

Unaudited Full Year Financial Statement For The Year Ended 31 December 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS

The Board of Directors announces the results of the Group for the year ended 31 December ("FY") 2020. These figures have not been audited or reviewed.

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

1(a)(i) Income statement

	Group		
	2020	2019	+/-
	\$'000	\$'000	%
Continuing operations			
Revenue	4,496,207	4,094,448	9.8%
Cost of sales	(3,776,760)	(3,373,693)	11.9%
Gross profit	719,447	720,755	-0.2%
Other income	87,606	71,473	22.6%
Selling and distribution expenses	(266,467)	(294,857)	-9.6%
Research and development expenses	(125,029)	(97,173)	28.7%
General and administrative expenses	(165,780)	(166,546)	-0.5%
Finance costs	(37,526)	(37,352)	0.5%
Other expenses	(5,429)	(1,640)	231.0%
Profit from continuing operations	206,822	194,660	6.2%
Share of results of associates and joint ventures, net of income tax	(11,752)	4,966	NM
Profit before tax from continuing operations	195,070	199,626	-2.3%
Income tax expense	(42,077)	(36,789)	14.4%
Profit from continuing operations, net of tax	152,993	162,837	-6.0%
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	2,214	(17,067)	NM
Profit for the year	155,207	145,770	6.5%
Attributable to:			
Owners of the Company			
- Profit from continuing operations, net of tax	45,262	45,878	-1.3%
- Profit/(loss) from discontinued operation, net of tax	1,483	(11,435)	NM
	46,745	34,443	35.7%
Non-controlling interests			
- Profit from continuing operations, net of tax	107,731	116,959	-7.9%
- Profit/(loss) from discontinued operation, net of tax	731	(5,632)	NM
	108,462	111,327	-2.6%

NM: Not meaningful

Note:

- (a) Approximately 90% of the Group's total revenue is generated from its businesses in China. For the year ended 31 December, translation of income statements from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rates of RMB5.0106 = SGD1.00 for FY2020 and RMB5.0652 = SGD1.00 for FY2019. For FY2020, RMB has appreciated by about 1.1% as compared to FY2019.
- (b) Discontinued operation – 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. Accordingly, the operating performance of Airwell had been presented separately under "discontinued operation" in the income statement for FY2020. Comparative figures have been restated to conform to current year's presentation.

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

	Group		
	2020	2019	+/-
	\$'000	\$'000	%
Profit before tax from continuing operations includes the following:			
Loss on disposal of property, plant and equipment, net ⁽¹⁾	(770)	(6)	12733.3%
Gain on disposal of right-of-use assets, net ⁽²⁾	514	1,824	-71.8%
Impairment losses on property, plant and equipment and intangible assets ⁽³⁾	(1,159)	(834)	39.0%
Impairment losses on development property ⁽⁴⁾	-	(600)	NM
Impairment losses written back/(recognised) for trade and other receivables, net ⁽⁵⁾	2,468	(6,360)	NM
Allowance recognised for inventories obsolescence, net ⁽⁶⁾	(5,694)	(3,452)	64.9%
Depreciation and amortisation ⁽⁷⁾	(122,045)	(114,315)	6.8%
Foreign exchange (loss)/gain, net ⁽⁸⁾	(1,206)	1,058	NM
Fair value gain/(loss) on derivatives, net ⁽⁹⁾	199	(1,138)	NM
Interest expense ⁽¹⁰⁾	(36,607)	(36,214)	1.1%
Interest income ⁽¹¹⁾	34,404	37,184	-7.5%
Write-off of property, plant & equipment ⁽¹²⁾	(1,587)	(877)	81.0%

