables	47	–	47
Cash and short-term deposits	1,220	–	1,220
	290,661	–	290,661
Liabilities			
Accrued expenses	–	3,158	3,158
Other payables	–	58	58
Due to related corporations	–	1,552	1,552
Loans and borrowings	–	301,239	301,239
	–	306,007	306,007
31 December 2019			
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 2020 and 2019.

As disclosed in Note 18(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 2020 and 2019.

There were no changes in the Group's approach to capital management during the year.

	Group	
	2020	**2019**
	$'000	$'000
Loans and borrowings (current and non-current)	823,305	761,299
Trade and other payables (current and non-current)	2,202,358	1,772,091
Less: Cash and deposits	(1,374,611)	(1,328,638)
Net debt	1,651,052	1,204,752
Equity attributable to the owners of the Company	879,973	764,824
Less: Fair value reserve	(28,225)	(8,378)
Statutory reserve	(16,371)	(15,801)
Total capital	835,377	740,645
Capital and net debt	2,486,429	1,945,397

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) Building materials: cement, precast concrete products, ready-mix concrete and quarry products.

(iii) Rigid packaging: plastic packaging related products and container components.

(iv) Air-conditioning systems (discontinued operation – see Note 6(e)): 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 2020 or 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

37. Segment information (cont'd)

Reportable segments (cont'd)

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.

2020	**Diesel engines** $'000	**Building materials** $'000
Total external revenue ^	4,102,795	362,988
Interest income ^	32,617	923
Interest expense ^	(29,396)	(833)
Depreciation and amortisation ^	(97,677)	(21,894)
Reportable segment profit/(loss) before income tax ^	193,923	15,921
Share of results of associates and joint ventures, net of income tax	(11,870)	17
Reportable segment profit/(loss) after income tax ^	155,537	12,748
Other material non-cash items:		
– Impairment losses recognised on property, plant and equipment and intangible assets	782	–
– Claims and restoration costs, net	–	428
– Warranties ^	66,991	–
– Onerous contract	2,260	(110)
Assets and liabilities		
Reportable segment assets	5,217,673	334,795
Investment in associates and joint ventures	45,943	57,310
Capital expenditure @	215,795	25,438
Reportable segment liabilities	2,937,237	128,838

Rigid Packaging $'000	Corporate and Others* $'000	Air-conditioning systems (Discontinued operation) $'000	Adjustments $'000	Consolidated total $'000
25,732	4,692	10,206	(10,206)	4,496,207
44	3,815	37	(3,032)	34,404
(632)	(8,833)	(570)	3,657	(36,607)
(1,301)	(1,173)	(432)	432	(122,045)
(396)	(14,378)	2,220	(2,220)	195,070
–	101	–	–	(11,752)
(560)	(14,732)	2,214	(2,214)	152,993
377	–	–	–	1,159
–	–	–	–	428
–	–	109	(109)	66,991
–	–	–	–	2,150
41,545	1,138,771	23,620	(1,003,474)	5,752,930
–	717	–	–	103,970
171	1,178	–	–	242,582
106,536	1,127,865	3,121	(865,031)	3,438,566

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 results 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

* Others include hospitality and property development.

^ The amounts relating to the discontinued air-conditioning systems segment have been excluded to arrive at amounts shown in profit or loss as they are presented separately in the income statement within one line item, "profit/(loss) from discontinued operation, net of tax".

@ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Rigid packaging $'000	Corporate and Others* $'000	Air-conditioning systems (Discontinued operation) $'000	Adjustments $'000	Consolidated total $'000
31,835	7,064	9,641	(9,641)	4,094,448
50	4,609	19	(2,927)	37,184
(1,317)	(11,420)	(1,661)	4,564	(36,214)
(1,437)	(1,221)	(923)	923	(114,315)
(1,462)	(14,282)	(17,067)	17,067	199,626
–	177	–	–	4,966
(1,523)	(15,607)	(17,067)	17,067	162,837
–	54	2,507	(2,507)	834
–	–	–	–	(1,013)
–	–	127	(127)	83,295
–	–	–	–	(455)
46,301	1,034,851	24,691	(912,351)	5,003,545
–	–	–	–	111,660
1,269	264	14	–	304,261
111,516	1,041,698	25,849	(827,813)	2,862,041

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 $'000	**Singapore** $'000	**Malaysia** $'000	**Others** $'000	**Consolidated total** $'000
2020					
Total revenue from external customers **	4,116,521	205,388	163,646	10,652	4,496,207
Non-current assets #^^	1,184,764	46,525	142,851	2	1,374,142
2019					
Total revenue from external customers **	3,567,113	308,376	205,887	13,072	4,094,448
Non-current assets #	1,041,499	34,345	150,744	2	1,226,590

** Exclude revenue of $10,206,000 (2019: $9,641,000) relating to the discontinued air-conditioning systems segment.

Exclude interest in associates and joint ventures, other investments, capitalised contract costs, deferred tax assets, long-term deposits and non-current receivables.

