



HONG LEONG ASIA LTD.

DOING WHAT
MATTERS

ANNUAL REPORT 2021



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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.

VISION AND VALUES

The HLA Story



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Just over a year ago, the senior management of Hong Leong Asia (HLA) unveiled their **2025 VISION AND CORE VALUES** to its employees and key business leaders and exchanged stories on how the group has and would continue to make a difference.

We looked at the past to get clear on the values, behaviours, attitudes and core competencies that have served us well till today. We questioned ourselves on the gaps we needed to fill to seize new opportunities and move ahead in an increasingly disruptive world.

How Do We Stay Grounded and Strive To Do Better?

“ 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.”

Stephen Ho, Chief Executive Officer



Who Are We, What Do We Offer and How Will We Grow?

1 WE REMAIN A **DIVERSIFIED ASIAN MULTINATIONAL** WITH CORE EXPERTISE IN BUILDING MATERIALS AND DIESEL ENGINES

2 WE LOOK TOWARDS **CREATING INNOVATIVE AND SUSTAINABLE PRODUCTS**, BY WORKING CLOSELY WITH OUR CUSTOMERS

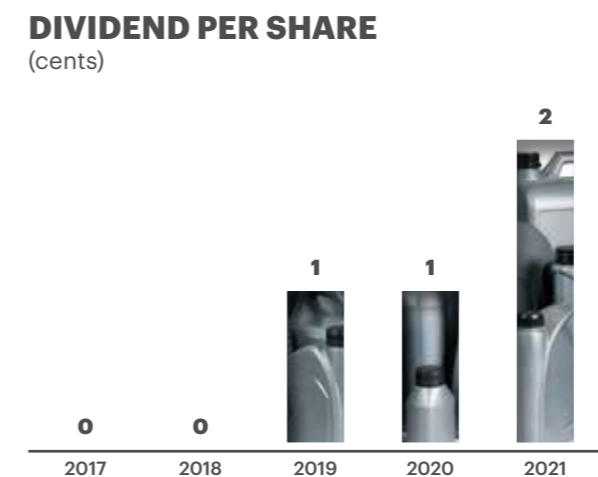
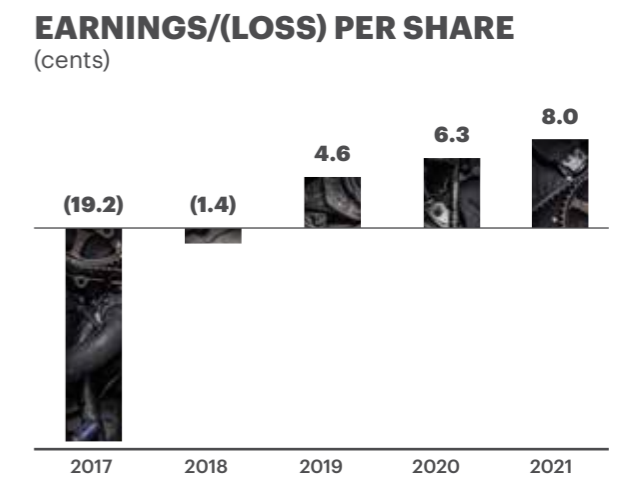
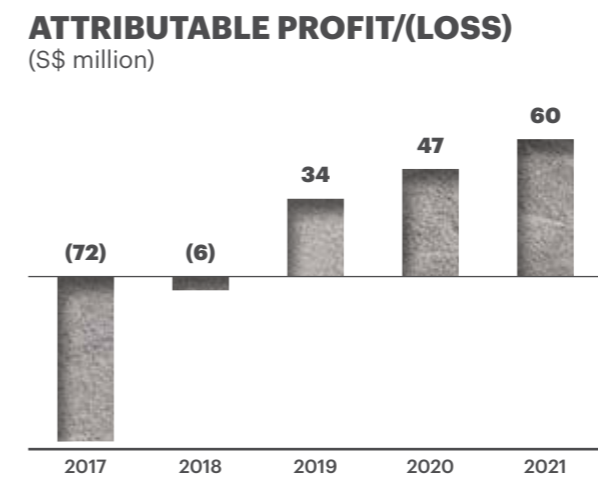
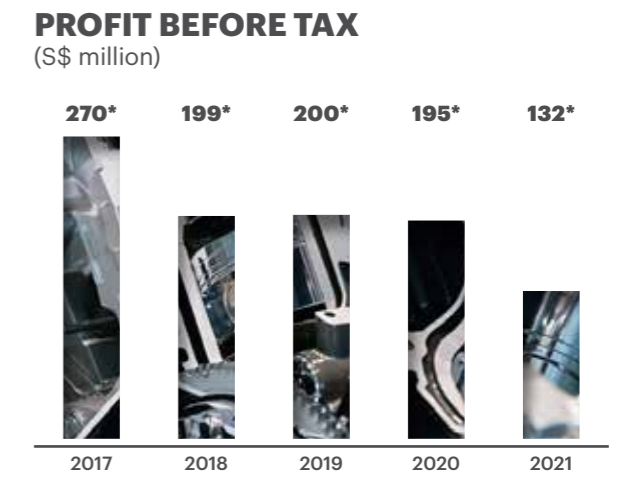
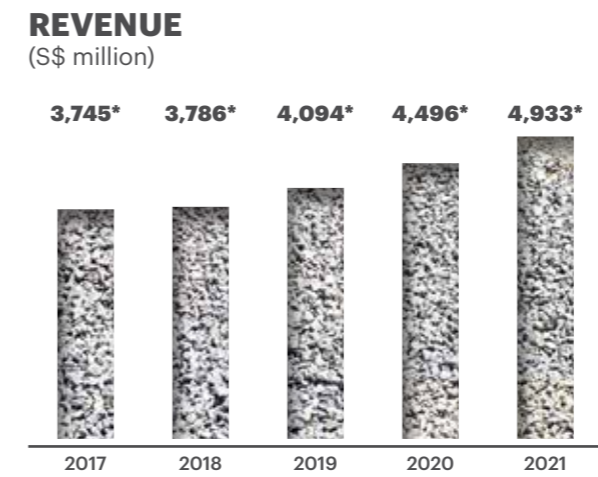
3 IN ORDER TO CREATE GREATER VALUE FOR OUR CUSTOMERS TO **DELIVER URBAN SOLUTIONS FOR CITIES OF THE FUTURE**, PARTICULARLY IN THE AREAS OF CONSTRUCTION AND TRANSPORT

Follow us as we navigate this journey to realise our fullest potential.

REVENUE DISTRIBUTION



FINANCIAL HIGHLIGHTS



* Encompasses continuing operations only.

PEOPLE MATTER

WHICH IS WHY WE PLACE OUR CUSTOMERS FIRST
AND STRIVE TO SUPPORT OUR COMMUNITIES IN
NEW AND MEANINGFUL WAYS.

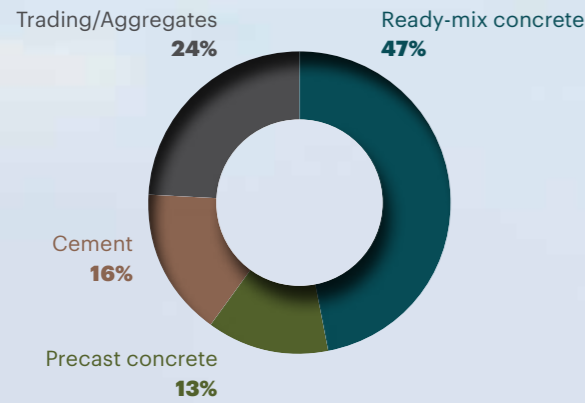
“Our business directly touches, and relies on, thousands of people, and indirectly many more. We are creating meaningful jobs, looking after the safety and wellbeing of our people, investing in their career development, and supporting our communities.”



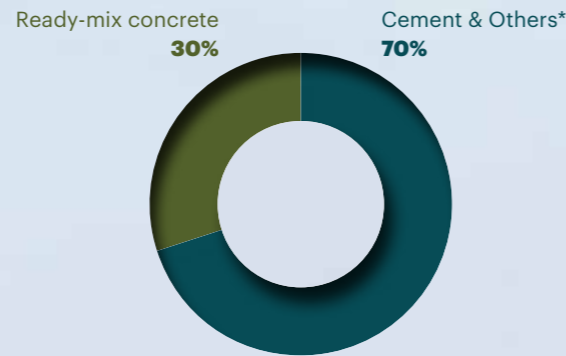
SALES HIGHLIGHTS

BUILDING MATERIALS UNIT

SALES MIX BY SEGMENT



SALES MIX BY SEGMENT



* others refers to clinker, limestone, crusher run and fly ash cement

“ With border lock downs and increased uncertainties in the bulk freight markets due to the pandemic, 2021 will be remembered as a year of major supply chain disruptions.

Our strategy to diversify our raw material sources paid dividends as it enabled us to circumvent these issues. We were able to continue our uninterrupted supplies to customers who have chosen us as their main partners and as a result, our business has grown further.

Going forward confidently into 2022, we will continue to strengthen our foundations built on the 3Rs - Resilience, Reliability and Responsibility - key traits which our customers can expect from us as their main partners, regardless of project size or complexities.”



P. Jeyasingam
Chief Operating Officer of BMU, Singapore

“ 2021 has been another challenging year. We have been inundated with the adverse effects from the pandemic, resulting from months of Movement Control Order (MCO) and restrictions imposed on the construction and building material industry. As a result of these restrictions, projects have been significantly delayed. Despite the recovery in last quarter of 2021, we have not been spared with the rising costs of raw materials that hindered the progress of a speedy recovery.

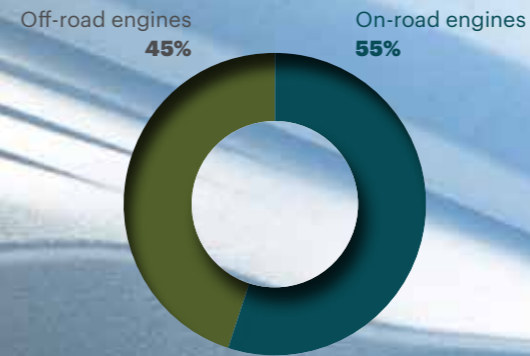
2022 is expected to remain challenging with the absence of new mega projects and input cost rising. Nonetheless, we will continue to strive for operational excellence through continuous cost improvements, process and quality optimization and team agility in customer management.”



Chen Fun Tee
Chief Operating Officer of Tasek Group, Malaysia

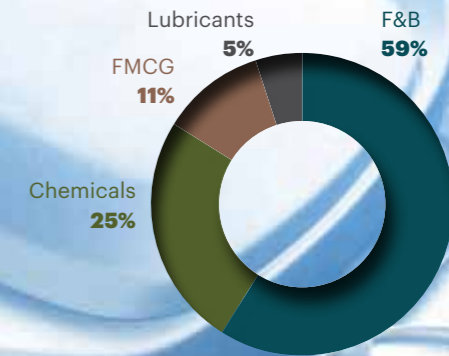
DIESEL ENGINE UNIT

SALES MIX BY SEGMENT



RIGID PACKAGING UNIT

SALES MIX BY INDUSTRY



NOTE

- On-road refers to truck, bus and passenger cars
- Off-road refers to agriculture, industrial, marine power & generator set and new energy

“ 2021 marked the successful transition of our on-road products to meet China’s newly implemented National 6a emissions standards amidst stricter environmental regulations.

Overall, we remained focused on diversifying our performance across the sectors, countering weaker trucks sales with a double-digit growth in bus and off-road engine sales. This was despite a challenging environment for the automobile market affected by lower economic growth, COVID-related restrictions, supply chain disruptions, chips shortages, weakened consumer sentiment and real estate construction slowdowns.

We expect these challenges to continue into 2022 and will keep our focus on expanding our market share and investing in technologies to transition towards a greener economy.”



Hoh Weng Ming
President of China Yuchai International

“ F2021 was a time of sudden disruptions not only with the increase in raw material prices and sea freight rates in China but also with the sudden electricity shortages across the country. Despite the challenges, it was an opportunity for our teams to test their resourcefulness and resiliency. REX achieved double digit sales growth compared to the previous year.

Looking forward, REX will increase its sales focus towards the F&B and Chemicals industries. We will also continue to improve productivity through technology advancement as well as support the Group’s Sustainability efforts by sourcing for alternative, environmentally-friendly raw materials.”



Raymond Lim
General Manager of Rex China



RESILIENCE MATTERS

FOR IT IMPACTS OUR RESPONSE AND REACTION TO
ECONOMIC CHANGE AND SUSTAINABILITY CHALLENGES.

“ Last year, we completed the acquisition of a 20% stake in Singapore-listed BRC Asia Limited, making it an associated company of the Group. ”

Mr Kwek Leng Peck, Chairman

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Directors, I have the pleasure to present the Annual Report to you for the year ended 31 December 2021 ("FY2021").

ANOTHER YEAR OF GREAT DISRUPTION

As the global health crisis entered its second year, the Covid-19 pandemic continued to cause widespread disruption in the way we live, work and interact with one another. Borders remained closed and interactions with our customers, staff and business partners were confined mainly to video conferencing. We have to constantly stay engaged with our stakeholders through virtual meetings to address issues.

Our people have made sacrifices to ensure that business continues to run, and our customers' needs and expectations are met. During these unprecedented times, our teams held steadfast to our core values of "Keeping the Customers First" and "Mind the Details that Matter" to persevere and stay ahead.

IMPROVING OUR RESILIENCE

Disruptions were felt mostly in our global supply chains. In China, semiconductor chips needed for our engines business were in short supply. There were outages at factories across the country due to power disruptions. We had frequent stop work orders in Johor, Malaysia that prevented timely deliveries of our Precast products to Singapore.

During this period of uncertainty, our operations learnt to adapt and improved their resilience by prioritising our product offering and conserving power consumption. The precast business made contingency plans to shift prefabricated moulds to Singapore for production to reduce delays on customer deliveries.

PRESERVING OUR CASH AND STRONG BALANCE SHEET POSITION

The prolonged crisis has made business planning and forecasting difficult. Contingency plans were made to ensure we have sufficient means to withstand any drop in revenues and cash flows. When lockdowns were imposed, our operations were quick to cut discretionary spending and minimise non-essential capital expenditures. We were careful to manage our costs and imbue financial prudence to safeguard

“AS ASIA UNDERGOES RAPID URBANISATION, WE BELIEVE THE BUILDING AND CONSTRUCTION SECTOR WILL EXPAND RAPIDLY. TOGETHER WITH BRC ASIA LIMITED, WE CAN LEVERAGE THESE OPPORTUNITIES TO DEVELOP AND ACCELERATE INNOVATIVE SOLUTIONS TO BUILD CITIES OF THE FUTURE.”

our strong balance sheet. This strategy helps to preserve our reputation as a trusted and reliable partner, and reinforces our relationships with customers and suppliers.

BUSINESS PORTFOLIO OPTIMISATION

We continued with our strategy to trim non-core assets that are not essential to our operations in order to free up capital. At the same time, we looked for opportunities to strengthen our core businesses. In the second quarter of 2021, we expanded the operating capacity of our Building Materials Unit and signed a lease for additional space in Senai for the manufacturing and production of Precast products. In November, our wholly owned subsidiary Tasek Cement Quarries Sdn Bhd acquired all limestone quarry assets from MCB Quarries Sdn Bhd. Their quarries are situated adjacent to ours in Ipoh, Perak, and substantially add to the limestone reserves for Tasek's cement business.

ACQUISITION OF A 20% STAKE IN BRC ASIA LIMITED ("BRC")

Last year, we completed the acquisition of a 20% stake in Singapore-listed BRC Asia Limited, making it an associated company of the Group. We are the second largest shareholder after private company, Esteel



KWEK LENG PECK
Executive Chairman

MCB Quarries Acquisition by Tasek Corporation Subsidiary



Extension of Leased Space under BMU Precast Segment



Enterprise. BRC is a market leader in providing steel reinforcement solutions in Singapore, offering standard length rebar, cut and bend services, prefabrication services, as well as standard and customised welded wire mesh for the building and construction industry.

As Asia undergoes rapid urbanisation, we believe the building and construction sector will expand rapidly. Together with BRC, we can leverage these opportunities to develop and accelerate innovative solutions to build cities of the future.

THE THREE PILLARS OF SUSTAINABILITY

We have made good progress in defining our Sustainability Framework and adopted a holistic approach towards managing our Economic, Environmental, Social and Governance issues. We defined three key pillars that are critical

CHAIRMAN'S MESSAGE



to the success of our business strategy and create long term value for our stakeholders. The three pillars are "Driving Innovation for a Low-Carbon and Circular Economy", "Empowering our People and Communities", and "Building Resilience for the Long-Term".

To keep our shareholders and the market abreast of our progress on the sustainability front, I encourage you to refer to our Sustainability Report for a detailed discussion of these pillars and how we will track and measure the performance indicators over time.

The 2021 Sustainability Report will be published separately on 6 April 2022, and available in digital format via SGX website and the Company's website.

AWARDS AND RECOGNITION

In November last year, Hong Leong Asia won the prestigious Singapore Corporate Awards 2021 Special Edition in the mid-cap category for Corporate Excellence and Resilience Award. Earlier in the same year, Hong Leong Asia's Annual Report 2020 secured a Gold at the International Hermes Creative Awards 2021 in the USA. We are honoured to be conferred these Awards. It is a recognition of the hard work and dedication of our staff.