NM: Not meaningful

- (1) Net loss on disposal of property, plant and equipment in FY2020 was attributed mainly to the Group's Diesel Engines Unit ("Yuchai").
- (2) Net gains on disposal of right-of-use assets in FY2020 and FY2019 were attributed mainly to Yuchai.
- (3) Impairment losses in FY2020 and FY2019 were mainly related to impairment of property, plant and equipment in Yuchai.
- (4) Impairment losses on development property in FY2019 were attributed to a subsidiary of HL Global Enterprises Limited.
- (5) Net impairment losses written back/(recognised) for trade and other receivables in FY2020 and FY2019 were attributed mainly to Yuchai.
- (6) Net allowances recognised for inventories obsolescence in FY2020 and FY2019 were attributed mainly to Yuchai.
- (7) The higher depreciation and amortisation recorded in FY2020 were mainly due to commencement of depreciation for plant and machinery of Yuchai transferred from construction-in-progress upon asset acceptance during the year.
- (8) The higher net foreign exchange loss recorded in FY2020 was mainly due to foreign exchange loss realised upon receipt of dividends in United States dollar ("USD") and revaluation of USD assets as a result of the strengthening of the Singapore dollar ("SGD") against the USD. This was partially offset by foreign exchange gain on revaluation of SGD assets in China Yuchai International Limited ("CYI") (with functional currency in USD).
- (9) Net fair value gain/(loss) on derivatives in FY2020 and FY2019 (for hedging against foreign currency risk) arose largely from forward foreign exchange contracts in Yuchai.
- (10) The increase in interest expense in FY2020 was mainly due to the increase in loans and borrowings, despite lower interest rates.
- (11) The decrease in interest income in FY2020 was mainly due to lower interest rates.
- (12) The write-offs of property, plant and equipment in FY2020 and FY2019 were recorded mainly by Yuchai.

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

In FY2020, the Group's tax charge included reversal of provision of \$194,000 for prior years (FY2019: additional provision of \$142,000 for prior years).

1(a)(iv) Statement of Comprehensive Income

	2020 \$'000	Group 2019 \$'000	+/- %
Profit for the year	155,207	145,770	6.5%
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Net fair value changes of equity instruments at fair value through other comprehensive income	20,176	6,483	211.2%
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	105,225	(58,069)	NM
Net fair value changes of debt instruments at fair value through other comprehensive income	(550)	602	NM
Total other comprehensive income for the year, net of tax	124,851	(50,984)	NM
Total comprehensive income for the year	280,058	94,786	195.5%
Attributable to:			
Owners of the Company	103,018	26,211	293.0%
Non-controlling interests	177,040	68,575	158.2%
Total comprehensive income for the year	280,058	94,786	195.5%
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax	101,535	37,646	169.7%
- Total comprehensive income from discontinued operation, net of tax	1,483	(11,435)	NM
Total comprehensive income for the year attributable to Owners of the Company	103,018	26,211	293.0%