^^ Exclude assets relating to the discontinued air-conditioning systems segment.

Major customer

Revenue from one customer group of the Group's diesel engines segment in the PRC amounted to approximately $1,201,074,000 (2019: $1,027,686,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 15 to the financial statements.

(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 2.12. 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 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

38. Significant accounting judgements and estimates (cont'd)

(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.

Impairment of property, plant and equipment

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 value in use calculation is based on a discounted cash flow model. 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 5 to the financial statements.

39. Authorisation of financial statements

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors passed on 17 March 2021.

财务报表

资产负债表

2020年12月31日

	附注	合并		母公司	
		2020年12月31日	2019年12月31日	2020年12月31日	2019年12月31日
		$'000	$'000	$'000	$'000
非流动资产					
固定资产	3	993,781	951,772	261	112
无形资产	4	264,800	145,609	36	72
子公司股权投资	6	–	–	219,876	212,367
联营公司权益	7	42,954	43,688	14,605	14,605
合资公司权益	8	61,016	67,972	–	–
投资性房地产	9	1,185	1,265	–	–
其它金融资产	10	36,359	16,198	–	–
长期应收款	11	2,433	5,811	–	10,000
合同资产	24	25,962	26,350	–	–
使用权资产	20	114,376	127,944	10	56
递延所得税资产	12	81,561	82,029	–	–
长期存款	16	28,462	9,655	–	–
		1,652,889	1,478,293	234,788	237,212
流动资产					
存货	13	967,929	594,208	–	–
开发性房地产	14	3,438	3,422	–	–
其它金融资产	10	1,268	1,785	–	–
应收账款及其他应收款	15	1,861,607	1,718,514	289,470	269,712
货币资金	16	1,346,149	1,318,983	1,220	8,557
		4,180,391	3,636,912	290,690	278,269
分类为待分配给所有者的资产	6(e)	23,620	–	–	–
		4,204,011	3,636,912	290,690	278,269
总资产合计		5,856,900	5,115,205	525,478	515,481

资产负债表

2020年12月31日

	附注	合并 2020年 12月31日 $'000	合并 2019年 12月31日 $'000	母公司 2020年 12月31日 $'000	母公司 2019年 12月31日 $'000
流动负债					
应付账款及其他应付款	21	2,163,413	1,738,047	4,841	3,035
合同负债	24	176,504	74,594	–	–
租赁负债	20	9,063	11,309	6	41
预计负债	23	57,499	45,168	–	–
短期借款	19	495,390	647,510	101,239	194,875
应付所得税		12,475	13,546	69	72
衍生金融负债		99	47	–	–
		2,914,443	2,530,221	106,155	198,023
分类为待分配给所有者直接相关的负债	6(e)	3,121	–	–	–
		2,917,564	2,530,221	106,155	198,023
净流动资产		1,286,447	1,106,691	184,535	80,246
非流动负债					
长期借款	19	327,915	113,789	200,000	100,000
递延所得税负债	12	29,107	35,068	2,851	2,631
递延补贴	22	105,338	126,823	–	–
其他非流动应付款	21	38,945	34,044	–	–
合同负债	24	13,676	10,391	–	–
租赁负债	20	6,019	11,703	8	16
应付退休金		2	2	–	–
		521,002	331,820	202,859	102,647
总负债合计		3,438,566	2,862,041	309,014	300,670
净资产		2,418,334	2,253,164	216,464	214,811
股本与公积					
发行股本	17	467,890	467,890	467,890	467,890
各项储备	18	411,416	296,934	(251,426)	(253,079)
分类为待分配给所有者的公积	6(e)	667	–	–	–
		879,973	764,824	216,464	214,811
非控股权益		1,538,361	1,488,340	–	–
所有者权益合计		2,418,334	2,253,164	216,464	214,811
负债及所有者权益总计		5,856,900	5,115,205	525,478	515,481