LOOKING FORWARD

Our core values have shaped our behaviour and moulded us to be more resilient. Our focus on

innovation and the three sustainability pillars has put us on track to do better over time.

DIVIDENDS

The Group reported a 28.6% increase in Net Profits attributable to the owners of the Company at the end of FY2021. The Board has recommended a first and final dividend of two cents per share for FY2021, compared to 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 who have supported us during the year. I would also like to thank my fellow Board members for their invaluable contribution, advice, and guidance. Finally, the management and staff for the sacrifices made during the pandemic and wish everyone and their families a safe and healthy 2022.

Kwek Leng Peck
Executive Chairman
25 March 2022

主席 致辞

尊敬的各位股东，

我很荣幸代表董事们向各位提呈截至2021年12月31日("财年")的年度报告。

又是阻碍重重的一年

随着全球健康危机进入第二个年头，新冠肺炎(Covid-19)疫情继续对我们的生活、工作和交流互动的方式造成了颇多不便。边境仍然处于关闭状态，我们与客户、员工和业务合作伙伴的互动主要局限于视频会议。我们必须通过虚拟会议与利益相关方时刻保持联系，以便解决问题。

我们的员工为确保业务得以继续开展满足客户的需求和期望作出了贡献。在这空前艰难的时期，我们的团队坚守"客户至上"和"关注重要细节"的核心价值观，坚持不懈并保持领先地位。

提高我们的韧性

阻碍主要来自于我们的全球供应链。在中国，我们发动机业务所需的半导体芯片供不应求。由于电力中断，国内的一些工厂设备停机。在马来西亚柔佛州，我们频繁地接到了停工令，导致我们的预制混凝土无法按时交付到新加坡。

在这个充满变数的时期，我们的运营部门学会了通过优先考虑产品供应和节约能耗来适应大环境并提高业务韧性。我们为预制混凝土业务制定了应急方案，将预制混凝土转移到新加坡进行生产，减少对客户交付的延误。

保持现金流及强化资产负债表状况

长期危机使得业务计划和预测变得困难重重。我们已制定应急预案，以确保我们有足够的措施来承受任何收入和现金流的下降。当实施封锁，我们的业务迅速冻结了可自由支配的开支并最大限度地减少了非必要资本支出。我们谨慎地管理成本并在财务方面审慎行事，以维持强劲的资产负债表。这一策略有助于维护我们作为信誉可靠的合作伙伴所应有的声誉，并巩固我们与客户和供应商之间的关系。

业务组合优化

我们继续执行削减企业运营中非核心资产的策略，从而释放资本。同时，我们也在寻求可以加强核心业务的机会。在2021年第二季度，我们扩大了建筑材料业务的运营能力，新租了士乃的额外空间以用于预制混凝土产品的制造和生产。11月份，我们的全资子公司Tasek Cement Quarries Sdn Bhd从 MCB Quarries Sdn Bhd收购了所有石灰石采矿场资产。他们的采矿场毗邻我们位于霹靂州怡保的采矿场，这大幅增加了 Tasek 水泥业务所需的石灰石储量。

收购BRC Asia Limited ("BRC") 20%的股份

去年，我们收购了新加坡上市公司BRC Asia Limited 20%的股份，使其成为本集团的联营公司。我们是继私营企业 Esteel Enterprise之后的第二大股东。BRC是新加坡提供钢结构加固解决方案的市场领先者，专门为建筑和建造行业提供标准长度的螺纹钢、钢筋加工配送服务、钢筋预制服务以及标准和定制的钢筋焊接网。

随着亚洲加快城市化进程，我们相信建筑和建造行业将迅速扩张。我们可以与BRC一道，利用这些机会开发和加快创新方案，建设未来城市。

可持续发展的三大支柱

我们在界定自身可持续发展框架方面取得良好进展，采取全局方法来处理经济、环境、社会及管治问题。我们确定了三大关键支柱，这不仅对我们的业务战略取得成功至关重要，还可为我们的利益相关方创造长期价值。三大支柱分别是"推动低碳和循环经济创新"、"向员工和社区赋权"和"培养长期韧性"。

为了让股东和市场了解我们在可持续发展方面的进展，我鼓励大家参阅我们的《可持续发展报告》，里面详细讨论了这三大支柱以及我们如何长期跟踪和衡量绩效指标的问题。

2021年可持续发展报告将于2022年4月6日单独发布，并通过新交所网站和公司网站提供电子文档。

奖项与认可

去年11月，丰隆亚洲在久负盛名的"新加坡企业奖2021特别版"(Singapore Corporate Awards 2021 Special Edition)中获得中型企业类别的"企业卓越与韧性奖"(Corporate Excellence and Resilience Award)。同年较早前，丰隆亚洲的《2020年年度报告》在美国举办的"International Hermes Creative Awards 2021"中荣获金奖。我们很荣幸获得这些奖项。这是对我们全体员工辛勤工作和无私奉献的认可。

展望未来

我们的核心价值观塑造了我们的行为模式并让我们更具韧性。我们对创新和三大可持续发展支柱的投入使我们能够随着时间的推移获得更出色的业绩表现。

股息

据本集团报告，截至2021财年末，归属于公司所有者的净利润增长了28.6%。根据董事会建议，2021财年首次和最终派发股息为每股2分，而2020财年则为每股1分。

鸣谢

在此，我谨代表董事会，向在本年度支持我们的所有股东、客户、供应商、合作伙伴和业务伙伴等利益相关方致以衷心的感谢。我还要感谢董事会其他成员作出的宝贵贡献以及提出的建议和指导。最后，感谢管理层和全体员工在疫情期间的辛勤付出，并祝愿各位及其家人2022年安康。

郭令栢
执行主席
2022年3月25日

INNOVATION MATTERS

BECAUSE IT ENABLES US TO TAP INTO NEW GROWTH OPPORTUNITIES AND CREATE GREATER VALUE.

“China Yuchai has entered into an agreement with the Government of Nanning Municipality to research, develop and construct new production capacity for new energy technologies.”



CEO'S REVIEW

Dear Shareholders,

As we look back at 2021, we are reminded of the mounting challenges brought on by the global health crisis and the severe disruptions to our supply chains. The Covid-19 pandemic has a big negative impact on our operations and people, but we responded well to the crisis and demonstrated our resilience as a team.

The Group reported higher revenue of 9.7% to S\$4.9 billion in FY2021 (FY2020: S\$4.5 billion), and higher Net Profits attributable to the owners of the Company ("PATMI") of S\$60.1 million (FY2020: S\$46.7 million), up 28.6% from a year ago. Overall, this is a highly satisfactory performance in an uncertain operating environment.

The environment was particularly difficult as our Malaysia operations were disrupted by the nation's Full Movement Control Order in June 2021, and frequent Stop Work Orders in Senai, Johor to stem COVID-19 clusters from enlarging. Projects were delayed with little or no deliveries. It was not until November 2021 when the situation returned to normal, and production could start again without any interruptions.

We experienced disruptions in supply of raw materials, from semiconductor chips and rare metals for our China engines business to coal and paper bags for our cement business in Malaysia. Manpower shortages in Singapore were also critical with many migrant workers going back to their homeland to see their families, and few replacements were available due to strict entry controls imposed by Immigration and Checkpoints Authority (ICA).

On a brighter note, the situation is gradually improving in our key markets in China, Singapore and Malaysia. This would not have been possible without the implementation of strict containment measures, the speedy rollout of double vaccination and booster shots, and the extension of strong financial support of the respective local governments towards the business community. It has brought back confidence in the markets and allowed manufacturing and trading activities to resume in a safe manner.

The Group generated positive Net Cash Flows from Operating Activities of S\$130.7 million in FY2021

It is important for us to remain financially strong and resilient as our teams continue to focus on managing our business risks well during these unprecedented

STEPHEN HO
Executive Director
& Chief Executive Officer



S\$4.9

BILLION
REVENUE IN FY2021



times. Non-core assets were disposed. Assets under Airwell China were sold and we are in the process of liquidating the company. We sold Xinfei debts to a third party, realising a gain of approximately S\$10.0 million. In December 2021, we announced the sale of an unused piece of freehold land and property under Rex Plastics (Malaysia) Sdn Bhd. This transaction completed in February 2022. The Group ended FY2021 with a net cash position of S\$341.5 million.

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 is also involved in the development of new energy solutions in hybrid power and fuel cell development for the Chinese market.

Yuchai did well and increased the sales volume of engines to 456,791 units in FY2021, up 6.2% from 430,320 a year ago. The increase came mainly from bus and passenger vehicle engines, as well as strong sales in agriculture, marine, and power generation engines. Our new energy business registered a sale of 501 units during the year, a small but important milestone for us. The traditional truck market segment did not grow after the mandated transition to National VI engines in July last year. In fact, the overall truck market dropped 8.7% in 2021.

Still, net revenue for FY2021 grew strongly by 7.9% to S\$4.4 billion. Yuchai's gross margin was affected by higher material costs. Reported profit after tax ("PAT") was S\$85.7 million in FY2021, a drop of 44.9% year-on-year.

Yuchai continues to invest in R&D to improve engine performance, lower fuel consumption, and enhance engine quality to be in compliance with National VI and Tier 4 emission standards for off-road applications.

Forming strategic partnerships to develop new energy solutions for the future

In June 2021, Yuchai announced a partnership with Guangxi Shenlong Automobile Manufacturing to develop electric vehicles. In September, Yuchai entered into an agreement with the Government of Nanning Municipality to research, develop and construct new production capacity for new energy technologies including fuel cell systems, range extenders, hybrid power and electric drive systems. A month later in October, Yuchai Xin-Lan New Energy Power Technology Co., Ltd. had entered into a cooperation agreement to form a joint venture with Beijing Xing Shun Da Bus Co., Ltd. to further develop hydrogen energy applications with fuel cell powertrain systems in the Beijing, Tianjin and Hebei markets.

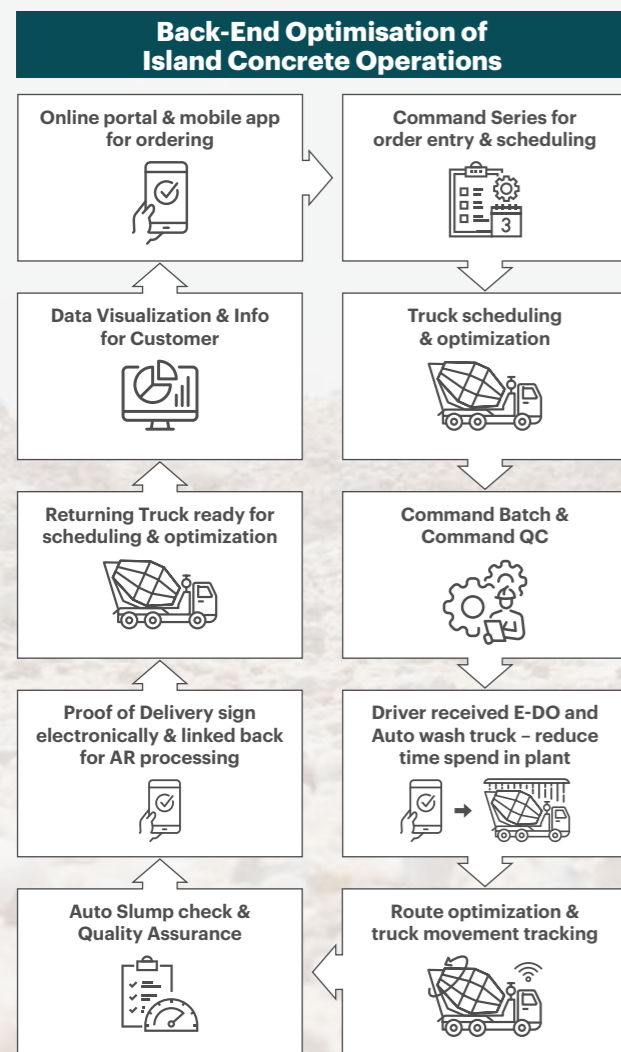
These new energy collaborations involve greener technology and will take several years to realise their full potential in line with the Chinese Government's plan to achieve their national emission targets.

BUILDING MATERIALS UNIT ("BMU")

Construction in Singapore rebounded strongly in 2021. According to Building and Construction Authority, contracts awarded rose S\$29.9 billion, up from S\$21.0 billion in the previous year. Public sector projects took the lead with S\$18.2 billion. Total construction demand will continue to be strong and is projected to reach between S\$27 billion to S\$32 billion in 2022. Boosted by the Government's push to improve construction productivity with the adoption of Design for Manufacturing and Assembly (DfMA) technologies, demand for precast concrete is also expected to accelerate.

In Malaysia, the construction sector has not recovered, registering a double-digit decline of 12.2% in the fourth quarter ("4Q") 2021 and 20.6% drop in the third quarter ("3Q") 2021.

CEO'S REVIEW



BMU's combined sales in Singapore and Malaysia reached S\$471.1 million in FY2021, up 29.8% from S\$363.0 million a year ago. PAT increased to S\$28.2 million, up 121.0% from the low base of S\$12.7 million in FY2020.

Strengthen innovation and productivity for a sustainable business

With regulatory support from the Singapore Government, BMU's operations in Singapore completed several digitalisation projects and continued to enhance operating systems in the ordering, booking, production scheduling and delivery optimisation processes. This will enable us to manage the labour shortage situation quickly and more efficiently.

Our Precast operation also embarked on its strategic move towards higher automation. Construction of the Group's Precast manufacturing facility in Pulau Punggol Barat is expected to be completed in the second half of 2022. When ready, this state-of-the-art facility will reinforce our position as a significant player in Singapore with its high degree of automation and enhanced ability to deliver products of superior specification.

INDUSTRIAL PACKAGING UNIT ("REX")

Rex has two plants in China, one in Dongguan and the other in Tianjin. The plants manufacture and produce rigid packaging products for the industrial and consumer packaging markets. In FY2021, Rex increased its sales by 17.3% to S\$30.1 million. Profitability was affected by higher material and freight costs and Rex ended with a small PAT loss of S\$974K.

SUSTAINABILITY

We worked with external stakeholders to help us strengthen our Sustainability Framework. We have since defined the three key pillars for success and implemented performance indicators that will be tracked over time. The three pillars are "Driving Innovation for a Low-Carbon and Circular Economy", "Empowering our People and Communities", and "Building Resilience for the Long-Term". The performance indicators have been communicated to the organization, and 2025 targets set and owned by the Business Managers.

PROSPECTS

As the world pushes towards endemic living, our end markets are expected to recover in 2022 although at different speed. Cost pressures are likely to remain as global supply chains continue to be vulnerable to higher energy costs. With our relentless focus on innovation and productivity enhancements through automation and digitalisation, we are confident this will help to mitigate some of the cost concerns. We are developing new solutions to address climate change concerns in the long run within our industry segments. Yuchai's hydrogen fuel-cell powertrain and electric bus ventures are such examples.

We are cautiously optimistic that our main business units will continue to demonstrate their resilience and do well in 2022.