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

\$'000	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Non-current assets				
Property, plant and equipment	993,781	951,772	261	112
Intangible assets	264,800	145,609	36	72
Investment in subsidiaries	-	-	219,876	212,367
Interests in associates	42,954	43,688	14,605	14,605
Interests in joint ventures	61,016	67,972	-	-
Investment property	1,185	1,265	-	-
Other investments	36,359	16,198	-	-
Non-current receivables	2,433	5,811	-	10,000
Capitalised contract costs	25,962	26,350	-	-
Right-of-use assets	114,376	127,944	10	56
Deferred tax assets	81,561	82,029	-	-
Long-term deposits	28,462	9,655	-	-
	<u>1,652,889</u>	<u>1,478,293</u>	<u>234,788</u>	<u>237,212</u>
Current assets				
Inventories	967,929	594,208	-	-
Development properties	3,438	3,422	-	-
Other investments	1,268	1,785	-	-
Trade and other receivables	1,861,607	1,718,514	289,470	269,712
Cash and short-term deposits	1,346,149	1,318,983	1,220	8,557
	<u>4,180,391</u>	<u>3,636,912</u>	<u>290,690</u>	<u>278,269</u>
Assets of disposal group classified as held for distribution to owners	23,620	-	-	-
	<u>4,204,011</u>	<u>3,636,912</u>	<u>290,690</u>	<u>278,269</u>
Total assets	<u>5,856,900</u>	<u>5,115,205</u>	<u>525,478</u>	<u>515,481</u>
Current liabilities				
Trade and other payables	2,163,413	1,738,047	4,841	3,035
Contract liabilities	176,504	74,594	-	-
Lease liabilities	9,063	11,309	6	41
Provisions	57,499	45,168	-	-
Loans and borrowings	495,390	647,510	101,239	194,875
Current tax payable	12,475	13,546	69	72
Derivatives	99	47	-	-
	<u>2,914,443</u>	<u>2,530,221</u>	<u>106,155</u>	<u>198,023</u>
Liabilities directly associated with disposal group classified as held for distribution to owners	3,121	-	-	-
	<u>2,917,564</u>	<u>2,530,221</u>	<u>106,155</u>	<u>198,023</u>
Net current assets	<u>1,286,447</u>	<u>1,106,691</u>	<u>184,535</u>	<u>80,246</u>
Non-current liabilities				
Loans and borrowings	327,915	113,789	200,000	100,000
Deferred tax liabilities	29,107	35,068	2,851	2,631
Deferred grants	105,338	126,823	-	-
Other non-current payables	38,945	34,044	-	-
Contract liabilities	13,676	10,391	-	-
Lease liabilities	6,019	11,703	8	16
Retirement benefit obligations	2	2	-	-
	<u>521,002</u>	<u>331,820</u>	<u>202,859</u>	<u>102,647</u>
Total liabilities	<u>3,438,566</u>	<u>2,862,041</u>	<u>309,014</u>	<u>300,670</u>
Net assets	<u>2,418,334</u>	<u>2,253,164</u>	<u>216,464</u>	<u>214,811</u>
Equity attributable to owners of the Company				
Share capital	467,890	467,890	467,890	467,890
Reserves	411,416	296,934	(251,426)	(253,079)
Reserve attributable to disposal group classified as held for distribution to owners	667	-	-	-
	<u>879,973</u>	<u>764,824</u>	<u>216,464</u>	<u>214,811</u>
Non-controlling interests	<u>1,538,361</u>	<u>1,488,340</u>	<u>-</u>	<u>-</u>
Total equity	<u>2,418,334</u>	<u>2,253,164</u>	<u>216,464</u>	<u>214,811</u>
Total equity and liabilities	<u>5,856,900</u>	<u>5,115,205</u>	<u>525,478</u>	<u>515,481</u>

Explanatory Notes to Statement of Financial Position

Group

- **Non-current assets:** The increase in non-current assets was mainly due to (a) purchase of property, plant and equipment, (b) capitalisation of development costs for National VI and Tier 4 engines as intangible assets, (c) recognition of higher fair value changes of other investments and (d) increase in long-term deposits placement. The increase was partially offset by the disposal of Airwell's property, plant and equipment and the right-of-use assets as previously announced as well as the recognition of higher share of losses in joint ventures.
- **Current assets:** The increase in current assets was mainly due to higher inventory level maintained as at 31 December 2020 and higher trade and other receivables which resulted largely from higher sales towards year-end.
- **Current liabilities:** The increase in current liabilities was mainly due to (a) higher trade and other payables, (b) higher provision for warranties (with increase in sales units for Yuchai) and onerous contracts and (c) higher contract liabilities, which was partially offset by lower loans and borrowings as at 31 December 2020. In particular:
 - The increase in trade and other payables was mainly caused by higher purchases made towards year-end.
 - The increase in contract liabilities was mainly due to increase in advance payment from customers as at 31 December 2020 for future product deliveries.
 - The decrease in loans and borrowings was mainly due to refinancing of loans and borrowings at longer loan tenures, as seen by the increase in non-current loans and borrowings. The decrease was partially offset by additional loans and borrowings taken up by the Group.
- **Non-current liabilities:** The increase in non-current liabilities was mainly due to refinancing of loans and borrowings at longer loan tenures (more than one year) and additional loans and borrowings taken up by the Group as at 31 December 2020. This was partially offset by lower government grants deferred in FY2020 and lower lease liabilities upon reclassification to current liabilities due to passage of time.
- **Disposal group (Airwell):** As at 31 December 2020, with the cessation of business operations of Airwell, the assets, liabilities and reserves related to Airwell have been presented in the statement of financial position as "Assets of disposal group classified as held for distribution to owners", "Liabilities directly associated with disposal group classified as held for distribution to owners" and "Reserve attributable to disposal group classified as held for distribution to owners".