合并利润表

截至2020年12月31日

	附注	合并 2020 $'000	合并 2019 $'000
持续经营			
营业收入	24	4,496,207	4,094,448
营业成本		(3,776,760)	(3,373,693)
毛利润		719,447	720,755
其他收入项目			
其他收入		87,606	71,473
其他费用项目			
销售费用		(266,467)	(294,857)
研发费用		(125,029)	(97,173)
管理费用		(165,780)	(166,546)
财务费用	26	(37,526)	(37,352)
其他费用		(5,429)	(1,640)
应占联营企业的业绩		(11,752)	4,966
税前利润	25	195,070	199,626
所得税费用	28	(42,077)	(36,789)
本年来自持续经营的利润		152,993	162,837
终止经营			
本年来自终止经营的利润/(亏损)	6(e)	2,214	(17,067)
本年利润		155,207	145,770
利润归属于:			
母公司所有者			
– 本年来自持续经营的利润		45,262	45,878
– 本年来自终止经营的利润/(亏损)		1,483	(11,435)
		46,745	34,443
非控股权益			
– 本年来自持续经营的利润		107,731	116,959
– 本年来自终止经营的利润/(亏损)		731	(5,632)
		108,462	111,327
来自持续经营的每股收益(分)			
– 基本	29	6.05	6.13
– 稀释	29	6.05	6.13
来自持续及终止经营的每股收益(分)			
– 基本	29	6.25	4.61
– 稀释	29	6.25	4.61

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2020年12月31日

	合并	
	2020	**2019**
	$'000	$'000
本年利润	155,207	145,770
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	20,176	6,483
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	105,225	(58,069)
其他债权投资公允价值变动	(550)	602
本年其他综合收益（税后净值）	124,851	(50,984)
本年综合收益总额	280,058	94,786
归属于：		
母公司所有者	103,018	26,211
非控股权益	177,040	68,575
本年综合收益总额	280,058	94,786
归属于：		
母公司所有者		
– 本年来自持续经营的综合收益	101,535	37,676
– 本年来自终止经营的综合收益	1,483	(11,435)
	103,018	26,211

合并所有者权益变动表

截至2020年12月31日

合并	附注	发行股本 $'000	资本公积 $'000	法定公积 $'000	公允价值 公积 $'000
2020年1月1日余额		467,890	4,351	15,801	8,378
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		–	–	–	20,277
其他债权投资公允价值变动		–	–	–	(430)
本年其他综合收益（税后净值）		–	–	–	19,847
本年综合收益总额		–	–	–	19,847
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>					
支付公司股东股利	30	–	–	–	–
支付子公司非控股东股利		–	–	–	–
支付股份费用		–	–	–	–
非控股东的投入资本		–	–	–	–
<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		–	–	570	–
分类为待分配给所有者的公积	6(e)	–	–	–	–
2020年12月31日余额		467,890	4,351	16,371	28,225

权益报酬公积	外币折算储备	非控股权变动的盈余/(亏损)	分类为待分配给所有者的待售组合的公积	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	$'000
5,267	(40,812)	43,035	–	260,914	764,824	1,488,340	2,253,164
–	–	–	–	46,745	46,745	108,462	155,207
–	36,426	–	–	–	36,426	68,799	105,225
–	–	–	–	–	20,277	(101)	20,176
–	–	–	–	–	(430)	(120)	(550)
–	36,426	–	–	–	56,273	68,578	124,851
–	36,426	–	–	46,745	103,018	177,040	280,058
–	–	–	–	(7,478)	(7,478)	–	(7,478)
–	–	–	–	–	–	(69,459)	(69,459)
47	–	–	–	–	47	–	47
–	–	–	–	–	–	11,149	11,149
–	–	19,562	–	–	19,562	(68,709)	(49,147)
–	–	–	–	(570)	–	–	–
–	(667)	–	667	–	–	–	–
5,314	(5,053)	62,597	667	299,611	879,973	1,538,361	2,418,334

合并所有者权益变动表

截至2020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

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

所有者权益变动表

截至2020年12月31日

母公司	附注	发行股本 $'000	资本公积 $'000	权益报酬公积 $'000	未分配利润 $'000	合计 $'000
2020年1月1日余额		467,890	9,199	2,491	(264,769)	214,811
本年综合收益总额		–	–	–	9,084	9,084
与所有者的交易直接在权益确认						
所有者投入和减少资本						
支付公司股东股利	30	–	–	–	(7,478)	(7,478)
支付股份费用		–	–	47	–	47
2020年12月31日余额		467,890	9,199	2,538	(263,163)	216,464
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