Stephen Ho Kiam Kong
Chief Executive Officer
25 March 2022

首席执行官的 业务回顾

尊敬的各位股东，

回顾2021年，我们想到的是全球健康危机以及对供应链的严重破坏所带来的挑战。新冠肺炎(Covid-19)疫情对我们的业务和人员造成了巨大的负面影响，但是我们迅速采取措施应对危机，并展示了我们作为一个团队的韧性。

据集团报告，2021财年营收增长9.7%，达到49亿新元(2020财年：45亿新元)，归属于公司所有者的净利润("PATMI")达到6,010万新元(2020财年：4,670万新元)，同比增长28.6%。总的来说，在不确定的经营环境中取得如此业绩，我们十分满意。

马来西亚于2021年6月颁布全面行动管制令，柔佛州的士乃(Senai)为防止新冠肺炎聚集性疫情扩散而频繁发布停工令，我们在马来西亚的业务因此受到阻碍，经营环境异常艰难。项目因少量交付或完全不交付而被迫推迟。直到2021年11月，情况才恢复正常，生产才得以在没有中断的情况下重新开始。

我们经历了原材料供应短缺，从用于我们在中国的发动机业务的半导体芯片和稀有金属，到用于我们在马来西亚的水泥业务的煤炭和纸袋。新加坡的劳动力短缺十分严重，许多移民工人返乡探望亲人，由于移民与关卡局(ICA)实施严格的入境管控，因此几乎没有可替代的工人。

令人欣慰的是，我们的中国、新加坡和马来西亚等主要市场的情况正在逐渐好转。这一好转的实现，离不开严格防控措施的落实，离不开两针剂疫苗和加强针接种工作的迅速开展，也离不开各地方政府对于工商界的大力财政支持。这为市场复苏带来了信心，使制造业和贸易活动得以安全恢复。

本集团2021财年经营性活动产生了13,070万新元的正现金流净额

保持财务实力和韧性对于我们而言至关重要，在这空前艰难的时期中，我们的团队持续专注于管理好我们的业务风险。我们对非核心资产进行处置。Airwell China旗下的资产已被出售，我们正在对该公司进行清算。我们已将新飞的债务出售给第三方，实现了大约1,000万新元的收益。2021年12月，我们宣布出售Rex Plastics (Malaysia) Sdn Bhd名下的一处闲置的永久业权土地和房产。该笔交易已在2022年二月份完成。本集团截至2021财年末实现现金净值为3.415亿新元。

柴油发动机业务("玉柴")

通过其主营子公司——广西玉柴机器有限公司("GYMCL")开展业务，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。玉柴还参与了针对中国市场的混合动力和燃料电池方面的新能源解决方案的开发。

玉柴的发动机销量在2021财年增长至456,791台，较上一财年同期的430,320台增长6.2%，业绩表现相当出色。这一增长主要来自于客车和乘用车发动机，以及农用发动机、船用发动机和发电用发动机的强劲销售势头。我们的新能源业务在本年度销量达501台，这对于我们而言是一个小但意义重大的里程碑。传统的卡车板块市场自去年7月强制过渡至达国六排放标准便未有增长。实际上，卡车市场整体在2021年下降了8.7%。

不过，玉柴在2021财年的净收入仍然增长7.9%，达到44亿新元，势头强劲。玉柴的毛利率受到了材料成本上涨的影响。2021财年公布的税后利润("PAT")为8,570万新元，同比下降44.9%。

玉柴将继续加大研发投入，以改善发动机性能，降低油耗，并提高发动机性能，从而使其符合国六排放标准并适用于非道路用途的T4排放标准。

建立战略伙伴关系，为未来开发新能源解决方案

2021年6月，玉柴宣布与广西申龙汽车制造有限公司合作开发电动汽车。9月，玉柴与南宁市政府签订协议，计划对包括燃料电池系统、增程器、混合动力和电力驱动系统在内的新能源技术进行研究、开发并打造新产能。仅仅一个月后，玉柴芯蓝新能源动力科技有限公司在10月与北京市兴顺达客运有限责任公司签订合作协议，以成立合资公司从而进一步在北京、天津和河北市场开发使用燃料电池动力系统的氢能应用。

此类新能源合作涉及更为环保的技术，并将需要数年时间才能充分发挥其潜力，以符合中国政府实现其国家排放目标的计划。

建筑材料业务("BMU")

新加坡的建造行业在2021年实现强劲反弹。根据新加坡建设局的数据，新签合同的数额从上一财年的210亿新元增加到299亿新元。公共部门项目以182亿新元遥遥领先。建筑总需求将继续保持强劲势头，预计在2022年将达到270亿新元至320亿新元。政府通过采用面向制造和装配的设计(DfMA)技术来促进建筑生产力的提高，在此推动下，对预制混凝土的需求预计将会加大。

在马来西亚，建筑业尚未复苏，在2021年第四季度("4Q")以双位数的跌幅下降了12.2%和2021年第三季度("3Q")下降了20.6%。

BMU在新加坡和马来西亚的总销售额在2021财年达到4.711亿新元，较上年同期的3.63亿新元增长29.8%。PAT增长到2,820万新元，较2020财年1,270万新元的低基准增长121.0%。

加强创新，提高生产力，实现企业可持续发展

在新加坡政府的监管支持下，新加坡的建筑材料业务完成了多个数字化项目，并继续在订购、预订、生产调度和交付优化流程方面强化操作系统。这将使我们能够更迅速、更有效地应对劳动力短缺的问题。

我们的预制混凝土业务也开始向更高的自动化方向迈进。本集团在榜鹅西岛的预制混凝土生产设施的建设预计将于2022年下半年竣工。准备就绪后，这一最先进的设施将凭借其高度的自动化和更强的高规格产品交付能力，巩固我们在新加坡市场的重要参与者地位。

硬质材料包装部门("Rex")

Rex在中国设有两家工厂，一家位于东莞，另一家位于天津。这两家工厂为工业和消费者包装市场制造生产硬质包装产品。在2021财年，Rex的销售额增长了17.3%，达到3,010万新元。盈利能力受到了原材料和货运成本上涨的影响，Rex的PAT出现了97.4万新元的小幅亏损。

可持续发展

我们与外部利益相关方携手合作，帮助巩固我们的可持续发展框架。此后，我们确定了实现成功的三大关键支柱，并制定了长期追踪的绩效指标。三大支柱分别是"推动低碳和循环经济创新"、"向员工和社区赋权"和"培养长期韧性"。绩效指标已传达给集团组织内部，并设定以2025年为目标，各业务经理共同负责。

前景展望

随着全球新冠肺炎疫情向地方性流行病转变，我们的终端市场预计在2022年将以不同的速度复苏。由于全球供应链仍然易受能源成本上涨的影响，成本压力可能会继续存在。随着我们不懈努力通过自动化和数字化加强创新和提高生产力，我们相信这有助于缓解成本问题。我们正在开发新的解决方案，以从长远的角度解决我们行业内部存在的气候变化问题。玉柴的氢燃料电池动力系统和电动公共汽车项目就是很好的示例。

我们谨慎乐观地认为，我们的主要业务部门将在2022年继续展示其韧性并取得出色的表现。

何剑刚
首席执行官
2022年3月25日

From left to right:

Ng Sey Ming
Kwong Ka Lo @ Caroline Kwong
Kwek Leng Peck
Tan Chian Khong
Stephen Ho Kiam Kong



BOARD OF DIRECTORS

KWEK LENG PECK, 65

Executive Chairman

First appointment as Director

1 September 1982

Appointment as Executive Chairman

28 April 2017

Last re-election as Director

18 June 2020

Will be seeking re-election at the 2022 Annual General Meeting

Board committees

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

Present directorships in other listed companies and principal commitments

- Tasek Corporation Berhad (Non-Executive Chairman)
- China Yuchai International Limited* (Non-Executive Director)
- 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 privatised 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 four 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.

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.

* listed company
Information as at 10 March 2022

STEPHEN HO KIAM KONG, 62**Executive Director and Chief Executive Officer****First appointment as Director**

3 August 2020

Last election as Director

28 April 2021

Board committees

Nil

Present directorships in other listed companies and principal commitments

- BRC Asia Limited* (Non-Executive Director)
- 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.

Note:

China Yuchai International Limited and Tasek Corporation Berhad are subsidiaries of HLA while BRC Asia Limited is an associated company of HLA.

* listed company
Information as at 10 March 2022

**KWONG KA LO @
CAROLINE KWONG, 63****Non-Executive and Independent Director****First appointment as Director**

22 February 2016

Last re-election as Director

26 April 2019

Will be seeking re-election at the 2022 Annual General Meeting

Board committees

- Nominating Committee (Chairman)
- 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

- 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 commercialisation of leading edge technology beneficial to a clean environment and sustainable living.

Ms Kwong has extensive experience in investment, 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
Information as at 10 March 2022

NG SEY MING, 47**Non-Executive and Independent Director****First appointment as Director**

8 May 2017

Last re-election as Director

18 June 2020

Board committees

- 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

- 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 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.

* listed company
Information as at 10 March 2022

TAN CHIAN KHONG, 66**Non-Executive and Lead Independent Director****First appointment as Director**

1 March 2018

Appointment as Lead Independent Director

28 April 2021

Last re-election as Director

28 April 2021

Board committees

- Audit and Risk Committee (Chairman)
- Nominating Committee (Member)
- 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/Honorary Treasurer)

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

CORPORATE STRUCTURE



CORPORATE DIRECTORY

BOARD OF DIRECTORS

Executive Directors

Kwek Leng Peck – Executive Chairman
Stephen Ho Kiam Kong – Chief Executive Officer

Lead Independent Director

Tan Chian Khong

Non-Executive Directors

Kwong Ka Lo @ Caroline Kwong – Independent
Ng Sey Ming – Independent

AUDIT AND RISK COMMITTEE

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

NOMINATING COMMITTEE

Kwong Ka Lo @ Caroline Kwong – Chairman
Kwek Leng Peck
Tan Chian Khong

REMUNERATION COMMITTEE

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

HONG LEONG ASIA SHARE OPTION SCHEME 2000 COMMITTEE

Ng Sey Ming – Chairman
Kwek Leng Peck
Tan Chian Khong
Kwong Ka Lo @ Caroline Kwong

SECRETARIES

Ng Siew Ping, Jaslin
Yeo Swee Gim, Joanne

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Kwek Pei Xuan – Head, Sustainability and Corporate Affairs
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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: Chan Yew Kiang, appointed from commencement of audit of financial statements for the year ended 31 December 2021)

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

SUSTAINABILITY BOARD STATEMENT

“In 2021, the Group introduced a refreshed ESG management approach to be more focused and proactive.”

STATEMENT BY THE BOARD OF DIRECTORS

Dear Stakeholders,

HLA’s Board of Directors is pleased to present our 2021 Sustainability Report.

Sustainability has always been at the heart of our guiding principles at HLA. This has evolved into our core value, “Do the Right Thing” where we lead by example to take ownership and accountability of the decisions and actions that impact our business and the environment. We believe that conducting our business with integrity and driving responsible green practices among our employees, is vital towards increasing the long-term sustainable value for our stakeholders.

The Board’s responsibility is to provide clear oversight of HLA’s Sustainability Reporting process and risk management of key material issues guided by the recommendations of the Audit and Risk Committee (“ARC”). At HLA, this means ensuring the implementation and frequent review of a strong Corporate Governance

system, safeguarding our operations, and supporting the safety and well-being of our staff.

We have developed a holistic Sustainability framework that helps to guide us in the management of pertinent Environmental, Social and Governance (“ESG”) issues. We are proud to share our short- and medium-term targets in this report that is in line with the Group’s 2025 Vision.

A REFRESHED APPROACH

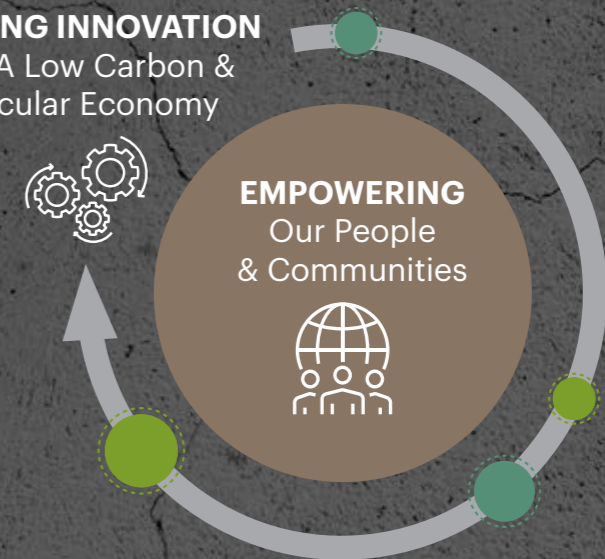
In 2021, we introduced a more focused and proactive ESG management approach and re-evaluated our ESG risks and material issues. The first Sustainability Agenda was shared with HLA employees via a company-wide Sustainability Webinar, and business units were engaged in a series of workshops to review and update our materiality assessment. We developed a Group Sustainability Framework that is defined by three interconnected pillars unique to HLA, thus setting the foundation for this report.

BUILDING RESILIENCE FOR THE LONG-TERM

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

DRIVING INNOVATION

For A Low Carbon & Circular Economy



We built key narratives to provide clearer focus on our medium- and long-term goals for the whole organisation. This top-down guidance formed the core of our discussions during our engagement workshops. These were supported by our business unit heads and leadership teams with the goal to formulate and prioritise ESG goals and targets. In turn, it drives clear performance measurement and stronger data reporting practices.

We increased the number of key material ESG issues from eight to 11 this year. We defined key industry drivers that pose the biggest risk in our ability to deal with these material issues, of which environmental regulations and evolving customer needs ranked highest based on insights drawn from both internal and external stakeholder interviews.

We continue to report under the Global Reporting Initiative (“GRI”) framework and included the United Nations (UN) Sustainable Development Goals (“SDGs”) to guide us in our approach to Business Sustainability. In line with our 2025 targets, we will identify positive and negative contributions towards the SDGs and drive actions and that are aligned to national and global climate change agendas.

As our starting point, we introduced SDG 9 “Industries, Innovation and Infrastructure” and SDG 12 “Responsible Consumption and Production” as being most relevant to us. As we define our SDG narrative and priority areas, we will also align it with our ESG targets and stakeholder engagement strategy.

SUSTAINABILITY BOARD STATEMENT



THE “STATUS-QUO” CHALLENGE

The nature of our business is dependent on high-carbon emitting processes. Building materials and diesel engines are vital products needed for the urbanisation of cities that do not yet have low-carbon and commercially viable alternatives. As such, our ability to succeed requires us to rethink our old ways of working and innovate as we transition towards the green economy.

The Group is braced for this challenge as we grow the business and support the fight against climate change. We are working to reduce greenhouse gas emissions and waste by increasing the alternative use of fuels and materials. The Group will continue to drive Research and Development (R&D) efforts towards alternative building material products

and new energy engine solutions to meet our 2025 environmental targets as a mid-term goal, and to develop an emissions reduction strategy for the longer term.

FUTURE-PROOFING OUR ORGANISATION

Customer satisfaction has been a hallmark of our business throughout the years. It is built on the Group's long-standing principles of being detail-oriented and having strong business ethics. These attributes have enabled us to become market leaders in the sectors we operate.

As recognition of our efforts, we were awarded the Corporate Excellence and Resilience Award in the mid-cap category by the Singapore

Corporate Awards 2021 in November last year. We will continue to upgrade our operations and business models, build long-term resilience by looking after our people, strengthen our supply chain, and protect ourselves against cyber threats.

In the realm of cybersecurity and data protection, these are being managed at the Group level. The rise of such threats is inevitable given the increasingly digitalised and automated work environment. We foresee more risks in the near future and have therefore included this topic as a new material issue.

In the area of supply chain management, there is a need to have clearer oversight of our changing suppliers' networks in the face of global disruptions. We will hence update our supply chain management policy to include the audit and review of ESG risks and ensure more responsible and sustainable practices with our Key Suppliers. We see the need for greater focus on the health and personal well-being of our employees. In a highly competitive manufacturing environment, our people's resilience and safety is key to our long-term success especially during the pandemic.

The Group has invested in digitalisation and automation of our businesses. The diesel engines business in China have upgraded production facilities in Yulin that included new automated technologies to monitor thermal, electrical and carbon emissions. Our Building Materials Unit (BMU) in Singapore will be opening the Jurong Port ready-mix concrete batching and Integrated Construction and Prefabrication Hub (ICPH) facilities in late 2022. These state-of-the-art facilities will enable a major part of our production to take place in a controlled factory environment that significantly reduces noise and dust pollution, and create a safer work environment for our workers.

ASPIRATIONS FOR 2022

The year 2022 signifies a milestone as we introduced our new Sustainability Framework, established our ESG policies and have started to track our performance against the ESG targets.

As we advance towards our 2025 targets, we will be developing our strategic roadmap by identifying key levers that will drive for even more ambitious targets beyond 2025. The Group will also continue to work with external stakeholders and the Government to identify opportunities to reduce carbon footprint in the construction and transport sectors as we transition towards a greener economy.

We are pleased to present our refreshed 2021 Sustainability Report and appreciate your continuing feedback and support as we define and create a sustainable future together.

The 2021 Sustainability Report will be published separately on 6 April 2022, and available in digital format via SGX website and the Company's website. We invite you to refer to it for more details on our sustainability efforts.



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.

To demonstrate its commitment towards excellence in corporate governance, HLA joined the Securities Investors Association Singapore (“**SIAS**”) and its partners in 2021 in making the following public Statement of Support as part of the SIAS Corporate Governance Week 2021 Initiatives organised by SIAS in October 2021:

“As a Company, we are committed to upholding high standards of corporate governance to enhance shareholder value, a sustainable future, making a lasting sustainable transition to a low carbon environment. We believe practising good environmental, social and corporate governance standards are central to the health and stability of our financial markets and economy.”

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

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 (“**ARC**”)

Mr Tan Chian Khong (Chairman)
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 (“**NC**”)

Ms Kwong Ka Lo @ Caroline Kwong (Chairman)
Mr Kwek Leng Peck
Mr Tan Chian Khong

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 (“**RC**”)

Mr Ng Sey Ming (Chairman)
Mr Tan Chian Khong
Ms Kwong Ka Lo @ Caroline Kwong

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 (“**SOS**”) Committee (“**SOSC**”)

Mr Ng Sey Ming (Chairman)
Mr Kwek Leng Peck
Mr Tan Chian Khong
Ms Kwong Ka Lo @ Caroline Kwong

Key objectives

Reviews and approves the grant of options to eligible participants pursuant to the terms of the Company’s SOS.

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 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.

CORPORATE GOVERNANCE

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 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 will be presented in the 2021 Sustainability Report on 6 April 2022, and available in digital format on the Company's website at the URL <https://www.hlasia.com.sg/sustainability-reports>, and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Directors' Objective Discharge of Duties & 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 NC's 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 Company's Constitution and provisions of the Companies Act 1967, 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 or her general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role, duties and responsibilities of a director and a member of the Board Committees, the Group's principal businesses, the Company's Board processes, corporate governance practices, relevant company policies and procedures as well as a Board and the Board Committees meeting calendar for the year with a brief of the routine agenda for each meeting.