Company

- **Non-current assets:** The decrease in non-current assets was mainly due to reclassification of certain inter-company loans to current assets. This was partially offset by additional inter-company loans, which forms part of investment in subsidiaries, extended to a subsidiary in the first half of 2020.
- **Current assets:** The increase in current assets was mainly due to additional inter-company loans extended to subsidiaries and reclassification of certain inter-company loans from non-current assets, which were partially offset by lower cash and short-term deposits.
- **Current liabilities:** The decrease in current liabilities was mainly due to refinancing of loans and borrowings at longer loan tenures (more than one year), partially offset by additional loans and borrowings taken up as at 31 December 2020.
- **Non-current liabilities:** The increase in non-current liabilities was mainly due to refinancing of loans and borrowings at longer loan tenures (more than one year) and additional loans and borrowings taken up as at 31 December 2020.

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

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

As at 31.12.2020		As at 31.12.2019	
Secured	Unsecured	Secured	Unsecured
\$10,503,000	\$493,950,000	\$400,000	\$658,419,000

Amount repayable after one year *

As at 31.12.2020		As at 31.12.2019	
Secured	Unsecured	Secured	Unsecured
\$26,304,000	\$307,630,000	\$13,861,000	\$111,631,000

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

Details of any collateral

The secured banking facilities of the Group are secured on the Group's investment in a subsidiary with carrying amount as at 31 December 2020 of \$108,179,000 (31 December 2019: \$107,005,000).

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

	2020	2019
	\$'000	\$'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 inventories obsolescence, net	3,285	8,391
Impairment losses (written back)/recognised for trade and other receivables	(3,079)	7,418
Impairment losses recognised for property, plant and equipment and intangible assets	1,159	3,341
Impairment losses recognised for development property	-	600
Property, plant and equipment written off	1,587	877
Finance costs	38,101	39,021
Dividend income from other investments	(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	239	(221)
Fair value (gain)/loss on derivatives	(199)	1,138
Provision 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	(59,585)	(74,190)
Cash flows from operations	354,658	487,288
Income tax paid	(48,586)	(45,933)
Net cash flows from operating activities	306,072	441,355
Investing activities		
Additional investment in joint ventures	-	(8,126)
Dividends received from:		
- associates and joint ventures	1,038	3,180
- other investments	85	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 on 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	(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 in respect of borrowings	(446,362)	(587,069)
Repayment of obligation 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 beginning of the financial year	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 end of the financial year	1,274,451	1,204,236
Comprising:		
Cash and short-term deposits	1,346,149	1,318,983
Less: Short-term deposits and restricted deposits	(87,864)	(114,747)
Add: Cash at bank attributable to discontinued operation	16,166	-
	1,274,451	1,204,236