合并现金流量表

截至2020年12月31日

	附注	合并 2020 $'000	合并 2019 $'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		195,070	199,626
本年来自终止经营的税前利润/(亏损)		2,220	(17,067)
调整项目:			
应占联营企业的业绩		11,752	(4,966)
股份支付费用		47	24
折旧与摊销费用		122,477	115,238
存货跌价准备变动		3,285	8,391
应收账款及其他应收款坏账准备变动		(3,079)	7,418
固定资产及无形资产减值准备		1,159	3,341
开发性房地产减值准备		–	600
固定资产注销	25	1,587	877
财务费用		38,101	39,021
其他投资股利收入	25	(86)	(253)
利息收入		(34,441)	(37,203)
处置以下资产的损失/(收益):			
– 固定资产		2,695	6
– 使用权资产		(5,344)	(1,824)
– 其他金融资产		(384)	(438)
其他投资公允价值变动损失/(收益)	25	239	(221)
衍生性金融产品公允价值变动(收益)/损失	25	(199)	1,138
三包费及其他准备计提净额		69,678	81,954
流动资金变动前经营活动产生的现金流量		404,777	395,662
流动资金的变动:			
存货的变动		(344,257)	(53,722)
应收账款,合同资产及其他应收款的变动		(100,644)	(125,385)
应付账款,合同负债及其他应付款的变动		425,396	306,681
政府补贴收入收到的现金		28,971	38,242
已计提准备的使用	23	(59,585)	(74,190)
经营活动产生的现金流量		354,658	487,288
支付所得税		(48,586)	(45,933)
经营活动产生的现金流量净额		306,072	441,355

合并现金流量表

截至2020年12月31日

	附注	合并 2020 $'000	合并 2019 $'000
投资活动产生的现金流量			
合资公司权益		–	(8,126)
取得股利分配收到的现金：			
– 联营公司与合资公司		1,037	3,180
– 其他金融资产	25	86	253
取得利息收入收到的现金		35,404	36,635
银行存款净流入/(流出)		14,344	(29,880)
购置资产支付的现金：			
– 固定资产		(137,310)	(164,152)
– 无形资产		(105,105)	(102,123)
– 其他金融资产		–	(6,811)
处置资产产生的净现金流入:			
– 固定资产		10,896	548
– 使用权资产		11,667	2,173
– 其它金融资产		270	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		(168,711)	(272,772)
筹资活动产生的现金流量			
收购子公司的非控制性权益		(49,147)	(32,171)
非控股东的投入资本		11,149	–
支付子公司非控股东股利		(69,459)	(68,427)
支付公司股东股利		(7,478)	–
偿付利息支付的现金		(38,001)	(40,051)
向银行借款收到的现金		486,283	586,900
偿还银行贷款支付的现金		(446,362)	(587,069)
偿还租赁负债支付的现金		(13,454)	(15,902)
筹资活动使用的现金流量净额		(126,469)	(156,720)
现金及现金等价物净增加额		10,892	11,863
年初现金及现金等价物余额	16	1,204,236	1,224,105
汇率变动对现金及现金等价物的影响		59,323	(31,732)
年末现金及现金等价物余额	16	1,274,451	1,204,236

附注:

存放于实行外汇管制国家的现金及现金等价物共计$1,096,226,000 (2019: $1,056,048,000)。

附注6列示收购和处置子公司的现金流影响。

ANALYSIS OF SHAREHOLDINGS

As at 8 March 2021

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	747,817,118
Number of Ordinary Shareholders	:	5,415
Voting Rights	:	1 vote for 1 share

As at 8 March 2021, 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	14	0.26	192	0.00
100 – 1,000	642	11.85	603,167	0.08
1,001 – 10,000	2,977	54.98	16,144,680	2.16
10,001 – 1,000,000	1,760	32.50	79,203,689	10.59
1,000,001 and above	22	0.41	651,865,390	87.17
	5,415	100.00	747,817,118	100.00

Based on information available to the Company as at 8 March 2021, approximately 23.57% 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 8 MARCH 2021

No.	Name of Shareholder	No. of Shares Held	%*
1	Hong Leong Corporation Holdings Pte Ltd	549,001,657	73.41
2	CGS-CIMB Securities (Singapore) Pte Ltd	19,407,800	2.60
3	DBS Nominees Pte Ltd	18,315,115	2.45
4	Citibank Nominees Singapore Pte Ltd	17,816,647	2.38
5	Taiheiyo Singapore Pte Ltd	9,079,659	1.21
6	Phillip Securities Pte Ltd	4,597,200	0.62
7	Morph Investments Ltd	3,830,100	0.51
8	OCBC Securities Pte Ltd	3,572,200	0.48
9	UOB Kay Hian Pte Ltd	3,425,900	0.46
10	DBSN Services Pte Ltd	2,801,409	0.38
11	United Overseas Bank Nominees Pte Ltd	2,650,900	0.35
12	Raffles Nominees (Pte) Ltd	2,627,505	0.35
13	Maybank Kim Eng Securities Pte Ltd	1,949,700	0.26
14	HSBC (Singapore) Nominees Pte Ltd	1,830,998	0.25
15	DBS Vickers Securities (S) Pte Ltd	1,767,300	0.24
16	Ang Jwee Herng	1,600,000	0.21
17	OCBC Nominees Singapore Pte Ltd	1,593,400	0.21
18	Soon Lee Heng Trading & Transportation Pte Ltd	1,373,900	0.18
19	Cheng Yong Liang	1,200,000	0.16
20	Lim Thiam Yew Paul or Tan Soon Tze Mrs Lim Soon Tze	1,198,000	0.16
		649,639,390	**86.87**