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

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be required to also attend certain specific modules of the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the Listing Manual. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act 1967, the Listing Manual and the 2018 Code.

CORPORATE GOVERNANCE

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 2021, on the following topics:

- (a) Geopolitical Risks;
- (b) Sustainability Mainstreamed into the Boardroom Agenda; and
- (c) Data Ethics: How Transparency Translates into Trust.

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 2021 which accounted for more than 140 training hours in aggregate.

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

Board Approval (Provision 1.3)

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and these include 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. All issuance of the Company's financial results requires the approval of the Board, including decisions on the Company's dividend policy and payouts. Management is fully apprised of such matters which require the approval of the Board or the Board Committees.

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 RC, and the 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.

CORPORATE GOVERNANCE

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 67 to 70 and the Financial Statements on pages 169 to 172 of this Annual Report 2021 ("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 2021.

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 2021, are disclosed below. Nonetheless, the Board is of the view that the contribution of each Director should not be focused solely on his or her attendance at the AGM and at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group.

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

Directors' Attendance (including via electronic means) at the AGM, and Meetings of the Board and Board Committees in 2021 (Provision 1.5)

	Board	ARC	NC	RC	SOSC	AGM
Number of meetings held in 2021:	4	3	2	2	1	1
Name of Director	Number of meetings attended in 2021					
Kwek Leng Peck	4	N.A.	2	2 ^(a)	1	1
Stephen Ho Kiam Kong	4	3 ^(a)	1 ^(a)	N.A.	N.A.	1
Kwong Ka Lo @ Caroline Kwong	4	3	2	2 ^(b)	1 ^(a)	1
Ng Sey Ming ^(d)	4	3	1 ^(a)	2	1	1
Tan Chian Khong ^(c)	4	3	1 ^(c)	2	1	1
Ernest Colin Lee ^(e)	1	2	1	1	1	-

N.A. - Not applicable

Notes:

(a) Attendance by invitation for all or part of the meeting.

(b) Ms Caroline Kwong was appointed as the chairman of the NC and a member of the RC and SOSC following the conclusion of the AGM on 28 April 2021 ("2021 AGM"). She had attended one meeting each of RC and SOSC by invitation prior to her appointment as a member of the RC and SOSC.

(c) Mr Tan Chian Khong was appointed as the Lead ID and a member of NC following the conclusion of the 2021 AGM.

(d) Mr Ng Sey Ming was appointed as the chairman of the RC and SOSC following the conclusion of the 2021 AGM.

(e) Mr Ernest Colin Lee retired as a Director following the conclusion of the Company's 2021 AGM. Consequent to his retirement, he also ceased to be the Lead ID, the chairman of the NC, the RC and the SOSC as well as a member of the ARC.

CORPORATE GOVERNANCE

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

When considering the 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 and/or one associated company of the Group.

On the NC's recommendation, the Board has approved that the maximum number of listed company board representations which a Director of the Company may hold be set at six, with a view to providing a guide to address potential competing time commitments that may be faced by Directors serving on multiple listed company boards. The NC may review this guideline from time to time and will also consider the circumstances of individual Directors or potential candidates with multiple listed company directorships above the recommended number to determine their capacity to participate and contribute effectively to 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 financial reports of the Group's financial 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 financial reports. Where the Board's or a Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand the issues and to request for further information, as necessary.

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.

CORPORATE GOVERNANCE

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.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Board Independence (Provisions 2.1, 2.2 and 2.3)

The Board currently comprises five members, two of whom are executive Directors, while the other three members of the Board are NEDs. The NC has determined all three NEDs, being more than half of the Board, to be independent ("3 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 3 IDs, namely, 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 3 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 3 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 3 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 3 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 3 IDs. Each of the 3 IDs abstained from deliberation of their own independence.

CORPORATE GOVERNANCE

Mr Ng Sey Ming, an ID, is a partner of legal firms, Messrs Rajah & Tann Singapore LLP ("R&T") and Messrs Christopher & Lee Ong ("CLO") (with less than 5% stake in each of them) which rendered professional legal services to the Group from time to time. The total amount of the fees paid/to be paid to R&T and CLO for FY 2021 was more than \$200,000, which was largely for the legal services rendered by R&T and CLO to the Group. Mr Ng had abstained from the deliberation and decision-making in the engagement of R&T and CLO as solicitors for transactions relating to these legal services. 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 and CLO.

The 3 IDs had also avoided apparent conflicts of interests especially by abstaining from deliberation on transactions in which they had a direct/indirect interest, and were able to maintain objectivity in their conduct as Directors of the Company. They have objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisers on matters pertaining to their area of responsibilities whether on the Board or on the Board Committees.

Board Composition, Size and Diversity (Provision 2.4)

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

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

The Board has adopted the NC's initial recommended target to achieve a level of at least 20% female representation on its Board by 2021. With Ms Caroline Kwong on the Board, it has achieved the said target. The NC noted the recommendation of the Council for Board Diversity for listed companies to have 25% female representation on their boards by 2025 and 30% by 2030. 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 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. When reviewing candidates for future Board appointment as IDs, the NC will be considering, preferably female candidates with experience in the Group's business activities and/or in other disciplines, e.g., technology and human resource, in order to provide more diverse viewpoints and introduce additional skills set to the Board.

The Board currently includes one female member, and Directors with ages ranging from late 40s to mid-60s, 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.

CORPORATE GOVERNANCE

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

NEDs' Participation (Provision 2.5)

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

During the year, the Lead ID held discussions with NEDs who are all 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, Mr Kwek Leng Peck 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 Chen Fun Tee, Group Chief Operating Officer (Tasek Corporation Berhad)
- Mr Raymond Lim Nguang Seng, General Manager (Rigid Packaging Unit)

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.

CORPORATE GOVERNANCE

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 the 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 continue to facilitate the Group's decision making and implementation process without diminishing the capacity of the Board for independent decision-making.

Lead Independent Director (Provision 3.3)

In view that the Board Chairman is not an ID, the Board has appointed Mr Tan Chian Khong as Lead ID following the retirement of Mr Ernest Colin Lee at the 2021 AGM, 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 2021.

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, including the NC chairman, are IDs. The Lead ID is one of the independent members of the NC. Please refer to the 'Corporate Directory' section on page 27 of the AR, for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference, approved by the Board, are to examine the Board size, review all Board and Board Committees composition and membership, review 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), review 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 position of 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 2021. 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

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 participation 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 at least once in every three years.

In accordance with the Company's Constitution, Ms Caroline Kwong and Mr Kwek Leng Peck will be retiring by way of rotation at the 2022 AGM. The retiring Directors being eligible, have offered themselves for re-election at the 2022 AGM. The NC has considered Mr Kwek's and Ms Kwong's contribution and performance, and recommended to the Board to nominate their re-election at the 2022 AGM. Detailed information on the Directors who are proposed to be re-elected at the 2022 AGM can be found under the sections on 'Board of Directors' and 'Additional Information on Directors Seeking 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).

CORPORATE GOVERNANCE

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 dates 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 re-election at the 2022 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 having served on the Board since 2000, had retired following the conclusion of the 2021 AGM. Consequent to his cessation as a Director after the AGM, he had also ceased 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 Board had at the recommendation of the NC, appointed the following Directors to succeed Mr Lee in his various 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.

As recommended by the NC, the Board had also appointed the following Directors 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.

The Deputy CFO, Ms Low Xiao Ting, currently covers the CFO's duties while the Company continues its search for suitable candidate for the position of CFO.

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 relevant paragraph under the subject heading "Board Orientation and Training" above.

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

CORPORATE GOVERNANCE

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, the feedback from individual Directors on areas relating to the Board's role on strategy and performance, the Board's process and 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 Board Committees, specifically the NC, the RC and the 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.

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 (Provisions 5.1 and 5.2)

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 Director including his or her 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.

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.

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. The Board Chairman, as a member of the NC, is fully apprised of the results of the performance evaluation for the individual Directors and would take into consideration such evaluation and act as appropriate on the recommendations of the NC. 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.

CORPORATE GOVERNANCE

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. All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. The RC'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 for the Board and KMP as well as the specific remuneration packages for each Director and the KMP.

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company has currently identified its Executive Chairman and the CEO 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.

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 2021.

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 2021.

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

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

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

Remuneration of Directors and KMP (Provisions 7.1, 7.2 and 7.3)

The Company's remuneration policy for Directors comprises the following distinct objectives:

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

In reviewing the remuneration packages of the 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.

CORPORATE GOVERNANCE

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 remuneration 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, 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 individual performance, the Group's performance, the business unit's performance and industry practices. The Company exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company.

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

The Company currently has in place a long-term incentive scheme, which is the SOS. KMP who have a greater ability to influence the Group's outcomes have a greater proportion of overall reward at risk. It is put in place to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key good employees to achieve superior performance and to motivate them to continue to strive for the Group's long-term shareholder value. It also aims to strengthen the Group's competitiveness in attracting and retaining talented key management employees. The Company does not require the KMP to continue to hold their shares upon exercise of the options after the vesting period. Options granted under the SOS to the 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 67 to 70 and the Financial Statements on pages 169 to 172 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 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.

CORPORATE GOVERNANCE

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 and fee for the Lead ID, 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 2021 is as follows:

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

PRINCIPLE 8: DISCLOSURE OF REMUNERATION

Disclosure of Remuneration (Provisions 8.1(a) and 8.3)

The compensation packages for employees including the 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 67 to 70 and the Financial Statements on pages 169 to 172 of the AR.

CORPORATE GOVERNANCE

Directors' Remuneration for FY 2021 (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 2021 is set out below:

	Total Remuneration	Base Salary ⁽¹⁾	Variable Bonuses/ Allowances ⁽¹⁾	Board/ Board Committee Fees ⁽²⁾	Share Option Grants ⁽³⁾	Other Benefits	Total
	\$	%	%	%	%	%	%
Executive Directors							
Kwek Leng Peck ⁽⁴⁾ (Executive Chairman)	1,139,391	43.7	40.0	15.0	0	1.3	100
Stephen Ho Kiam Kong ⁽⁴⁾	896,787	60.2	21.7	13.2	1.9	3.0	100
Non-executive Directors							
Kwong Ka Lo @ Caroline Kwong ⁽⁵⁾	112,230	0	0	100	0	0	100
Ng Sey Ming ⁽⁶⁾	104,077	0	0	100	0	0	100
Tan Chian Khong ⁽⁷⁾	134,948	0	0	100	0	0	100
Ernest Colin Lee ^{(4), (8)}	58,038	0	0	100	0	0	100

Notes:

- The salary and variable bonuses/allowances paid/payable are inclusive of employer's central provident fund contributions.
- These fees comprise Board and Board Committee fees (excluding ARC fees) for FY 2021, which are subject to approval by shareholders as a lump sum at the 2022 AGM, and the ARC fees for FY 2021 that had already been approved by shareholders at the 2021 AGM.
- This relates to options granted during FY 2021. The fair value of the options as at the date of grant ranges from \$0.18 to \$0.21 for each share under option taking into account the vesting schedule using the Black-Scholes Option Pricing Formula.
- Remuneration of these Directors includes remuneration paid or payable by subsidiary(ies) of the Company.
- Ms Caroline Kwong was a member of the ARC and NC prior to the 2021 AGM held on 28 April 2021. She was appointed as the chairman of the NC and a member of the RC following the conclusion of the 2021 AGM. The NC and RC fees payable to her for FY 2021 are prorated accordingly.
- Mr Ng Sey Ming was a member of the ARC and RC prior to the 2021 AGM. He was appointed as the chairman of the RC following the conclusion of the 2021 AGM. The RC fee payable to him for FY 2021 is prorated accordingly.
- Mr Tan Chian Khong is the chairman of ARC and a member of the RC. He was appointed as the Lead ID and a member of the NC following the conclusion of the 2021 AGM. The Lead ID's and NC fees payable to him for FY 2021 are prorated accordingly.
- Mr Ernest Colin Lee retired from the Board following the conclusion of the 2021 AGM. Following his cessation as a Director, he also ceased to be the Lead ID, the chairman of the NC, RC and SOSC as well as a member of the ARC of the Company and the Board, Board Committees and Lead ID's fees payable to him for FY 2021 are prorated accordingly.

Remuneration of KMP (not being a Director or CEO) for FY 2021 (Provisions 8.1(b) and 8.3)

For FY 2021, the Company did not have any KMP not being a Director or CEO.

Remuneration of Director's, CEO's or Substantial Shareholder's Immediate Family Members for FY 2021 (Provision 8.2)

During FY 2021, Ms Kwek Pei Xuan, a daughter of Mr Kwek Leng Peck, the Executive Chairman, is an employee of the Company whose annual remuneration was between \$200,001 and \$300,000. 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

Oversight of 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.

CORPORATE GOVERNANCE

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.

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	Strategic	Competition / Margin pressures	Keen market competition resulting in increased margin pressure for the Group's businesses. Price fluctuation of raw materials – Inability to effectively mitigate fluctuations in raw material prices.	<ul style="list-style-type: none"> 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. Raw material pricing – Monitor and review price changes to track volatility and fluctuations. Provide guidance for business units to establish raw material reserves where practical to reduce exposure to price fluctuations.
2	Operational	Supply chain disruption	Limited source of materials supplies and/or supply chain challenges.	<ul style="list-style-type: none"> Monitoring and review of supply and reserve levels on a regular basis. Identification of alternative suppliers in the event of a disruption. Vertical integration of supply chain.

CORPORATE GOVERNANCE

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
3	Operational	Health and Safety (including COVID-19 management, business continuity planning)	<p>Safe management measures at workplace, workplace health & safety, regulatory compliance.</p> <p>Ability to handle major global/ country wide disruption and resume operations within the optimum timeframe and minimise losses.</p>	<ul style="list-style-type: none"> • Safe management measures are implemented at workplaces. • Promote awareness through internal communication of health and safety procedures and training. • Conduct regular safety training & briefings to increase staff awareness. • Monitor and review monthly accident statistic reports. • 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).

CORPORATE GOVERNANCE

No.	Risk Category	Risk Name	Risk Description	Risk Mitigation Plans
4	Strategic	Future growth and long-term business sustainability	<p>Challenges to growth and long-term sustainability of the business.</p> <p>Portfolio management – Balancing risks and returns in making investments decisions and maintaining an appropriate investment mix for the Group.</p> <p>Long-term asset investment / replacement plan – Use of aging assets (ie . production and IT facilities) poses the risk of lower efficiency and potential asset failure, which may disrupt business operation.</p>	<ul style="list-style-type: none"> • Development of strategic workplan (2025 Vision) and alignment with goals, objectives, and KPIs. Periodic review of HLA's current progress against goals or objectives laid out in the workplan. • 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. • Ensure that critical assets are functioning at appropriate level of service. Perform regular assessment of asset condition to determine remaining useful life of assets. • Formulate long term assets replacement plan, with cost-benefit analysis. • Develop and implement recovery plans for business operations and/or loss of data.
5	Financial	Customer credits and collections	Potential financial loss resulting from the failure of customers/ counterparty/ business partners to settle their financial and contractual obligations when due.	<ul style="list-style-type: none"> • Perform credit assessment for new customers. • Periodic monitoring and review of all overdue receivables. • Periodic monitoring of market conditions which may indicate potential difficulties in collections in the event of a slowdown. • Credit insurance to minimise bad debt exposure.

CORPORATE GOVERNANCE

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.

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 observations shared by the EA, Ernst & Young LLP ("EY") during the course of their audits of the Company and its significant subsidiaries, 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 2021 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 2020 annual report filing on Form 20F on 23 April 2021, 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 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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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 2021 annual report filing on Form 20F in mid April 2022.

As part of internal audit program for FY 2021, 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 2021.

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 three NEDs, all of whom including the chairman of the ARC are independent. Two members including the ARC chairman, namely Mr Tan Chian Khong and Ms Caroline Kwong possess the relevant audit, accounting or related financial management expertise and experience whilst the remaining member, Mr Ng Sey Ming possesses a legal background.

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

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

Powers and Duties of the ARC (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;

CORPORATE GOVERNANCE

- 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;
- 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 73 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 2021, 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:

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Significant Matters	How did the ARC address these matters
Impairment of property, plant and equipment	Management performed assessment of the recoverable amounts of property, plant and equipment with impairment indicators identified. The ARC had discussed with the Management and the EA 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 recoverable amount of the property, plant and equipment.
Capitalisation of development expenditure	The ARC reviewed the significant assumptions and estimates used by Management in the capitalisation of development expenditure. The ARC noted that about 63% of the intangible assets relates to development expenditure capitalised by CYI. From discussion with Management, the ARC noted that CYI obtained an understanding from its 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 2021. 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 2021 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 2021, 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 2021, please refer to note 26 of the Notes to the Financial Statements on page 164.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2022, 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 timelines.

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 2022 AGM.

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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 28 April 2021. 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 2022 AGM for the renewal of the IPT Mandate.