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

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus/(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
The Group												
At 1 January 2019	467,890	4,351	15,425	2,192	5,243	(26,394)	51,298	-	226,847	746,852	1,512,100	2,258,952
Profit for the year	-	-	-	-	-	-	-	-	34,443	34,443	111,327	145,770
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(14,418)	-	-	-	(14,418)	(43,651)	(58,069)
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	5,994	-	-	-	-	-	5,994	489	6,483
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	192	-	-	-	-	-	192	410	602
Other comprehensive income for the year, net of tax	-	-	-	6,186	-	(14,418)	-	-	-	(8,232)	(42,752)	(50,984)
Total comprehensive income for the year	-	-	-	6,186	-	(14,418)	-	-	34,443	26,211	68,575	94,786
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(68,427)	(68,427)
Cost of share-based compensation	-	-	-	-	24	-	-	-	-	24	-	24
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of non-controlling interests	-	-	-	-	-	-	(8,263)	-	-	(8,263)	(23,908)	(32,171)
<u>Others</u>												
Transfer to statutory reserve	-	-	376	-	-	-	-	-	(376)	-	-	-
At 31 December 2019	467,890	4,351	15,801	8,378	5,267	(40,812)	43,035	-	260,914	764,824	1,488,340	2,253,164
At 1 January 2020	467,890	4,351	15,801	8,378	5,267	(40,812)	43,035	-	260,914	764,824	1,488,340	2,253,164
Profit for the year	-	-	-	-	-	-	-	-	46,745	46,745	108,462	155,207
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	36,426	-	-	-	36,426	68,799	105,225
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	20,277	-	-	-	-	-	20,277	(101)	20,176
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	(430)	-	-	-	-	-	(430)	(120)	(550)
Other comprehensive income for the year, net of tax	-	-	-	19,847	-	36,426	-	-	-	56,273	68,578	124,851
Total comprehensive income for the year	-	-	-	19,847	-	36,426	-	-	46,745	103,018	177,040	280,058
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(69,459)	(69,459)
Cost of share-based compensation	-	-	-	-	47	-	-	-	-	47	-	47
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	11,149	11,149
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of non-controlling interests	-	-	-	-	-	-	19,562	-	-	19,562	(68,709)	(49,147)
<u>Others</u>												
Transfer to statutory reserve	-	-	570	-	-	-	-	-	(570)	-	-	-
Reserve attributable to disposal group classified as held for distribution to owners	-	-	-	-	-	(667)	-	667	-	-	-	-
At 31 December 2020	467,890	4,351	16,371	28,225	5,314	(5,053)	62,597	667	299,611	879,973	1,538,361	2,418,334

1(d)(i) Statement of changes in equity for the periods ended 31 December (cont'd)

The Company	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated (losses)/ profits \$'000	Total equity \$'000
At 1 January 2019	467,890	9,199	2,467	(273,718)	205,838
Total comprehensive income for the year	-	-	-	8,949	8,949
Transactions with owners, recorded directly in equity					
<u>Contributions by and distributions to owners</u>					
Cost of share-based compensation	-	-	24	-	24
At 31 December 2019	<u>467,890</u>	<u>9,199</u>	<u>2,491</u>	<u>(264,769)</u>	<u>214,811</u>
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					
<u>Contributions by and distributions to owners</u>					
Cost of share-based compensation	-	-	47	-	47
Dividends paid to shareholders	-	-	-	(7,478)	(7,478)
At 31 December 2020	<u>467,890</u>	<u>9,199</u>	<u>2,538</u>	<u>(263,163)</u>	<u>216,464</u>

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

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

There were no shares held as treasury shares or subsidiary holdings as at 31 December 2020 and 31 December 2019.

There was no change in the Company's issued share capital during the year ended 31 December 2020.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "**Scheme**") during the year ended 31 December 2020.

As at 31 December 2020, there were a total of 1,017,000 (31 December 2019: 920,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

Year of Grant	Exercise Price	Number of Outstanding Options
2011	\$3.17	380,000
2014	\$1.31	190,000
2019	\$0.53	50,000
2020	\$0.54	397,000
Total		1,017,000

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

The total number of issued ordinary shares as at 31 December 2020 and 31 December 2019 was 747,817,118.

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

There was no sale, transfer, cancellation and/or use of treasury shares/subsidiary holdings during the year ended 31 December 2020.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the year ended 31 December 2019.

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

The Group has adopted all accounting standards that are effective from 1 January 2020. The adoption of the accounting standards did not have any material impact on the financial statements.

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

	Group	
	2020	2019
Profit per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue	6.25	4.61
(ii) On a fully diluted basis (cts)	6.25	4.61

570,000 (31 December 2019: 570,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 31 December 2020 and as at 31 December 2019 (cts)	117.67	102.27	28.95	28.73

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

The Group operates mainly in China, Singapore and Malaysia.

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

As announced on 12 May 2020, HL Cement (Malaysia) Sdn Bhd and Ridge Star Limited, both wholly owned subsidiaries of the Company (collectively, the "**Joint Offerors**"), launched an unconditional voluntary take-over offer to acquire all the remaining ordinary shares ("**Ordinary Shares**") (excluding treasury shares) and the 6% cumulative participating preference shares ("**Preference Shares**") of Tasek Corporation Berhad ("**Tasek**") not already held by the Joint Offerors (the "**Offer**") at an offer price of Malaysian Ringgit ("**RM**") 5.80 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. As at 31 December 2020, the Group

holds 119,063,387 Ordinary Shares and 217,450 Preference Shares in Tasek, representing 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 respectively.