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 8 March 2021.

ANALYSIS OF SHAREHOLDINGS

As at 8 March 2021

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 8 March 2021)

	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 8 March 2021.

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 Sixtieth Annual General Meeting (the "**Meeting**") of HONG LEONG ASIA LTD. (the "**Company**") will be convened and held by way of electronic means on Wednesday, 28 April 2021 at 10.00 a.m. for the following purposes:

A. ORDINARY BUSINESS:

1. To receive the Directors' Statement and Audited Financial Statements for the year ended 31 December ("**FY**") 2020 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 2020 ("**First and Final Dividend**").

3. To approve Directors' Fees of $415,776 for FY 2020 (FY 2019: $414,685) 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 2021 (FY 2020: $58,000 payable for the ARC chairman and $38,000 for each ARC member).

4. To elect/re-elect the following Directors who would be retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for election/re-election as Directors of the Company:

   (a) Mr Stephen Ho Kiam Kong (appointed on 3 August 2020)
   (b) Mr Tan Chian Khong

   Note: Mr Ernest Colin Lee, who would be retiring by rotation in accordance with the Company's Constitution, has notified the Company that he will not be seeking re-election as a Director at the Meeting. Consequentially, he would cease to be the Lead Independent Director, chairman of the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**"), the Hong Leong Asia Share Option Scheme 2000 Committee ("**SOSC**") and a member of the ARC.

   Detailed information on the Directors who are proposed to be elected/re-elected can be found under the sections on "Board of Directors" and "Additional Information on Directors Seeking Election/Re-election" of the Annual Report 2020.

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

NOTICE OF ANNUAL GENERAL MEETING

(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,

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 SGX-ST) from time to time.

8. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) on SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may, in their absolute discretion, deem fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby 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

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties (if applicable), commission, applicable goods and services tax and other related expenses (if applicable)) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

9. (a) That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and its associated companies that are not listed on SGX-ST, or an approved exchange, over which the Company, its subsidiaries and/or its interested person(s), have control, or any of them, to enter into any of the transactions falling within the category of Interested Person Transactions, particulars of which are set out in the Letter to Shareholders dated 30 March 2021 (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, 30 March 2021

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 6 May 2021 up to (and including) 7 May 2021. Registrable transfers received up to 5.00 p.m. on 6 May 2021 will be registered to determine shareholders' entitlement to the First and Final Dividend. If approved at the Meeting, it will be paid on 18 May 2021.

2. With reference to item 3 of the Ordinary Business above, the Directors' Fees of $415,776 for FY 2020 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 2020 which had been approved by shareholders at the 2020 AGM of the Company. The payment of the ARC Fees for FY 2021 shall be made on a quarterly basis in arrears at the end of each calendar quarter (except for the first quarter of 2021 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 69 of the Annual Report 2020.

3. Key information on Mr Stephen Ho Kiam Kong, who is seeking election as a Director of the Company under item 4(a) of the Ordinary Business above, can be found on page 19 and pages 238 to 240 of the Annual Report 2020.

4. With reference to item 4(b) of the Ordinary Business above, Mr Tan Chian Khong will, upon re-election as a Director of the Company, remain as the chairman of the ARC and a member of the RC and SOSC. He will also become the Lead Independent Director and a member of the NC following the conclusion of the Meeting. Mr Tan is considered an independent Director.

   Key information on Mr Tan can be found on page 21 and pages 238 to 240 of the Annual Report 2020.

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 16 March 2021, SGX Regco announced an update to its news release issued on 8 April 2020 which allows Mainboard issuers to seek or renew 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**"). In accordance with the updated announcement, the Enhanced Share Issue Limit will expire at the conclusion of the next AGM or on the date by which the next AGM is required by law or the Listing Manual of SGX-ST to be held, whichever is earlier and 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 2022 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.

NOTICE OF ANNUAL GENERAL MEETING

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)*.