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

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

Name of IP	Nature of Relationship	Aggregate value of all IPTs in FY 2021 (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 2021 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		\$	\$
Hume Cemboard Industries Sdn Bhd (“ HCI ”)	Hong Leong Investment Holdings Pte. Ltd. (“ HLIH ”) is a controlling shareholder of the Company. CDLMS, HLCH, HCI, KS and SPCS being associates of HLIH, are IPs.	-	1,808,732
Kim Sik Sdn Bhd (“ KS ”)		-	1,741,723
Southern PC Steel Sdn Bhd (“ SPCS ”)		-	240,570
			Construction-related Transactions
			• Sale of raw materials to IPs:
			• Purchase of raw materials from IP:
			Sub-Total
			3,791,025
			General Transaction
			• Renewal of sub-lease of office premises from IP for a lease tenure of three years:
Hong Leong Corporation Holdings Pte Ltd (“ HLCH ”)		-	1,784,570
			General Transaction
			• Provision of corporate secretarial services by IP:
CDL Management Services Pte Ltd (“ CDLMS ”)		312,165	-
Total		312,165	5,575,595

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

CORPORATE GOVERNANCE

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 in good faith, (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 for the Head of IA, being the appointed Designated Officer, 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 AC monitors the whistleblowing complaints based on reports prepared by the Head of IA and ensures appropriate follow up actions are taken.

The Company is committed to ensure the identity of the whistle-blower is kept confidential and protect the whistle-blower from any detrimental or unfair treatment.

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 whistleblowing channel. The Anti-fraud, Anti-bribery and Anti-corruption Policy is posted on 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/or 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.

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The ARC approved the annual IA plan and received regular reports during 2021 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 2021, 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.

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.

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2021 and 2022 AGMs

In view of the COVID-19 situation, the 2021 AGM was convened and 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.

Alternative Arrangements relating to attendance at the 2021 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 2021 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 2021 AGM. Except for Mr Ernest Colin Lee who retired following the conclusion of the 2021 AGM, all the other Directors including the Board Chairman, the CEO and certain members of the Senior Management team together with the EA were in attendance at the 2021 AGM which was conducted electronically.

In view of the ongoing COVID-19 situation, the mode of the convening and conduct of the 2022 AGM will be similar to the 2021 AGM. Additionally, based on Singapore Exchange's new guidelines on the conduct of general meeting amid the ongoing COVID-19 situation, the Company will publicly address all substantial and relevant questions received from shareholders prior to the 2022 AGM at least 72 hours prior to the closing date and time for the lodgment of the proxy forms. Details of the steps for pre-registration, submission of questions and voting at the 2022 AGM will be set out in a separate announcement to be released on SGXNET together with the Notice of AGM. In view of the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its arrangements for the 2022 AGM at short notice. Shareholders should check the Company's corporate website or the SGX website for the latest updates on the status of the 2022 AGM.

Voting at General Meetings (Provision 11.4)

Shareholders are given the opportunity to vote at general meetings. 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 had been conducting electronic poll voting since its 2014 AGM up to the 2019 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the AGM 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 AGM. Voting procedures for the electronic poll voting will be explained at the AGM and 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.

For the 2021 AGM which was held by electronic means, shareholders were able to vote by appointing the Chairman of the Meeting as proxy to vote on their behalf. Proxy forms submitted by shareholders were independently verified by the independent scrutineers. Results of the valid votes submitted, showing the number of votes cast for and against each resolution and the respective percentages, were announced by the Chairman at the AGM and thereafter, via SGXNET.

CORPORATE GOVERNANCE

Minutes of General Meetings (Provision 11.5)

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

Dividend Policy (Provision 11.6)

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

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

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The Board provides shareholders with periodic financial results in accordance with the timelines prescribed in the Listing Manual.

Following the amendments to Rule 705(2) of the Listing Manual of SGX-ST, which took effect on 7 February 2020, the Company's 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 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 Deputy CFO also received similar representation letters from the various business units within the Group. The Board in turn provided a negative assurance confirmation in respect of the unaudited financial statements for 1H in accordance with the regulatory requirements.

The Company ensures that investors 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. In 2021, the Annual Report 2020, Notice of the 2021 AGM, the Letter to Shareholders and the requisite Proxy Form were made available to shareholders by electronic means via publication on the Company's corporate website and the SGXNET.

CORPORATE GOVERNANCE

Shareholder Communication (Provisions 12.1, 12.2 and 12.3)

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.

MANAGING STAKEHOLDER RELATIONSHIPS

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 sixth 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, assuring high standards of health and safety in the workplace environment and supporting our communities. In our 2021 Sustainability Report, our sustainability materiality assessment has been updated with the assistance of an external consultant to reframe the highlighted ESG concerns from our respective business key stakeholders. This was conducted via interviews with top management and key external stakeholders as well as online surveys which covered employees from management and executive level as well as external stakeholders (customers, consultants, contractors, government agencies and suppliers). The material issues have thus been revised and its practices including stakeholder engagement will continue to come under the annual review, evaluation and endorsement of the Board.

More details on HLA's approach to stakeholder engagement and materiality assessment will be disclosed in the 2021 Sustainability Report. A digital copy will be available on 6 April 2022 on the Company's website at the URL <https://www.hlasia.com.sg/sustainability-reports>, and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

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

CORPORATE GOVERNANCE

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 2022, the Company announced that an aggregate of \$161.1 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.

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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 2021.

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 80 to 196 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 2021 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 1967 (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
Kwong Ka Lo @ Caroline Kwong
Ng Sey Ming
Tan Chian Khong

DIRECTORS' INTERESTS

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

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	At end of the year
Kwek Leng Peck		
The Company		
Hong Leong Asia Ltd. *	7,870,700	7,870,700
- Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000	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	103,500
- Options to subscribe for ordinary shares under the Hong Leong Asia Share Option Scheme 2000	-	200,000

* Ordinary shares

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

The directors' interests in the Company as at 31 December 2021 disclosed above remained unchanged as at 21 January 2022.

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.

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

Ng Sey Ming – Chairman
Kwek Leng Peck
Tan Chian Khong
Kwong Ka Lo @ Caroline Kwong

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
3/3/2021	\$0.72	200,000	3/3/2022 to 2/3/2031
18/8/2021	\$0.87	60,000	18/8/2022 to 17/8/2031

- (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	470,000	-
Stephen Ho Kiam Kong	200,000	-	-	200,000

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

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

By the Company (cont'd)

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

- (iii) None of the participants were regarded by the directors as controlling shareholders of the Company.
- (iv) None of the participants were granted options representing 5% or more of the total number of Shares under option available under the HLA Share Option Scheme.
- (v) None of the Parent Group Employees were granted options representing 5% or more of the total number of Shares under option available under the HLA Share Option Scheme to all Parent Group Employees and Parent Group Non-Executive Directors. A total of 1,080,000 Shares under option were granted to Parent Group Employees since the commencement of the HLA Share Option Scheme to the end of the financial year under review.
- (vi) Except for options granted to persons in their capacity as Group Employees or Group Non-Executive Directors or Parent Group Employees, no other options have been granted by the Company to any other categories of persons since the commencement of the HLA Share Option Scheme.
- (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 758,400 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 2021	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding at 31 December 2021	Number of option holders at 31 December 2021	Exercise period
5/1/2011	\$3.17	380,000	-	-	380,000	-	1	5/1/2012 to 4/1/2021
28/1/2014	\$1.31	190,000	-	-	-	190,000	1	28/1/2015 to 27/1/2024
3/6/2019	\$0.53	50,000	-	-	50,000	-	1	3/6/2020 to 2/6/2029
11/6/2020	\$0.54	397,000	-	88,600	-	308,400	5	11/6/2021 to 10/6/2030
3/3/2021	\$0.72	-	200,000	-	-	200,000	1	3/3/2022 to 2/3/2031
18/8/2021	\$0.87	-	60,000	-	-	60,000	1	18/8/2022 to 17/8/2031
Total		1,017,000	260,000	88,600	430,000	758,400		

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

By Subsidiary

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

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

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

The CYI Equity Plan contains the following key terms:

- (i) only awards of share options, restricted stock and stock payments (the "Awards") may be granted to employees of CYI or a subsidiary of CYI ("CYI Group Employees");
- (ii) the maximum aggregate number of shares that may be issued under the CYI Equity Plan shall not exceed 1,800,000 ordinary shares of US\$0.10 each ("Ordinary Shares") subject to adjustment under the CYI Equity Plan;
- (iii) the maximum aggregate number of Ordinary Shares with respect to one or more Awards that may be granted to any one eligible person during any calendar year is 300,000;
- (iv) CYI's Compensation Committee shall administer the CYI Equity Plan and it has full power and authority to (a) select grantees from eligible individuals to receive the Awards and determine the time when Awards will be granted; (b) determine the number of Awards and the number of Ordinary Shares covered by each Award; (c) determine the terms and conditions of each Award; (d) approve the forms of agreement for use under the CYI Equity Plan; (e) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the CYI Equity Plan; and (f) take any and all other action as it deems necessary or advisable for the operation or administration of the CYI Equity Plan and the Awards;
- (v) the price per Ordinary Share at which a holder may subscribe for the Ordinary Shares issuable upon the exercise of the option granted pursuant to the CYI Equity Plan shall be determined by CYI's Compensation Committee and shall not be less than:
 - the Fair Market Value of the Ordinary Shares on the date the option is granted; and
 - the par value of the Ordinary Shares;
- (vi) Options granted under the CYI Equity Plan shall become exercisable ("vest") in the manner and subject to such conditions provided by CYI's Compensation Committee and set forth in the written Award agreement with respect to such options; and
- (vii) the CYI Equity Plan shall terminate automatically ten years after its effective date unless terminated earlier. Awards outstanding at the time of the CYI Equity Plan's termination may continue to be exercised in accordance with their terms and shall continue to be governed by and interpreted consistent with the terms of the CYI Equity Plan.

DIRECTORS' STATEMENT

SHARE OPTIONS (CONT'D)

By Subsidiary (cont'd)

(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 270,000 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 2021	Options granted	Options exercised	Options cancelled/lapsed	Balance at 31 December 2021	Exercise Period
29/7/2014	US\$21.11	470,000	-	-	200,000	270,000	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 three members who are independent. The members of the ARC at the date of this statement are:

Tan Chian Khong – Chairman
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;
- half-yearly 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.

DIRECTORS' STATEMENT

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

25 March 2022

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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 2021, 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 1967 (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 2021 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 2021

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 2021, the carrying amount of the Group's property, plant and equipment is \$1,012.8 million.

Management has identified impairment indicators in the property, plant and equipment of certain subsidiaries within the Building Materials segment with carrying amount of \$60.8 million due to the operating losses. 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 assets with impairment indicators, our audit procedures included, amongst others, assessing the reasonableness 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 include 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 39 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 expenditure

As at 31 December 2021, the carrying amount of the Group's intangible assets amounted to \$332.9 million, of which \$210.4 million pertained to development expenditure that was capitalised by the diesel engines segment. Prior to the financial year ended 31 December 2020, the Group had commenced the process to research and develop new engine models to comply with the new engine emission standards as promulgated by the People's Republic of China (the "Development Projects"). The efforts to develop such new engines continued during the financial year ended 31 December 2021. The Group has determined that the Development Projects met the capitalisation criteria and has capitalised \$210.4 million of development expenditure. This includes \$65.3 million capitalised during the year. There was significant management judgement involved in determining what constitutes development activities, when a project moves from the research phase into the development phase and what expenses qualify for capitalisation.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONG LEONG ASIA LTD.

Key Audit Matters (cont'd)

Capitalisation of development expenditure (cont'd)

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 ongoing Development Projects. We evaluated management's judgement relating to the determination of the research and development phases, the determination of which development expenditure can be capitalised by conducting inquiries of the engineers in the Research and Development ("R&D") department to understand the progress of the Development Projects. We sighted, on a sampling basis, the monthly Status Progress Tracker and checked that such Status Progress Tracker was updated. We also inspected feedback from the testers and work orders from the R&D department to support management's assertion that the Development Projects continued to be in progress. We inspected the supporting documents, on a sampling basis, of the costs capitalised prior to the transfer of these Development Projects to Technology Know-how.

We also assessed the adequacy of the Group's disclosures concerning this in Note 39 Significant accounting judgements and estimates and Note 4 Intangible assets to the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONG LEONG ASIA LTD.

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONG LEONG ASIA LTD.

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

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 Chan Yew Kiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
25 March 2022

BALANCE SHEETS

As at 31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current assets					
Property, plant and equipment	3	1,012,752	993,781	216	261
Intangible assets	4	332,851	264,800	1	36
Investment in subsidiaries	6	-	-	229,867	219,876
Interests in associates	7	126,452	42,954	14,605	14,605
Interests in joint ventures	8	46,648	61,016	-	-
Investment property	9	1,079	1,185	-	-
Other investments	10	22,855	36,359	-	-
Non-current receivables	11	3,665	2,433	3,500	-
Capitalised contract costs	25	31,284	25,962	-	-
Right-of-use assets	21	139,749	114,376	5	10
Deferred tax assets	12	84,598	81,561	-	-
Long-term deposits	16	23,331	28,462	-	-
		1,825,264	1,652,889	248,194	234,788
Current assets					
Inventories	13	1,186,923	967,929	-	-
Development properties	14	3,430	3,438	-	-
Other investments	10	129	1,268	-	-
Trade and other receivables	15	1,753,896	1,861,607	379,591	289,470
Cash and short-term deposits	16	1,219,021	1,346,149	1,996	1,220
		4,163,399	4,180,391	381,587	290,690
Assets held for sale	17	2,243	-	-	-
Assets of disposal group classified as held for distribution to owners	6(e)	2,232	23,620	-	-
		4,167,874	4,204,011	381,587	290,690
Total assets		5,993,138	5,856,900	629,781	525,478

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

BALANCE SHEETS

As at 31 December 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current liabilities					
Trade and other payables	22	2,165,535	2,163,413	4,645	4,841
Contract liabilities	25	121,588	176,504	-	-
Lease liabilities	21	12,572	9,063	6	6
Provisions	24	55,849	57,499	-	-
Loans and borrowings	20	724,460	495,390	236,696	101,239
Current tax payable		14,529	12,475	21	69
Derivatives		7	99	-	-
		3,094,540	2,914,443	241,368	106,155
Liabilities directly associated with disposal group classified as held for distribution to owners	6(e)	1,413	3,121	-	-
		3,095,953	2,917,564	241,368	106,155
Net current assets		1,071,921	1,286,447	140,219	184,535
Non-current liabilities					
Loans and borrowings	20	176,373	327,915	140,000	200,000
Deferred tax liabilities	12	19,903	29,107	3,058	2,851
Deferred grants	23	87,313	105,338	-	-
Other non-current payables	22	40,029	38,945	-	-
Contract liabilities	25	14,672	13,676	-	-
Lease liabilities	21	29,887	6,019	1	8
Retirement benefit obligations		3	2	-	-
		368,180	521,002	143,059	202,859
Total liabilities		3,464,133	3,438,566	384,427	309,014
Net assets		2,529,005	2,418,334	245,354	216,464
Equity attributable to owners of the Company					
Share capital	18	467,938	467,890	467,938	467,890
Reserves	19	488,353	411,416	(222,584)	(251,426)
Reserve attributable to disposal group classified as held for distribution to owners	6(e)	614	667	-	-
		956,905	879,973	245,354	216,464
Non-controlling interests		1,572,100	1,538,361	-	-
Total equity		2,529,005	2,418,334	245,354	216,464
Total equity and liabilities		5,993,138	5,856,900	629,781	525,478

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 2021

	Note	Group	
		2021 \$'000	2020 \$'000
Continuing operations			
Revenue	25	4,932,589	4,496,207
Cost of sales		(4,203,150)	(3,776,760)
Gross profit		729,439	719,447
Other item of income			
Other income		93,139	87,606
Other items of expense			
Selling and distribution expenses		(286,966)	(266,467)
Research and development expenses		(176,871)	(125,029)
General and administrative expenses		(178,081)	(165,780)
Finance costs	27	(30,091)	(37,526)
Other expenses		(1,720)	(5,429)
Share of results of associates and joint ventures, net of income tax		(16,354)	(11,752)
Profit before income tax from continuing operations	26	132,495	195,070
Income tax expense	29	(13,752)	(42,077)
Profit from continuing operations, net of tax		118,743	152,993
Discontinued operation			
Profit from discontinued operation, net of tax	6(e)	688	2,214
Profit for the year		119,431	155,207
Attributable to:			
Owners of the Company			
- Profit from continuing operations, net of tax		59,660	45,262
- Profit from discontinued operation, net of tax		461	1,483
		60,121	46,745
Non-controlling interests			
- Profit from continuing operations, net of tax		59,083	107,731
- Profit from discontinued operation, net of tax		227	731
		59,310	108,462
Earnings per share from continuing operations attributable to owners of the Company (cents per share)			
- Basic	30	7.98	6.05
- Diluted	30	7.98	6.05
Earnings per share (cents per share)			
- Basic	30	8.04	6.25
- Diluted	30	8.04	6.25

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 2021

	Group	
	2021 \$'000	2020 \$'000
Profit for the year	119,431	155,207
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	(13,399)	20,176
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	92,873	105,225
Net fair value changes of debt instruments at fair value through other comprehensive income ("FVOCI")	13,294	(550)
Other comprehensive income for the year, net of income tax	92,768	124,851
Total comprehensive income for the year	212,199	280,058
Attributable to:		
Owners of the Company	84,316	103,018
Non-controlling interests	127,883	177,040
Total comprehensive income for the year	212,199	280,058
Attributable to:		
Owners of the Company		
- Total comprehensive income from continuing operations, net of tax	83,855	101,535
- Total comprehensive income from discontinued operation, net of tax	461	1,483
	84,316	103,018