Subsequent to the Company's announcements on 30 September 2020 and 16 November 2020 in relation to the disposal of assets of Airwell Air-conditioning Technology (China) Co., Ltd, for a consideration of RMB141.0 million, the business operations of Airwell have ceased as at 31 December 2020. Accordingly, its results have been presented separately as "discontinued operation" in the Group's income statement for FY2020. Comparative figures have been re-presented.

The Coronavirus Disease 2019 ("**COVID-19**") global pandemic brought economic activities to a standstill and disrupted supply chains in 2020 as countries raced to contain the virus spread and limit the negative impact on their economies. The performance of the Group's businesses in China, Singapore and Malaysia has been impacted during 2020. Throughout this period, the Group has responded to the crisis by putting the safety of our employees first and ensured that we continue to manage our business risks effectively.

In China, the economy grew by 6.5% in the fourth quarter of 2020, contributing to the full year growth of 2.3%, making China the only major economy to avoid a contraction in 2020. Reuters reported that China recovered steadily from a steep 6.8% decline in the first quarter of 2020, aided by strict virus containment measures and policy stimulus. Statistics from China Association of Automobile Manufacturers reported an increase in sales of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 21.5% in 2020 as compared with 2019.

In Singapore, the Ministry of Trade and Industry ("**MTI**") reported that the economy contracted by 5.4% in 2020, a reversal from the 1.3% growth in 2019. The construction sector shrank by 35.9%, a sharp retraction from the 1.6% growth posted in 2019, weighed down by weakness in both public sector and private sector construction works. In Malaysia, the Department of Statistics Malaysia reported that the economy contracted by 5.6% in 2020. Various phases of Movement Control Order ("**MCO**") implemented to contain the spread of COVID-19 affected Malaysia's economic performance. In particular, the construction sector recorded a sharp decline of 19.4% in 2020. Disruption of business activities due to the COVID-19 pandemic affected the operations and performance of BMU's operations in Singapore and Malaysia during 2020.

Profit for the year increased from \$145.8 million in FY2019 to \$155.2 million in FY2020. Profit attributable to the owners of the Company ("**PATMI**") for FY2020 increased by \$12.3 million to \$46.7 million, as compared to \$34.4 million for FY2019.

FY2020 versus FY2019

Revenue for the Group was \$4.496 billion in FY2020, an increase of \$401.8 million or 9.8%, from \$4.094 billion in FY2019. The increase in revenue was mainly due to higher revenue recorded by Yuchai which was partially offset by the revenue decline of BMU.

- Yuchai's revenue increased by \$553.0 million or 15.6% as compared to FY2019. Yuchai sold 430,320 engines in FY2020 as compared to 376,148 units sold in FY2019. The increase was mainly due to higher engine sales in the heavy-duty and medium-duty truck segments and off-road segments, particularly agricultural engines, which more than offset the unit sales decline in the bus segment.
- BMU's revenue decreased by \$142.8 million or 28.2% as compared to FY2019 as both its Singapore and Malaysian operations were affected by disruption to business activities due to the COVID-19 pandemic.

The Group's gross profit was \$719.4 million in FY2020, a decrease of \$1.4 million from \$720.8 million in FY2019. This was mainly due to the decline in gross profit of BMU as a result of business disruptions during the Circuit Breaker and MCO periods.

Other income, which comprised mainly interest income and government grants, was \$87.6 million in FY2020, an increase of \$16.1 million from \$71.5 million in FY2019, largely due to higher government grants. The grants were mainly research and development related and they are project specific.

Selling and distribution (“**S&D**”) expenses were \$266.5 million in FY2020, a decrease of \$28.4 million or 9.6% as compared to \$294.9 million in FY2019, largely due to lower delivery costs and net impairment losses written back for trade and other receivables.