   Voting restrictions pursuant to Rule 859 of the Listing Manual of SGX-ST
   *Please note that 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)), should abstain from voting at the Meeting in respect of the Ordinary Resolution set out in item 7 in relation to the SOS, and accordingly should not appoint the Chairman of the Meeting to vote on his/her/its behalf.*

7. The Ordinary Resolution set out in item 8 of the Special Business above, if passed, will empower the Directors to make purchases or otherwise acquire the Company's issued Shares from time to time subject to and in accordance with the guidelines set out in Annexure I of the 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.

8. The Ordinary Resolution set out in item 9 of the Special Business above, if passed, will renew the IPT Mandate first approved by Shareholders on 30 May 2003 to facilitate the Company, its subsidiaries and its associated companies, to enter into Interested Person Transactions, the details of which are set out in Annexures II and III of the 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 9 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 made available to members by electronic means via publication on the Company's website at the URL http://agm.hlasia.com.sg. 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 30 March 2021. The announcement may be accessed at the Company's website at URL http://agm.hlasia.com.sg, 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 situation 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 downloaded from the Company's website at the URL http://agm.hlasia.com.sg, and also from 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 16 April 2021.

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.

   Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

   The Annual Report 2020 and the Letter to Shareholders dated 30 March 2021 ("**Letter to Shareholders**") are available on the Company's website at the URL http://agm.hlasia.com.sg and may also be accessed on the SGX website at the URL https://www.sgx.com/securities/company-announcements. Members may request for printed copies of the Annual Report 2020 and the Letter to Shareholders by completing and submitting the Request Form.

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), 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 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 ELECTION/ RE-ELECTION AT THE 60TH ANNUAL GENERAL MEETING

Name of Director	**Stephen Ho Kiam Kong**	**Tan Chian Khong**
Age	61	65
Date of appointment	3 August 2020	1 March 2018
Job Title	Executive Director and Chief Executive Officer	Non-Executive and Independent Director Chairman of the Audit and Risk Committee and a member of the Remuneration Committee and Hong Leong Asia Share Option Scheme 2000 Committee
Date of last re-election as Director (if applicable)	Not Applicable	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 election/re-election of Mr Stephen Ho and Mr Tan Chian Khong and took into account, *inter alia*, • the NC's report to the Board on the evaluation of Mr Stephen Ho and Mr Tan Chian Khong; 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 Tan. The Board recommends the election/re-election of Mr Stephen Ho and Mr Tan Chian Khong 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 63 to 67 of the Corporate Governance Report.	
Whether appointment is executive, and if so, the area of responsibility	Yes Overall responsible for the management and direction of the Group's business	No

Name of Director	**Stephen Ho Kiam Kong**	**Tan Chian Khong**
Professional qualification and working experience and occupation(s) during the past 10 years	Extensive experience in finance, treasury, risk management as well as corporate banking, global markets trading, marketing and sales. August 2020 to Present Chief Executive Officer of Hong Leong Asia Ltd. ("**HLA**") November 2011 to May 2020 Chief Financial Officer ("**CFO**") of Wilmar International Limited ("**Wilmar**") July 2003 to October 2011 Senior Vice President and CFO (Greater China) of Philips Electronics China Group Holds a Bachelor of Commerce and Administration degree from the Victoria University of Wellington, New Zealand and had attended the Advanced Management Program at the Harvard Business School, Boston, US.	Approximately 35 years of experience in providing audit and business advisory services to clients in a wide range of industries. 1981 to 2016 Joined Ernst & Young LLP ("**EY**") (then known as Ernst & Whinney) in 1981 and became an audit partner in 1996 until his retirement in 2016 Holds a Bachelor of Accountancy degree from the National University of Singapore. A member of the American Institute of Certified Public Accountants, a Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia.
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors' Statement on page 87.	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	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
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"

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION/ RE-ELECTION AT THE 60TH ANNUAL GENERAL MEETING

Name of Director	**Stephen Ho Kiam Kong**	**Tan Chian Khong**
Directorships: • Past (for the last 5 years):	• Shree Renuka Sugars Limited* • 84 subsidiaries and associated companies of Wilmar*	• Alliance Financial Group Berhad • Xinghua Port Holdings Ltd.* Other Appointment • Automobile Association of Singapore (General Committee Member)
• Present:	• HLA* and 33 of its subsidiaries and associated companies • China Yuchai International Limited* • Tasek Corporation Berhad and 7 of its subsidiaries and associated companies • Contour Pte. Ltd.	• HLA* • Alliance Bank Malaysia Berhad* • Banyan Tree Holdings Limited* • CSE Global Limited* • SMRT Corporation Ltd • The Straits Trading Company Limited* • Trailblazer Foundation Ltd. • Casino Regulatory Authority of Singapore • Methodist Welfare Services Other Appointment • Energy Market Company Pte Ltd (Member of Rules Change Panel)
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 17 March 2021

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HONG LEONG ASIA LTD.
Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

PROXY FORM

for 60th 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://agm.hlasia.com.sg. 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 30 March 2021. The announcement may be accessed at the Company's website at the URL http://agm.hlasia.com.sg, 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 situation 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 16 April 2021.