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 2021

Group	Note	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus on changes of non-controlling interests \$'000	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
At 1 January 2021		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
Profit for the year		-	-	-	-	-	-	-	-	60,121	60,121	59,310	119,431
<u>Other comprehensive income</u>													
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures		-	-	-	-	-	33,105	-	-	-	33,105	59,768	92,873
Net fair value changes of equity instruments at FVOCI		-	-	-	(13,441)	-	-	-	-	-	(13,441)	42	(13,399)
Net fair value changes of debt instruments at FVOCI		-	-	-	4,531	-	-	-	-	-	4,531	8,763	13,294
Other comprehensive income for the year, net of tax		-	-	-	(8,910)	-	33,105	-	-	-	24,195	68,573	92,768
Total comprehensive income for the year		-	-	-	(8,910)	-	33,105	-	-	60,121	84,316	127,883	212,199
Transactions with owners, recorded directly in equity													
<u>Contributions by and distributions to owners</u>													
Share issued during the year	18	48	-	-	-	-	-	-	-	-	48	-	48
Dividends paid to shareholders	31	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	(94,144)	(94,144)
Cost of share-based compensation		-	-	-	-	46	-	-	-	-	46	-	46
<u>Others</u>													
Transfer to statutory reserve		-	-	431	-	-	-	-	-	(431)	-	-	-
Transfer from revaluation reserve		-	-	-	(24)	-	-	-	-	24	-	-	-
Reserve attributable to disposal group classified as held for distribution to owners	6(e)	-	-	-	-	-	53	-	(53)	-	-	-	-
At 31 December 2021		467,938	4,351	16,802	19,291	5,360	28,105	62,597	614	351,847	956,905	1,572,100	2,529,005

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 2021

Group	Note	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus on changes of non-controlling interests \$'000	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
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 FVOCI		-	-	-	20,277	-	-	-	-	-	20,277	(101)	20,176
Net fair value changes of debt instruments at FVOCI		-	-	-	(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	31	-	-	-	-	-	-	-	-	(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	6(e)	-	-	-	-	-	(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

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

Company	Note	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated (losses)/ profits \$'000	Total equity \$'000
At 1 January 2021		467,890	9,199	2,538	(263,163)	216,464
Total comprehensive income for the year		-	-	-	36,274	36,274
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Share issued during the year	18	48	-	-	-	48
Dividends paid to shareholders	31	-	-	-	(7,478)	(7,478)
Cost of share-based compensation		-	-	46	-	46
At 31 December 2021		467,938	9,199	2,584	(234,367)	245,354
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						
<i>Contributions by and distributions to owners</i>						
Dividends paid to shareholders	31	-	-	-	(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

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 2021

	Note	Group 2021 \$'000	Group 2020 \$'000
Operating activities			
Profit before income tax from continuing operations		132,495	195,070
Profit before income tax from discontinued operation		688	2,220
Adjustments for:			
Share of results of associates and joint ventures, net of income tax		16,354	11,752
Cost of share-based payments		46	47
Depreciation and amortisation		145,498	122,477
(Written back)/allowance for inventory obsolescence, net		(1,694)	3,285
Inventories written off		2,101	-
Impairment losses written back for trade and other receivables		(8,091)	(3,079)
Impairment losses on property, plant and equipment and intangible assets		1,507	1,159
Property, plant and equipment written off	26	410	1,587
Finance costs		30,094	38,101
Dividend income from other investments	26	(670)	(86)
Interest income		(28,354)	(34,441)
(Gain)/loss on disposal of:			
- property, plant and equipment		(561)	2,695
- right-of-use assets		(3,066)	(5,344)
- other investments		(419)	(384)
Gain on debt assignment	26	(9,990)	-
Fair value (gain)/loss on investments	26	(29)	239
Fair value gain on derivatives	26	-	(199)
Provisions for warranties and other costs, net		58,471	69,678
Operating cash flows before changes in working capital		334,790	404,777
Changes in working capital:			
Inventories and development properties		(178,140)	(344,257)
Trade and other receivables, and capitalised contract costs		184,874	(100,644)
Trade and other payables, and contract liabilities		(125,202)	425,396
Grant received from government		13,969	28,971
Provisions utilised	24	(62,416)	(59,585)
Cash flows from operations		167,875	354,658
Income taxes paid		(37,209)	(48,586)
Net cash flows generated from operating activities		130,666	306,072

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 2021

	Note	Group 2021 \$'000	2020 \$'000
Investing activities			
Additional investment in associates and joint ventures		(71,822)	-
Dividends received from:			
– associates and joint ventures		868	1,037
– other investments		663	86
Interest received		26,955	35,404
Net release of deposits with banks		5,999	14,344
Purchase of:			
– property, plant and equipment		(135,989)	(137,310)
– right-of-use assets		(4,699)	-
– intangible assets		(59,984)	(105,105)
– other investments		(12,651)	-
Net cash inflow from disposal of:			
– property, plant and equipment		2,144	10,896
– right-of-use assets		8,594	11,667
– other investments		1,350	270
Net cash flows used in investing activities		(238,572)	(168,711)
Financing activities			
Acquisition of non-controlling interests in subsidiaries		-	(49,147)
Contribution by non-controlling interests		-	11,149
Dividends paid to non-controlling interests of subsidiaries		(94,144)	(69,459)
Dividends paid to shareholders of the Company		(7,478)	(7,478)
Interest paid		(30,606)	(38,001)
Net proceeds from share issuance		48	-
Proceeds from borrowings		468,359	486,283
Repayments of borrowings		(410,052)	(446,362)
Repayment of obligations under lease liabilities		(11,426)	(13,454)
Net cash flows used in financing activities		(85,299)	(126,469)
Net (decrease)/increase in cash and cash equivalents		(193,205)	10,892
Cash and cash equivalents at the beginning of the financial year	16	1,274,451	1,204,236
Effect of exchange rate changes on balances held in foreign currencies		48,098	59,323
Cash and cash equivalents at the end of the financial year	16	1,129,344	1,274,451

Note:

Cash and cash equivalents totalling \$908,580,000 (2020: \$1,096,226,000) 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 2021

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) 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12: <i>Deferred Tax related to Assets and Liabilities arising from a Singapore Transaction</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Business combinations (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Joint arrangements (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Associates and joint ventures (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Investment property (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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.

(i) Trademarks

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(ii) Research and development costs

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

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

(iii) Technology know-how

Technology know-how is amortised on a straight line basis over its finite useful life of 8 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.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial instruments (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Impairment of non-financial assets (cont'd)

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.19 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue from contracts with customers (cont'd)

(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.

The Group does not extend its sales returns policy to all customers. However, the Group allows for certain returns, mainly due to quality issues, only on a case-by-case basis. The Group estimates the provision for such returns based on the historical return rates and accounts for it as a reduction in revenue and forms part of refund liability that is recognised in "Trade and other payables". A corresponding right of return assets is recognised in "Inventories".

(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 2021

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 provides 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 is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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.

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

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:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases (cont'd)

(a) As lessee (cont'd)

Right-of-use assets (cont'd)

Leasehold land and land use rights	1 to 79 years
Building and office space	1 to 6 years
Plant and machinery	2 to 4 years
Office furniture, fittings and equipment	2 to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to accounting policies in Note 2.18.

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 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021

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 sale and distribution to owners

Non-current assets and disposal groups classified as held for sale and 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.

Property, plant and equipment once classified as held for sale are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 38, 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 2021

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Buildings and leasehold land \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Office furniture, fittings and equipment \$'000	Motor and transport vehicles \$'000	Construction-in-progress \$'000	Total \$'000
Cost								
At 1 January 2020	58,947	488,044	1,917	875,626	38,992	32,215	207,363	1,703,104
Translation differences	(50)	24,861	-	48,289	837	939	9,298	84,174
Additions	-	3,298	158	13,140	3,114	3,948	107,693	131,351
Transfers	-	16,372	-	155,140	1,644	181	(173,337)	-
Disposals	-	(21,283)	-	(53,303)	(956)	(1,328)	(886)	(77,756)
Write-off	-	(2,433)	(2)	(11,561)	(2,647)	(182)	-	(16,825)
Transfer to assets classified as held-for-distribution to owners (Note 6(e))	-	-	-	(7,096)	(1,495)	(63)	(116)	(8,770)
At 31 December 2020 and 1 January 2021	58,897	508,859	2,073	1,020,235	39,489	35,710	150,015	1,815,278
Translation differences	(257)	20,736	-	42,828	496	777	4,973	69,553
Additions	-	498	-	5,304	3,771	2,938	104,070	116,581
Transfers	-	22,037	-	131,533	2,863	69	(156,502)	-
Disposals	-	(1,203)	-	(20,232)	(586)	(3,064)	(2,280)	(27,365)
Write-off	-	(469)	-	(5,238)	(1,911)	(810)	-	(8,428)
Transfer to assets classified as held-for-sale (Note 17)	(1,155)	(2,824)	-	-	-	-	-	(3,979)
At 31 December 2021	57,485	547,634	2,073	1,174,430	44,122	35,620	100,276	1,961,640
Accumulated depreciation and impairment losses								
At 1 January 2020	1,555	168,032	1,779	517,531	32,664	28,422	1,349	751,332
Translation differences	-	9,393	-	30,263	915	478	68	41,117
Charge for the year	-	21,026	83	82,271	5,367	2,936	-	111,683*
Impairment losses made	-	-	-	782	-	-	-	782
Disposals	-	(5,743)	-	(51,619)	(898)	(1,149)	-	(59,409)
Write-off	-	(1,463)	(2)	(11,028)	(2,572)	(173)	-	(15,238)
Transfer to assets classified as held-for-distribution to owners (Note 6(e))	-	-	-	(7,096)	(1,495)	(63)	(116)	(8,770)
At 31 December 2020 and 1 January 2021	1,555	191,245	1,860	561,104	33,981	30,451	1,301	821,497
Translation differences	(2)	8,087	-	24,772	645	364	56	33,922
Charge for the year	-	21,704	110	93,959	5,398	3,732	-	124,903*
Transfer	-	-	-	-	(1)	1	-	-
Impairment losses made	-	-	-	1,507	-	-	-	1,507
Disposals	-	(481)	-	(19,489)	(523)	(2,694)	-	(23,187)
Write-off	-	(378)	-	(5,007)	(1,881)	(752)	-	(8,018)
Transfer to assets classified as held-for-sale (Note 17)	-	(1,736)	-	-	-	-	-	(1,736)
At 31 December 2021	1,553	218,441	1,970	656,846	37,619	31,102	1,357	948,888
Net book value								
At 31 December 2020	57,342	317,614	213	459,131	5,508	5,259	148,714	993,781
At 31 December 2021	55,932	329,193	103	517,584	6,503	4,518	98,919	1,012,752

* An amount of \$5,437,000 (2020: \$5,634,000) and \$125,000 (2020: Nil) were capitalised as intangible assets and capitalised contract costs respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold improvements \$'000	Office furniture, fittings and equipment \$'000	Motor and transport vehicles \$'000	Total \$'000
Cost				
At 1 January 2020	661	1,176	-	1,837
Additions	-	14	217	231
Disposals	(594)	-	-	(594)
At 31 December 2020 and 1 January 2021	67	1,190	217	1,474
Additions	-	20	-	20
At 31 December 2021	67	1,210	217	1,494
Accumulated depreciation				
At 1 January 2020	617	1,108	-	1,725
Charge for the year	19	20	18	57
Disposals	(569)	-	-	(569)
At 31 December 2020 and 1 January 2021	67	1,128	18	1,213
Charge for the year	-	22	43	65
At 31 December 2021	67	1,150	61	1,278
Net book value				
At 31 December 2020	-	62	199	261
At 31 December 2021	-	60	156	216

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 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 and 1 January 2021	272,270	38,105	-	313	11,569	322,257
Additions	65,421	-	-	-	-	65,421
Write-off	(69)	-	-	-	-	(69)
Translation differences	11,917	1,555	-	-	-	13,472
At 31 December 2021	349,539	39,660	-	313	11,569	401,081
Accumulated amortisation and impairment losses						
At 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 and 1 January 2021	42,926	3,582	-	282	10,667	57,457
Amortisation charge for the year	9,546	-	-	31	-	9,577
Write-off	(69)	-	-	-	-	(69)
Translation differences	1,204	61	-	-	-	1,265
At 31 December 2021	53,607	3,643	-	313	10,667	68,230
Net carrying amount						
At 31 December 2020	229,344	34,523	-	31	902	264,800
At 31 December 2021	295,932	36,017	-	-	902	332,851

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 3 years (2020: 1 to 4 years). Development expenditure for the design, construction and testing of new diesel engines amounting to \$210,438,000 (2020: \$222,255,000) 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 certain engine platform relating to National VI engines, and has remaining amortisation period of 8 years (2020: 9 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.

Trademarks acquired in respect of the Group's air-conditioning systems segment, with estimated remaining useful life of 12 years, were transferred to assets classified as held-for-distribution to owners during the financial year ended 31 December 2020. The trademarks had 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. INTANGIBLE ASSETS (CONT'D)

Company	Computer software and related costs \$'000	Club membership \$'000	Total \$'000
Cost			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,502	313	1,815
Accumulated amortisation and impairment losses			
At 1 January 2020	1,491	252	1,743
Amortisation charge for the year	6	30	36
At 31 December 2020 and 1 January 2021	1,497	282	1,779
Amortisation charge for the year	4	31	35
At 31 December 2021	1,501	313	1,814
Net carrying amount			
At 31 December 2020	5	31	36
At 31 December 2021	1	-	1

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 relating to the production of 4Y20 engines. 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 2021, the carrying amount was \$1,440,000 (2020: \$1,646,000) (net of accumulated impairment losses, accumulated amortisation and exchange difference).

In late 2018, the Group had commenced the production of 4Y20 engines. Management believed that there was no indicator for further impairment in 2020 and 2021. 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 2020 and 2021.

In addition, the development of certain engine platform relating to National VI engines was completed in 2021 and the related development expenditure amounting to \$87,959,000 (2020: Nil) (net of exchange difference) were transferred from development expenditure to technology know-how.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

5. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Diesel engines segment (cont'd)

Development expenditure

As at 31 December 2021, the Group has capitalised technology development costs of \$210,438,000 (2020: \$222,255,000) (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 expenditure that are not available for use. No impairment was identified in 2020 and 2021.

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.

Both the 2020 and 2021 cash flow forecasts (with 8 years' projection period) 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 expenditure in 2021 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 an average of 12.0% year-on-year from 2022 to 2025 due to the implementation of new emission standard and government's support for the consumption of new energy products, and expected to decrease to 5.0% in 2026. Thereafter, management assumed no revenue growth from 2027 to 2029 (2020: The revenue growth rate was estimated at around 10.0% year-on-year from 2021 to 2023, and expected to decrease to 5.0% in 2024 and 2025. Management assumed no revenue growth from 2026 to 2028 after reaching the commercial deployment of technology).
- Discount rate of 12.5% (2020: 12.4%) which reflects management's estimate of the risks specific to the cash-generating unit ("CGU") and was estimated based on weighted average cost of capital.

A decrease in demand can lead to a decline in profit from operation. If the demand decreases by 13.9% (2020: 25.9%) from management's estimate, it would result in impairment of the development expenditure. If the pre-tax discount rate increases to 15.7% (2020: 20.0%), it would result in impairment of the development expenditure.

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to materially fall below the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

5. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Diesel engines segment (cont'd)

Trademark

In 2019, the Group entered into a trademark licence agreement under which the Group was granted an exclusive and perpetual use of the trademarks listed in the trademark license agreement for a one-time usage fee of \$32,791,000 (net of exchange difference). As at 31 December 2021, the carrying amount was \$36,017,000 (2020: \$34,523,000) (net of exchange difference).

Management has assessed the right to use of the trademark licence according to the clauses, terms and conditions in the agreement and is of the view that the 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 2020 and 2021.

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 2021 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 12.5% (2020: 12.4%) 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 5.0% (2020: 6.0%).

A decrease in demand can lead to a decline in profit from operation. If the demand decreases by 15.2% (2020: 13.9%) from management's estimate, it would result in impairment of the trademark. If the pre-tax discount rate increases to 14.0% (2020: 13.6%), 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 to 1.5% (2020: 3.6%), 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 \$1,507,000 (2020: \$782,000) in the income statement under the line item "Cost of sales" in respect of specific plant and equipment which are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 \$'000	2020 \$'000
Shares, at cost	232,387	232,387
Amounts due from subsidiaries	80,955	101,455
Impairment losses	(83,475)	(113,966)
	<u>229,867</u>	<u>219,876</u>

Impairment of investment in subsidiaries

During the financial year ended 31 December 2021, management performed an impairment review of its investment in subsidiaries. As a result of the review, the Company recognised a net reversal of impairment loss of \$30,491,000 (2020: Nil).

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

Assets pledged as security

As at 31 December 2021, the Group's investment in a subsidiary with a carrying amount of \$106,763,000 (2020: \$108,179,000) is pledged to secure the Group's loans and borrowings (Note 20).