Research and development (“**R&D**”) expenses were \$125.0 million in FY2020, an increase of \$27.8 million or 28.7% as compared to \$97.2 million in FY2019 due to the need to increase Yuchai’s portfolio of new engines which are compliant with the more stringent National VI emission standards and continuous improvements made to enhance the quality and performance of its engines.

General and administrative (“**G&A**”) expenses were \$165.8 million in FY2020, comparable to \$166.5 million in FY2019.

Finance costs were \$37.5 million in FY2020, an increase of \$0.1 million or 0.5% as compared to \$37.4 million in FY2019. This was mainly due to increase in loans and borrowings, despite lower interest rates.

Other expenses, which comprised mainly provision for onerous contracts and net foreign exchange loss, were \$5.4 million in FY2020, an increase of \$3.8 million from \$1.6 million in FY2019.

Share of results of associates and joint ventures was a loss of \$11.8 million in FY2020 as compared to a profit of \$5.0 million in FY2019. This was mainly due to losses from joint ventures of Yuchai.

In conclusion, profit from continuing operations decreased from \$162.8 million in FY2019 to \$153.0 million in FY2020. Profit from continuing operations attributable to the owners of the Company was \$45.3 million in FY2020, comparable to \$45.9 million in FY2019.

Profit from discontinued operation of \$2.2 million in FY2020 included gain on disposal of assets of \$2.9 million, reversal of allowance recognised for inventories obsolescence of \$2.4 million and impairment losses written back for trade and other receivables of \$0.6 million.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.346 billion as at 31 December 2020 compared with \$1.319 billion as at 31 December 2019.

During the year under review, the Group generated operating cash inflow before changes in working capital of \$404.8 million and net cash inflow from operating activities of \$306.1 million. This was mainly due to higher trade and other payables and contract liabilities, partially offset by higher inventories holdings and higher trade and other receivables as compared to 31 December 2019.

The net cash outflow from investing activities of \$168.7 million was mainly due to purchase of property, plant and equipment and intangible assets, partially offset by net proceeds from disposal of assets, interest received and net release of deposits with banks.

The Group had net cash outflow from financing activities of \$126.5 million. It was mainly due to acquisition of non-controlling interests of \$49.1 million, dividends paid to non-controlling interests of \$69.5 million and interest payment of \$38.0 million, partially offset by net proceeds from loans and borrowings of \$39.9 million and additional contribution by non-controlling interests of \$11.1 million.

As reported in the Group’s results announcement for the third quarter of 2018 dated 14 November 2018, the Company had raised net proceeds of \$201.1 million from the rights issue exercise in October 2018. On 20 October 2020, the Group had announced that \$110.0 million of the net proceeds had been utilised. Since then, a further \$5.7 million of the net proceeds have been utilised in 2021 for the acquisition of investment securities (being general corporate purposes or making strategic investments and/or acquisitions).

Other than the above and previously announced, the remaining unutilised funds have been used in the interim to repay short-term revolving facilities and the balance has been deposited with financial institutions pending future deployment. The Company will make periodic announcements via SGXNET on the further deployment of the rights proceeds.

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

None.

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

Our key markets in China, Singapore and Malaysia are recovering, although at different speed, with the strict containment measures and government stimulus spending working its way through the real economy. The COVID-19 vaccine development and deployment is the game changer and has brought some confidence back to the markets. The pace of global recovery will be dependent on how fast the borders are re-opened and a less volatile US-China trade relations. In light of the disruption and with growing regulatory support, the Group has quickly shifted focus towards digitalization, automation and innovation in our manufacturing operations.

In China, our Yuchai operations remain committed to its research and development programmes as we work towards meeting the stringent National VI emission standards in July 2021.

Our BMU business in Malaysia, Tasek's integrated cement plant and its ready-mix batching plants continue to work on operational improvements and reducing overhead costs. In Singapore, our BMU has embarked on digitalizing our workflows and continue with its strategic move towards higher automation and improved productivity, in line with Singapore's transformation plan for the Building and Construction industry. The construction of the Group's Precast manufacturing facility, when ready, will enable the Precast business division to continue to be a significant player in Singapore.

The Group is cautiously optimistic that performance will improve this year. With our conservative balance sheet and net cash position, the Group should be able to meet the challenges and capture the opportunities ahead, post-COVID.