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 30 March 2021.

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 Sixtieth Annual General Meeting of the Company (the "Meeting") to be convened and held by way of electronic means on Wednesday, 28 April 2021 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.	Receipt 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.	Election/Re-election of Directors:	(a) Mr Stephen Ho Kiam Kong			
		(b) Mr Tan Chian Khong			
5.	Re-appointment of Ernst & Young LLP as Auditor				
B.	**SPECIAL BUSINESS:**				
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited				
7.	Authority for Directors to offer and grant options to eligible participants under the Hong Leong Asia Share Option Scheme 2000 (the "SOS") other than Parent Group Employees and Parent Group Non-Executive Directors and to issue shares in accordance with the provisions of the SOS				
8.	Renewal of Share Purchase Mandate				
9.	Renewal of IPT Mandate for Interested Person Transactions				

Dated this ____________ day of ____________ 2021

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 situation 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 downloaded from the Company's website at the URL http://agm.hlasia.com.sg, and also from 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 16 April 2021.

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.

   Due to the current COVID-19 situation in Singapore, 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
T : (65) 6220 8411
F : (65) 6222 0087 / 6226 0502

Hong Leong Asia (Shanghai) Co., Ltd.
Room 506, 1090 Defu Road
Jia Ding District
Shanghai 201800
People's Republic of China
T : (86) 21 6226 2996
F : (86) 21 6226 2996

DIESEL ENGINES

China Yuchai International Limited
Executive Office
16 Raffles Quay #39-01A
Hong Leong Building
Singapore 048581
T : (65) 6220 8411
F : (65) 6221 1172

Guangxi Yuchai Machinery Company Limited
88 Tianqiao West Road, Yulin
Guangxi 537005
People's Republic of China
T : (86) 775 328 9000
F : (86) 775 328 8168

BUILDING MATERIALS

Ready-Mix Concrete Division
Island Concrete (Private) Limited
43/45 Sungei Kadut Street 4
Singapore 729061
T : (65) 6488 5777
F : (65) 6368 0312

Precast Concrete Division
HL Building Materials Pte. Ltd.
7A Tuas Avenue 13
Singapore 638979
T : (65) 6862 3501
F : (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
T : (607) 598 6828
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CO. REG. NO. 196300306G

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ANNUAL REPORT 2020

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G

(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS
DATED 30 MARCH 2021

IN RELATION TO THE PROPOSED

(1) RENEWAL OF THE SHARE PURCHASE MANDATE; AND

(2) RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

CONTENTS

HONG LEONG ASIA LTD.

Co. Reg. No. 196300306G
(Incorporated in the Republic of Singapore)

Directors:

Executive Directors:
Kwek Leng Peck (Executive Chairman)
Stephen Ho Kiam Kong (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

30 March 2021

To: The Shareholders of Hong Leong Asia Ltd.

Dear Sir/Madam

(1) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

(2) PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

---

1. INTRODUCTION

We refer to the Notice of the Sixtieth Annual General Meeting of Hong Leong Asia Ltd. (the "**Company**") ("**Forthcoming AGM**") issued by the Company on 30 March 2021.

Item 8 of the Notice of the Forthcoming AGM is an ordinary resolution ("**Resolution 8**") 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 8 is set out in **Annexure I** 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 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 II** and **III** 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 and Resolution 9.

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 March 2021 (the "**Latest Practicable Date**"), were as follows:

Directors	Direct Interest: Number of Shares	Direct Interest: %	Deemed Interest: Number of Shares	Deemed Interest: %	Number of Share Options
Kwek Leng Peck	7,870,700	1.05	–	–	–
Stephen Ho Kiam Kong	103,500	0.01	–	–	200,000
Ernest Colin Lee	80,000	0.01	–	–	–
Kwong Ka Lo @ Caroline Kwong	–	–	–	–	–
Ng Sey Ming	–	–	–	–	–
Tan Chian Khong	–	–	–	–	–

Substantial Shareholders	Direct Interest: Number of Shares	Direct Interest: %	Deemed Interest: Number of Shares	Deemed Interest: %
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(3)	75.27
Davos Investment Holdings Private Limited	–	–	562,865,657(4)	75.27
Kwek Holdings Pte Ltd	–	–	562,865,657(4)	75.27

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 Resolution 9 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 9 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 Resolution 9 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 Resolution 9. 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 9.