(a) Composition of the Group

The Group has the following significant investment in subsidiaries:

Names of subsidiaries	Country of incorporation	Effective equity interest Group	
		2021 %	2020 %
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. ⁽¹⁾⁽²⁾	The People's Republic of China	67	67
China Yuchai International Limited ("CYI") ⁽³⁾	Bermuda	44.72	44.72

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
		2021 %	2020 %
Held by the Group (cont'd)			
Dongguan Rex Packaging Company Limited ⁽⁷⁾	The People's Republic of China	100	100
Fedders International Pte. Ltd.	Singapore	100	100
Guangxi Yuchai Accessories Manufacturing Company Limited ⁽⁴⁾	The People's Republic of China	34.17	34.17
Guangxi Yuchai Equipment Mould Company Limited ⁽⁴⁾	The People's Republic of China	34.17	34.17
Guangxi Yuchai Machinery Company Limited ⁽⁴⁾	The People's Republic of China	34.17	34.17
Guangxi Yuchai Machinery Monopoly Development Co., Ltd ⁽⁴⁾	The People's Republic of China	24.54	24.54
Guangxi Yulin Hotel Company Limited ⁽⁴⁾	The People's Republic of China	34.17	34.17
HL Global Enterprises Limited ("HLGE") ⁽⁴⁾⁽⁵⁾	Singapore	22.43	22.43
Jining Yuchai Engine Company Limited ⁽⁴⁾	The People's Republic of China	34.17	34.17
Tasek Corporation Berhad ⁽⁶⁾	Malaysia	98.28	98.28
Tianjin Rex Packaging Co., Ltd. ⁽⁸⁾	The People's Republic of China	100	100
Yuchai Remanufacturing Services (Suzhou) Co., Ltd. ⁽⁴⁾	The People's Republic of China	34.17	34.17

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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) As reported in the Company's announcement on 30 September 2020, 16 November 2020 and 25 February 2022 relating to the disposal of assets of Airwell Air-conditioning Technology (China) Co., Ltd. ("Airwell China") and the cessation of Airwell China's business as at 31 December 2020, the assets and liabilities related to Airwell China 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 from discontinued operation, net of tax". Please refer to Note 6(e) for details.
- (2) Audited by XinLianyi Certified Public Accountants (Limited) Liability Partnership and is not considered a significant foreign incorporated subsidiary.
- (3) The directors consider CYI as a subsidiary of the Company as the Group owns 18,270,965 (2020: 18,270,965) or 44.72% (2020: 44.72%) 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.
- (4) These companies are subsidiaries of CYI.
- (5) 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% (2020: 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 2021.
- (6) The effective equity interest was computed based on the total number of ordinary shares excluding treasury shares.
- (7) Audited by Dongguan City Changxin Certified Public Accountants and is not considered a significant foreign incorporated subsidiary.
- (8) 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 2021

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 allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
31 December 2021:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	65.83%	60,836	1,523,906	43,216
31 December 2020:					
Guangxi Yuchai Machinery Company Limited	The People's Republic of China	65.83%	108,920	1,489,196	42,188

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 \$890,931,000 (2020: \$1,075,150,000) 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 2021

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	
	2021 \$'000	2020 \$'000
Current		
Assets	3,620,069	3,739,857
Liabilities	(2,676,775)	(2,650,153)
Net current assets	943,294	1,089,704
Non-current		
Assets	1,444,931	1,366,630
Liabilities	(165,859)	(262,868)
Net non-current assets	1,279,072	1,103,762
Net assets	2,222,366	2,193,466

Summarised income statement and statement of comprehensive income

	Guangxi Yuchai Machinery Company Limited	
	2021 \$'000	2020 \$'000
Revenue	4,428,830	4,102,795
Profit before income tax	98,466	196,591
Income tax expense	(6,052)	(31,135)
Profit after tax	92,414	165,456
Other comprehensive income	96,598	109,962
Total comprehensive income	189,012	275,418

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
	2021 \$'000	2020 \$'000
Net cash flows generated from operations	133,168	318,828
Net cash flows used in investing activities	(151,079)	(182,770)
Net cash flows used in financing activities	(208,951)	(100,984)
Acquisition of significant property, plant and equipment	(98,887)	(109,851)

(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.

Tasek Corporation Berhad ("Tasek")

In 2020, as reported in the Company's announcement 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 a voluntary unconditional take-over offer to acquire all the remaining ordinary shares ("Ordinary Shares") (excluding treasury shares) and 6% cumulative participating preference shares ("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 of Tasek.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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 \$'000
Consideration paid for acquisition of non-controlling interests	(49,147)
Decrease in equity attributable to non-controlling interests	68,709
Increase in equity attributable to owners of the Company	<u>19,562</u>

(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 had 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 from discontinued operation, net of tax".

The sale of assets was completed during the financial year ended 31 December 2021.

Airwell is in the process of liquidation. The results of Airwell for the years ended 31 December are as follows:

	Group	
	2021 \$'000	2020 \$'000
Revenue	-	10,206
Expenses	(350)	(10,497)
Gain on disposal of assets, net	-	2,905
Finance costs	(3)	(575)
Other income	1,041	181
Profit before tax from discontinued operation	688	2,220
Income tax expense	-	(6)
Profit after tax from discontinued operation	<u>688</u>	<u>2,214</u>

Attributable to:

Owners of the Company	461	1,483
Non-controlling interests	227	731
	<u>688</u>	<u>2,214</u>

Earnings per share from discontinued operation attributable to owners of the Company (cents per share)

- Basic	0.06	0.20
- Diluted	<u>0.06</u>	<u>0.20</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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:

	2021 \$'000	2020 \$'000
Assets		
Trade and other receivables	1	7,454
Cash and cash equivalents	2,231	16,166
Assets of disposal group classified as held for distribution to owners	<u>2,232</u>	<u>23,620</u>
Liabilities		
Trade and other payables	1,413	2,589
Contract liabilities	-	337
Provisions	-	195
Liabilities directly associated with disposal group classified as held for distribution to owners	<u>1,413</u>	<u>3,121</u>
Net assets directly associated with disposal group	<u>819</u>	<u>20,499</u>
Equity		
Translation reserve	614	667
Reserve attributable to disposal group classified as held for distribution to owners	<u>614</u>	<u>667</u>

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

	2021 \$'000	2020 \$'000
Operating	(829)	(7,218)
Investing	7,672	21,393
Financing	(20,840)	459
Net cash (outflow)/inflow	<u>(13,997)</u>	<u>14,634</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7. INTERESTS IN ASSOCIATES

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

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore Cement Manufacturing Company (Private) Limited	22,006	21,179	14,605	14,605
Cement Industries (Sabah) Sdn. Bhd.	19,162	19,842	-	-
BRC Asia Limited	83,404	-	-	-
Other associates	1,880	1,933	-	-
	<u>126,452</u>	<u>42,954</u>	<u>14,605</u>	<u>14,605</u>
Fair value of investment in an associate for which there is a published price quotation	<u>84,508</u>	-	-	-

As reported in the Company's announcement on 28 August 2021, Hong Leong Asia Investments Pte. Ltd. (the "Subscriber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with BRC Asia Limited ("BRC"), pursuant to which BRC agreed to issue, and the Subscriber agreed to subscribe for, 31,015,000 new ordinary shares (the "Subscription Shares") in the capital of BRC at an issue price of S\$1.48 (the "Issue Price") for each Subscription Share, amounting to an aggregate cash consideration of S\$45,902,200, upon the terms and subject to the conditions of the Subscription Agreement (the "Proposed Subscription"). The Subscriber also entered into a sale and purchase agreement ("SPA") with Xinsteel Singapore Pte. Ltd., Nuocheng International Trading & Investment Pte. Ltd., Toe Teow Heng, Wu Ai Ping and Shi Yong (collectively, the "Vendors") for the acquisition of an aggregate of 15,000,000 issued ordinary shares (the "Sale Shares") in the capital of BRC at a purchase price of S\$1.48 per Sale Share, amounting to an aggregate cash consideration of S\$22,200,000 upon the terms and subject to the conditions of the SPA (the "Proposed Acquisition").

The Proposed Subscription and the Proposed Acquisition were completed on 14 October 2021.

Immediately prior to completion of the Proposed Subscription and the Proposed Acquisition, the Group held 8,860,000 ordinary shares (the "Shares") representing approximately 3.64% of the total number of issued Shares of BRC (excluding 1,626,600 Shares which are held as treasury shares (the "Treasury Shares")) classified as "Other Investments". Following the completion of the Proposed Subscription and the Proposed Acquisition, the Group holds an aggregate of 54,875,000 Shares representing approximately 20.00% of the enlarged number of issued Shares of 274,350,089 in the capital of BRC (excluding the Treasury Shares) and BRC has become an associate company of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7. INTERESTS IN ASSOCIATES (CONT'D)

Name of significant associate	Country of incorporation	Principal activities	Effective equity interest	
			2021	2020
			%	%
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	29.48
BRC Asia Limited ⁽¹⁾	Singapore	Prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars, and manufacturing and sale of wire mesh fences	20	-

⁽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% (2020: 30%) as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

7. INTERESTS IN ASSOCIATES (CONT'D)

The summarised financial information in respect of Singapore Cement Manufacturing Company (Private) Limited, Cement Industries (Sabah) Sdn. Bhd., and BRC Asia Limited 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.		BRC Asia Limited		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	37,321	34,854	31,612	29,947	622,809	-		
Non-current assets	19,290	21,054	42,559	45,383	165,628	-		
Total assets	56,611	55,908	74,171	75,330	788,437	-		
Current liabilities	(8,609)	(9,400)	(7,834)	(6,677)	(343,983)	-		
Non-current liabilities	(3,990)	(4,150)	(2,465)	(2,513)	(84,677)	-		
Total liabilities	(12,599)	(13,550)	(10,299)	(9,190)	(428,660)	-		
Net assets	44,012	42,358	63,872	66,140	359,777	-		
Proportion of the Group's ownership	50%	50%	30%	30%	20%	-		
Group's share of net assets	22,006	21,179	19,162	19,842	71,955	-		
Goodwill on acquisition	-	-	-	-	7,036	-		
Assets revaluation reserves	-	-	-	-	4,413	-		
Carrying amount of significant associates	22,006	21,179	19,162	19,842	83,404	-	124,572	41,021
Carrying amount of other associates							1,880	1,933
Carrying amount of the investment in associates							126,452	42,954

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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.		BRC Asia Limited		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	82,852	50,863	116,214	97,489	357,405	-		
Profit after tax	1,754	263	1,319	604	13,335	-		
Group's share of results of significant associates	877	132	396	181	2,667	-	3,940	313
Group's share of results of other associates							(52)	18
Group's share of results of associates for the year							3,888	331
Other comprehensive income of significant associates	-	-	-	-	(60)	-	(60)	-
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							3,828	331

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8. INTERESTS IN JOINT VENTURES

	Group	
	2021 \$'000	2020 \$'000
Y&C Engine Co., Ltd.	4,840	29,601
MTU Yuchai Power Company Limited	18,979	12,648
Eberspaecher Yuchai Exhaust Technology Co. Ltd	6,714	2,569
Other joint ventures	16,115	16,198
	<u>46,648</u>	<u>61,016</u>

Particulars of the significant joint venture entities are as follows:

Names of significant joint venture entity	Country of incorporation	Principal activities	Effective equity interest	
			2021 %	2020 %

Joint venture entities 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	17.09
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	15.38
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	16.74

⁽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% (2020: 50%) as at 31 December 2021.

⁽³⁾ Proportion of ownership interest held by the Group in Y&C Engine Co., Ltd. is 45% (2020: 45%) as at 31 December 2021.

⁽⁴⁾ Proportion of ownership interest held by the Group in Eberspaecher Yuchai is 49% (2020: 49%) as at 31 December 2021.

As at 31 December 2021, the Group's share of joint ventures' capital commitment that are contracted but not paid for was \$20,614,000 (2020: \$41,666,000).

As at 31 December 2021, the Group's share of outstanding bill receivables discounted with banks for which a joint venture retained a recourse obligation were \$45,373,000 (2020: \$8,142,000).

As at 31 December 2021, the Group's share of outstanding bill receivables endorsed to suppliers for which a joint venture retained a recourse obligation were \$7,022,000 (2020: \$11,870,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8. INTERESTS IN JOINT VENTURES (CONT'D)

Significant restrictions

As at 31 December 2021, the nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of joint ventures are:

- The Group's share of cash and cash equivalents of \$8,395,000 (2020: \$6,187,000) held in the PRC are subject to local exchange control regulations. These regulations place 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 \$15,811,000 (2020: \$13,250,000) was used as collateral by the banks for the issuance of bills to suppliers. The Group's share of bill receivables of \$4,662,000 (2020: \$5,805,000) was used as collateral by the banks for the issuance of bills to suppliers.

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and short-term deposits	38,131	32,700	13,491	8,753	447	462		
Other current assets	173,492	261,837	65,835	54,103	21,072	8,924		
Total current assets	211,623	294,537	79,326	62,856	21,519	9,386		
Non-current assets	140,167	150,528	19,036	14,563	15,241	9,267		
Total assets	351,790	445,065	98,362	77,419	36,760	18,653		
Other current liabilities	(243,367)	(272,565)	(57,590)	(49,801)	(20,066)	(13,410)		
Non-current liabilities	(76,945)	(84,930)	-	-	(2,992)	-		
Total liabilities	(320,312)	(357,495)	(57,590)	(49,801)	(23,058)	(13,410)		
Net assets	31,478	87,570	40,772	27,618	13,702	5,243		
Proportion of the Group's ownership	45%	45%	50%	50%	49%	49%		
Group's share of net assets	14,165	39,407	20,386	13,809	6,714	2,569		
Unrealised profit on transactions with joint venture	(9,325)	(9,806)	(1,407)	(1,161)	-	-		
Carrying amount of significant joint ventures	4,840	29,601	18,979	12,648	6,714	2,569	30,533	44,818
Carrying amount of other joint ventures							16,115	16,198
Carrying amount of the investment in joint ventures							<u>46,648</u>	<u>61,016</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue	431,903	603,091	97,478	61,409	32,781	9,174		
Depreciation and amortisation	(11,019)	(11,856)	(495)	(469)	(148)	(72)		
Interest income	540	461	311	112	11	19		
Interest expense	(11,341)	(8,586)	(696)	(508)	(19)	-		
(Loss)/profit after tax	(58,804)	(17,719)	11,362	1,281	586	(7,802)		
Group's share of results	(26,462)	(7,974)	5,681	641	287	(3,823)		
Unrealised loss/(profit) on transactions with joint venture	237	(811)	161	5	-	-		
Group's share of results of significant joint ventures	(26,225)	(8,785)	5,842	646	287	(3,823)	(20,096)	(11,962)
Group's share of results of other joint ventures							(146)	(121)
Group's share of results of joint ventures for the year							(20,242)	(12,083)
Other comprehensive income of significant joint ventures							-	-
Other comprehensive income of other joint ventures							-	-
Group's share of results for the year representing the Group's share of total comprehensive income for the year							(20,242)	(12,083)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9. INVESTMENT PROPERTY

	Group	
	2021 \$'000	2020 \$'000
Cost		
At 1 January and 31 December	6,747	6,747
Accumulated depreciation		
At 1 January	5,562	5,482
Charge for the year	74	75
Translation differences	32	5
At 31 December	5,668	5,562
Net carrying amount	1,079	1,185
Fair value	2,398	2,435
Income statement:		
Rental income	16	46
Direct operating expenses (including repairs, maintenance and depreciation expense) arising from the rental generating property	(91)	(111)

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
2021	Market comparison and cost method	Comparable price: \$35 to \$85 per square foot	The estimated fair value increases with higher comparable price
2020	Market comparison and cost method	Comparable price: \$35 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 2021

10. OTHER INVESTMENTS

Financial instruments as at 31 December

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current				
<i>At fair value through other comprehensive income</i>				
Quoted equity securities				
- related corporations (quoted in Singapore)	1,357	1,478	-	-
- other companies (quoted in Singapore, Malaysia and United States of America)	21,498	34,881	-	-
	<u>22,855</u>	<u>36,359</u>	<u>-</u>	<u>-</u>
Current				
<i>At fair value through profit or loss</i>				
Quoted equity securities				
- other company (quoted in Singapore)	129	1,268	-	-

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Amounts due from subsidiaries	-	-	285,617	298,773
Lease receivables	-	34	-	-
Retention sums	3,665	2,399	-	-
Less: Allowance for expected credit losses	-	-	(282,117)	(298,773)
	<u>3,665</u>	<u>2,433</u>	<u>3,500</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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		Group	
	2021 Gross lease receivables \$'000	Present value of minimum lease payments receivables \$'000	2020 Gross lease receivables \$'000	Present value of minimum lease payments receivables \$'000
Within 1 year (Note 15)	41	39	42	39
After 1 year but within 5 years	-	-	36	34
Total gross lease receivables	<u>41</u>	<u>39</u>	<u>78</u>	<u>73</u>
Less: Amounts representing unearned finance income	(2)	-	(5)	-
Present value of minimum lease payments receivables	<u>39</u>	<u>39</u>	<u>73</u>	<u>73</u>

Other non-current receivables include non-trade amounts due from third parties for the disposal of vehicles under the lorry-owned driver schemes on a deferred payment basis.