11. Dividend

(a) Current Financial Period Reported On

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

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

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

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

(c) Date payable

Subject to shareholders' approval at the forthcoming 60th Annual General Meeting of the Company, the proposed first and final dividend for financial year ended 31 December 2020 will be payable on 18 May 2021.

(d) Record date

5.00 pm on 6 May 2021

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

Not applicable.

13. Interested person transactions

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions for FY2020 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
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 to Interested Persons: \$1,747,958

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

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

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

\$'000	Diesel engines	Building materials	Rigid packaging	Air-conditioning systems (Discontinued operation)	Corporate and Others ⁽¹⁾	Adjustments	Total
2020							
External revenue	4,102,795	362,988	25,732	10,206	4,692	(10,206)	4,496,207
Interest income	32,617	923	44	37	3,815	(3,032)	34,404
Interest expense	(29,396)	(833)	(632)	(570)	(8,833)	3,657	(36,607)
Depreciation and amortisation	(97,677)	(21,894)	(1,301)	(433)	(1,173)	433	(122,045)
Reportable segment profit/(loss) before income tax	193,923	15,921	(396)	2,220	(14,378)	(2,220)	195,070
Share of results of associates and joint ventures, net of income tax	(11,870)	17	-	-	101	-	(11,752)
Reportable segment profit/(loss) after income tax	155,537	12,748	(560)	2,214	(14,732)	(2,214)	152,993
2019							
External revenue	3,549,762	505,787	31,835	9,641	7,064	(9,641)	4,094,448
Interest income	33,979	1,454	50	19	4,609	(2,927)	37,184
Interest expense	(25,043)	(1,337)	(1,317)	(1,661)	(11,420)	4,564	(36,214)
Depreciation and amortisation	(90,748)	(20,909)	(1,437)	(923)	(1,221)	923	(114,315)
Reportable segment profit/(loss) before income tax	201,179	14,191	(1,462)	(17,067)	(14,282)	17,067	199,626
Share of results of associates and joint ventures, net of income tax	3,581	1,208	-	-	177	-	4,966
Reportable segment profit/(loss) after income tax	167,204	12,763	(1,523)	(17,067)	(15,607)	17,067	162,837

⁽¹⁾ Others relate to hospitality and property development.

14 (a)(ii). Geographical Segments

\$'000	China (including Hong Kong)	Singapore	Malaysia	Others	Consolidated
2020					
Total revenue from external customers	4,116,521	205,388	163,646	10,652	4,496,207
2019					
Total revenue from external customers	3,567,113	308,376	205,887	13,072	4,094,448

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

Not applicable.

16. A breakdown of sales.

	Group		
	2020 \$'000	2019 \$'000	Increase/ (Decrease)
Sales reported for first half	2,137,155	2,050,241	4.2%
Operating profit after tax before deducting non-controlling interests reported for first half year	80,159	88,901	-9.8%
Sales reported for second half	2,359,052	2,044,207	15.4%
Operating profit after tax before deducting non-controlling interests reported for second half year	72,834	73,936	-1.5%

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

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

The figure under the latest full year comprises the proposed first and final dividend for FY2020 which is subject to shareholders' approval at the forthcoming Annual General Meeting, and calculated based on 747,817,118 issued shares in the capital of the Company as at 25 February 2021.

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

Name	Age	Family relationship with any director, chief executive officer and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Kwek Pei Xuan	29	Daughter of Mr Kwek Leng Peck, Executive Chairman of Hong Leong Asia Ltd. ("HLA").	Appointed Head of Sustainability and Corporate Affairs of HLA on 1 January 2021. - Having overall responsibility for the management of the sustainability practices and reporting and corporate affairs (which involves overseeing corporate communications and business relation with stakeholders) of the Company and its subsidiaries.	Ms Kwek was appointed Head of Sustainability and Corporate Affairs of HLA on 1 January 2021. Prior to this appointment, she was the Senior Business Development Manager of HLA (this position was not equivalent to, or more senior than, the head of a department or division).

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

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

BY ORDER OF THE BOARD

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

25 February 2021