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 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 RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

At the Fifty-Ninth Annual General Meeting of the Company held on 18 June 2020 ("**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 27 May 2020 and Ordinary Resolution 9 set out in the Notice of the Last AGM.

The Share Purchase Mandate was expressed to take effect from the passing of Ordinary Resolution 9 at the Last AGM and will expire on the date of the forthcoming Sixtieth Annual General Meeting of the Company to be held on 28 April 2021 ("**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 I**, 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 I**
"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 I**
"Directors"	:	The directors of the Company for the time being
"EPS"	:	Earnings per Share
"Group"	:	The Company and its subsidiaries
"Latest Practicable Date"	:	15 March 2021, 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 I**
"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 I**
"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 I**
"$"	:	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 I** 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 I** 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 I** 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 2020 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 837,000 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 $0.735 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 $54,964,558. 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 $0.770 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 $57,581,918.

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 2020; and

(b) there was no exercise of Share Options from 1 January 2021 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 2020 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	
As at 31 December 2020	**Before purchase of Shares $'000**	**After purchase of Shares $'000**	**Before purchase of Shares $'000**	**After purchase of Shares $'000**
NAV	879,973	825,008	216,464	161,499
Current Assets	4,204,011	4,204,011	290,690	290,690
Current Liabilities	2,917,564	2,972,529	106,155	161,120
Shareholders' Fund	879,973	825,008	216,464	161,499
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	46,745	46,745	N.A.	N.A.
NAV per Share (cents)	117.67	122.58	28.95	24.00
Basic EPS (cents)	6.25	6.95	N.A.	N.A.
Current Ratio (times)	1.44	1.41	2.74	1.80

Assuming Off-Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled

	Group		Company	
As at 31 December 2020	**Before purchase of Shares $'000**	**After purchase of Shares $'000**	**Before purchase of Shares $'000**	**After purchase of Shares $'000**
NAV	879,973	822,391	216,464	158,882
Current Assets	4,204,011	4,204,011	290,690	290,690
Current Liabilities	2,917,564	2,975,146	106,155	163,737
Shareholders' Fund	879,973	822,391	216,464	158,882
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	46,745	46,745	N.A.	N.A.
NAV per Share (cents)	117.67	122.19	28.95	23.61
Basic EPS (cents)	6.25	6.95	N.A.	N.A.
Current Ratio (times)	1.44	1.41	2.74	1.78

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 2020, 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 23.57% 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 15.07% 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 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 (if the Company is required to announce its quarterly financial statements), and during the period commencing one month before the date of announcement of the Company's half year and full year financial statements (if the Company is not required to announce its quarterly 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 8 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 Sixtieth 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 III** 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 18 June 2020 ("**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 28 April 2021. 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 2022.

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 III** of this Letter.

3. INTERESTED PERSON TRANSACTIONS

Particulars of Interested Person Transactions conducted under the IPT Mandate in 2020 are as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all Interested Person Transactions conducted in financial year 2020 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)	$'000
Associates of Hong Leong Investment Holdings Pte. Ltd. ("**HLIH**")	HLIH is a controlling shareholder of the Company. Its associates are Interested Persons being associates of a controlling shareholder	Construction-related Transaction – Sale of raw materials by the Group to Interested Persons:	1,748

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 III**) between the HLA EAR Group (as described in Section 2.3 of **Annexure III**) and the Interested Persons (as described in Section 5 of **Annexure III**) 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 III**, they recommend that Shareholders vote in favour of Resolution 9 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 percent. 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 NTA[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.

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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 2020, the audited consolidated NTA of the Group was $785,800,000.

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 2021 are published by the Company, 5 per cent. of the latest audited consolidated NTA of the Group would be $39,290,000.

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.

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.

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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.

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.

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) <u>Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions (other than the Interested Person Transactions covered under sub-paragraph (b) herein)</u>

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) <u>General Transactions comprising the leasing or rental of properties</u>

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) <u>Placement of Funds</u>

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 18 June 2020 is currently in force until the next annual general meeting of the Company, being the 60th Annual General Meeting ("**Forthcoming AGM**"), which is to be held on 28 April 2021, and if renewed at the Forthcoming AGM, will take effect until the next annual general meeting of the Company to be held in year 2022. 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.

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