Company

The amounts due from subsidiaries are non-trade in nature, unsecured and non-interest bearing except for an amount of \$3,500,000 (2020: Nil) which bears interest at weighted average rate of 1.6% per annum and due in 2023. 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 2021

12. DEFERRED TAX

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

Group	At 1 January 2021 \$'000	Recognised in income statement \$'000	Withholding taxes paid on remittance of dividends \$'000	Translation differences \$'000	At 31 December 2021 \$'000
Deferred tax liabilities					
Property, plant and equipment	(29,233)	(2,712)	-	(1,208)	(33,153)
Unremitted income	(3,639)	(207)	-	-	(3,846)
Withholding tax on dividend income	(22,861)	(3,027)	12,803	(818)	(13,903)
	(55,733)	(5,946)	12,803	(2,026)	(50,902)

Deferred tax assets

Property, plant and equipment	7,631	5,264	-	422	13,317
Inventories	4,700	(516)	-	195	4,379
Intangible assets	943	(94)	-	39	888
Trade and other receivables	1,706	(264)	-	66	1,508
Provisions	66,159	(8,206)	-	2,706	60,659
Deferred grants	13,047	(1,130)	-	550	12,467
Other items	14,001	7,645	-	733	22,379
	108,187	2,699	-	4,711	115,597
Total	52,454	(3,247)	12,803	2,685	64,695

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
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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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. DEFERRED TAX (CONT'D)

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:

	Group	
	2021 \$'000	2020 \$'000
Deferred tax assets	84,598	81,561
Deferred tax liabilities	(19,903)	(29,107)
	64,695	52,454

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

	Company	
	2021 \$'000	2020 \$'000
Deferred tax liabilities		
Property, plant and equipment	(5)	-
Unremitted income	(3,072)	(2,865)
	(3,077)	(2,865)
Deferred tax assets		
Provisions	19	14

The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Company	
	2021 \$'000	2020 \$'000
Deferred tax assets	19	14
Deferred tax liabilities	(3,077)	(2,865)
	(3,058)	(2,851)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. DEFERRED TAX (CONT'D)

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

	Group	
	2021	2020
	\$'000	\$'000
Unutilised tax losses	136,295	141,100
Unutilised capital allowances and investment allowances	33,968	33,927
Other unrecognised temporary differences relating to provisions and deferred grants	42,251	41,559
	<u>212,514</u>	<u>216,586</u>

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 \$11,024,000 (2020: \$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	
	2021	2020
	\$'000	\$'000
Raw materials and consumables	495,856	432,354
Manufacturing work-in-progress	21,347	18,231
Finished goods	661,075	517,344
Right of return assets	8,645	-
Total inventories at the lower of cost and net realisable value	<u>1,186,923</u>	<u>967,929</u>
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Inventories recognised as an expense in cost of sales (Note 26)	3,642,424	3,237,427
Inclusive of the following charge/(credit):		
- Inventory obsolescence	8,849	16,669
- Reversal of inventory obsolescence	<u>(10,499)</u>	<u>(10,975)</u>

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 2021

14. DEVELOPMENT PROPERTIES

	Group	
	2021	2020
	\$'000	\$'000
Freehold land	2,878	2,922
Development costs	10,953	11,077
Allowance for anticipated losses	<u>(10,401)</u>	<u>(10,561)</u>
	<u>3,430</u>	<u>3,438</u>

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

	Group	
	2021	2020
	\$'000	\$'000
At 1 January	3,438	3,422
Translation adjustments	(50)	1
Capitalisation of costs during the year	42	15
At 31 December	<u>3,430</u>	<u>3,438</u>

No borrowing cost has been capitalised in 2021 and 2020.

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

	Group	
	2021	2020
	\$'000	\$'000
At 1 January	10,561	10,561
Translation adjustments	(160)	-
At 31 December	<u>10,401</u>	<u>10,561</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

15. TRADE AND OTHER RECEIVABLES

	Group	
	2021 \$'000	2020 \$'000
Trade receivables	235,440	181,928
Bill receivables	1,365,309	1,584,523
Less: Allowance for expected credit losses	(4,168)	(4,812)
Net trade receivables	1,596,581	1,761,639
Amounts receivable from:		
– ultimate holding company (non-trade)	8	16
– immediate holding company (non-trade)	10	1
– associates and joint ventures (trade)	52	257
– associates and joint ventures (non-trade)	29,335	10,056
– other related corporations (trade)	15,274	2,297
– other related corporations (non-trade)	12	452
Advances paid to suppliers	13,330	11,577
Prepaid expenses	3,435	4,006
Refundable deposits	3,259	3,027
Tax recoverable	71,448	49,454
Lease receivables (Note 11)	39	39
Other receivables	89,625	324,477
Less: Allowance for expected credit losses	(68,512)	(305,691)
Net other receivables	157,315	99,968
Total trade and other receivables	1,753,896	1,861,607
	Company	
	2021	2020
	\$'000	\$'000
Amounts receivable from:		
– ultimate holding company (non-trade)	8	15
– immediate holding company (non-trade)	7	41
– subsidiaries (non-trade)	388,342	292,103
– other related corporations (non-trade)	12	5
Prepaid expenses	48	29
Refundable deposits	1	5
Other receivables	–	12,369
Less: Allowance for expected credit losses	(8,827)	(15,097)
Total trade and other receivables	379,591	289,470

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 due from former subsidiaries. The balance had been fully provided for in prior years, pending the outcome of the liquidation process in China. As previously announced by the Company on 26 March 2021, the Group, through its wholly-owned subsidiary, Hong Leong Electric Pte Ltd, had completed the assignment of the debt outstanding from former subsidiaries and realised a gain of approximately \$10.0 million during the financial year ended 31 December 2021.

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

	Group	
	2021 \$'000	2020 \$'000
Diesel engines	1,476,567	1,643,151
Building materials	114,609	113,632
Rigid packaging	5,405	4,856
	1,596,581	1,761,639

Company

The non-trade balances due from subsidiaries include loans and advances of \$267,024,000 (2020: \$171,496,000) which bear interest at rates ranging from 1.26% to 1.91% (2020: 0.84% to 2.99%) per annum. The weighted average effective interest rate at the balance sheet date in respect of the interest-bearing balances is 1.09% (2020: 1.67%) 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 2021

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:

	Weighted average loss rate %	Group Gross carrying amount at default \$'000	Expected credit loss \$'000
2021			
Current	-	128,902	-
Past due 0 to 30 days	0.1	47,124	1
Past due 31 to 120 days	0.7	35,506	263
Past due 121 days to one year	10.9	18,976	2,072
Past due more than one year	37.1	4,932	1,832
Total	1.8	235,440	4,168
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

The Group's and Company's movements in allowances for trade and other receivables and non-current receivables at the end of the reporting period are as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	310,503	304,356	313,870	313,890
Allowances written back, net	(7,762)	(3,079)	(10,656)	-
Amounts written off	(232,075)	(64)	(12,322)	-
Transfer to assets classified as held-for-distribution to owners	-	(811)	-	-
Translation differences	2,014	10,101	52	(20)
At 31 December	72,680	310,503	290,944	313,870

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 \$15,546,000 (2020: \$23,746,000) for certain trade receivables. These guarantees included cash collateral held from certain customers of \$9,386,000 (2020: \$16,711,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

As at 31 December 2021, outstanding bill receivables discounted with banks for which the Group retained a recourse obligation were \$16,770,000 (2020: \$452,355,000). 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 2021

15. TRADE AND OTHER RECEIVABLES (CONT'D)

As at 31 December 2021, outstanding bill receivables endorsed to suppliers with recourse obligation were \$540,864,000 (2020: \$372,958,000).

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 2021			
Current			
Amounts due from subsidiaries	1,639	(154)	1,485
Amounts due to subsidiaries	(154)	154	-
31 December 2020			
Current			
Amounts due from subsidiaries	1,329	(207)	1,122
Amounts due to subsidiaries	(207)	207	-

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 2021			
Trade and other receivables	19,532	(5,906)	13,626
Trade and other payables	(20,683)	5,906	(14,777)
31 December 2020			
Trade and other receivables	20,000	(5,052)	14,948
Trade and other payables	(20,353)	5,052	(15,301)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

16. CASH, SHORT-TERM DEPOSITS AND LONG-TERM DEPOSITS

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Short-term fixed deposits	239,040	199,874	74	145
Cash at banks and in hand	979,981	1,146,275	1,922	1,075
	1,219,021	1,346,149	1,996	1,220
Long-term deposits	23,331	28,462	-	-
	1,242,352	1,374,611	1,996	1,220
Long-term deposits	(23,331)	(28,462)		
Short-term deposits*	(75,788)	(52,604)		
Restricted deposits	(16,120)	(35,260)		
Cash at bank attributable to discontinued operation	2,231	16,166		
Cash and cash equivalents in the cash flow statement	1,129,344	1,274,451		

* 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	
	2021	2020	2021	2020
	%	%	%	%
Fixed deposits	2.38	2.60	0.07	1.11

Interest rates will be repriced within 12 months.

17. ASSETS HELD FOR SALE

On 7 December 2021, the Company announced that its indirect wholly-owned subsidiary, Rex Plastics (Malaysia) Sdn. Bhd. ("Rex Plastics Malaysia"), had entered into a sale and purchase agreement with an unrelated party of the Group for the sale of its property for a cash consideration of MYR 45,000,000. Accordingly, the property has been presented in the balance sheet as "assets held for sale" as at 31 December 2021. Rex Plastics Malaysia had sold its business operation in 2017 and become dormant since then.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

18. SHARE CAPITAL

	Group and Company			
	2021		2020	
	No. of shares	Amount	No. of shares	Amount
	'000	\$'000	'000	\$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January	747,817	467,890	747,817	467,890
Shares issued under the Hong Leong Asia Share Option Scheme 2000	89	48	-	-
At 31 December	747,906	467,938	747,817	467,890

During the year, options to acquire 88,600 shares granted in 2020 were exercised at \$0.54 per share pursuant to the Hong Leong Asia Share Option Scheme 2000 (the "HLA Share Option Scheme") (Note 32).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

19. RESERVES

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Capital reserve	4,351	4,351	9,199	9,199
Statutory reserve	16,802	16,371	-	-
Fair value reserve	19,291	28,225	-	-
Share option reserve	5,360	5,314	2,584	2,538
Translation reserve	28,105	(5,053)	-	-
Surplus on changes of non-controlling interests	62,597	62,597	-	-
Accumulated profits/(losses)	351,847	299,611	(234,367)	(263,163)
	488,353	411,416	(222,584)	(251,426)

(a) Capital reserve comprises:

	Group		Company	
	2021	2020	2021	2020
	\$'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 2021

19. 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% (2020: 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.

20. LOANS AND BORROWINGS

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current liabilities				
Unsecured bank loans	712,007	484,921	236,696	101,239
Secured bank loans	12,453	10,469	-	-
	<u>724,460</u>	<u>495,390</u>	<u>236,696</u>	<u>101,239</u>
Non-current liabilities				
Unsecured bank loans	161,210	301,650	140,000	200,000
Secured bank loans	15,163	26,265	-	-
	<u>176,373</u>	<u>327,915</u>	<u>140,000</u>	<u>200,000</u>
Total loans and borrowings	<u>900,833</u>	<u>823,305</u>	<u>376,696</u>	<u>301,239</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. LOANS AND BORROWINGS (CONT'D)

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

	Group	
	2021 \$'000	2020 \$'000
Investment in a subsidiary (Note 6)	106,763	108,179
Bill receivables	<u>2,121</u>	<u>-</u>

These loans and borrowings have externally imposed capital requirements on certain subsidiaries of the Group which have been complied with before reporting dates for the financial years ended 31 December 2021 and 2020.

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

Group	31 December 2021		
	Weighted average interest rate %	Year of maturity	Carrying amount \$'000
Secured bank loans:			
- MYR floating rate loans	3.3	2022	10,332
- MYR floating rate loans	3.3	2023	10,332
- MYR floating rate loans	3.3	2024	4,831
- RMB fixed rate loans	2.4	2022	<u>2,121</u>
			<u>27,616</u>
Unsecured bank loans:			
- USD floating rate loans	0.8	2022	5,783
- SGD floating rate loans	1.2	2022	255,313
- SGD floating rate loans	1.2	2023	140,000
- RMB fixed rate loans	3.3	2022	443,925
- RMB fixed rate loans	3.5	2023	21,210
- USD fixed rate loans	0.7	2022	2,959
- MYR fixed rate loans	2.2	2022	<u>4,027</u>
			<u>873,217</u>
			<u>900,833</u>
Company			
Unsecured bank loans:			
- USD floating rate loans	0.8	2022	5,783
- SGD floating rate loans	1.1	2022	230,913
- SGD floating rate loans	1.2	2023	<u>140,000</u>
			<u>376,696</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. LOANS AND BORROWINGS (CONT'D)

Group	31 December 2020		
	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
			<u>36,734</u>
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
			<u>786,571</u>
			<u>823,305</u>
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
			<u>301,239</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. LOANS AND BORROWINGS (CONT'D)

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

	2020 Cash flows		Non-cash changes			2021
	\$'000	\$'000	Foreign exchange movement \$'000	New leases \$'000	Other \$'000	
Loans						
- current	495,390	37,469	16,311	-	175,290	724,460
- non-current	327,915	20,838	2,910	-	(175,290)	176,373
Lease liabilities						
- current	9,063	(11,426)	158	9,238	5,539	12,572
- non-current	6,019	-	134	29,273	(5,539)	29,887
	<u>838,387</u>	<u>46,881</u>	<u>19,513</u>	<u>38,511</u>	<u>-</u>	<u>943,292</u>

	2019 Cash flows		Non-cash changes				2020
	\$'000	\$'000	Foreign exchange movement \$'000	New leases \$'000	Remeasurement \$'000	Other \$'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
	<u>784,311</u>	<u>26,467</u>	<u>22,624</u>	<u>5,126</u>	<u>(141)</u>	<u>-</u>	<u>838,387</u>

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under lease liabilities (Note 21) due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. LOANS AND BORROWINGS (CONT'D)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
31 December 2021					
Floating interest rate loans	426,591	434,363	276,897	157,466	-
Fixed interest rate loans	474,242	480,476	458,943	21,533	-
Trade and other payables	2,165,535	2,165,535	2,165,535	-	-
Non-current payables	40,029	40,029	-	40,029	-
Lease liabilities	42,459	55,706	13,816	20,112	21,778
	<u>3,148,856</u>	<u>3,176,109</u>	<u>2,915,191</u>	<u>239,140</u>	<u>21,778</u>
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
	<u>3,040,745</u>	<u>3,063,429</u>	<u>2,678,763</u>	<u>384,600</u>	<u>66</u>

Company	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
31 December 2021					
Floating interest rate loans	376,696	382,647	241,004	141,643	-
Trade and other payables	4,645	4,645	4,645	-	-
Lease liabilities	7	7	6	1	-
	<u>381,348</u>	<u>387,299</u>	<u>245,655</u>	<u>141,644</u>	<u>-</u>
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	-
	<u>306,094</u>	<u>313,022</u>	<u>109,774</u>	<u>203,248</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. LEASES

As a lessee

The Group has lease contracts for various items of land, building, office spaces and equipment used in its operations. Leases generally have lease terms between 1 and 6 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of 12 months or less and leases of low-value assets. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

Group	Leasehold land and land use rights	Building and office space	Plant and machinery	Office furniture, fittings and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 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 and 1 January 2021	99,953	14,405	-	18	114,376
Additions	39,028	4,701	-	12	43,741
Disposal	(4,768)	-	-	-	(4,768)
Write-off	(267)	-	-	-	(267)
Depreciation expense	(10,596)	(5,895)	-	(15)	(16,506)
Transfer	4,933	(4,933)	-	-	-
Translation differences	2,799	373	-	1	3,173
At 31 December 2021	<u>131,082</u>	<u>8,651</u>	<u>-</u>	<u>16</u>	<u>139,749</u>

Company	Building and office space	Office furniture, fittings and equipment	Total
	\$'000	\$'000	\$'000
At 1 January 2020	36	20	56
Depreciation expense	(36)	(10)	(46)
At 31 December 2020 and 1 January 2021	-	10	10
Depreciation expense	-	(5)	(5)
At 31 December 2021	<u>-</u>	<u>5</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. LEASES (CONT'D)

As a lessee (cont'd)

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

	Group \$'000	Company \$'000
At 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 and 1 January 2021	15,082	14
Additions	38,511	-
Accretion of interest	889	1
Payments	(12,315)	(8)
Translation differences	292	-
At 31 December 2021	42,459	7
Current	12,572	6
Non-current	29,887	1
At 31 December 2021	42,459	7
Current	9,063	6
Non-current	6,019	8
At 31 December 2020	15,082	14

The lease liabilities included an amount of \$39,000 (2020: \$73,000) which is secured by a charge over the leased assets.

Group	Interest rate %	2021 Year of maturity	Carrying amount \$'000
Lease liabilities	1.3 – 6.2	2022 – 2028	42,459
Company			
Lease liabilities	3.0	2023	7

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. LEASES (CONT'D)

As a lessee (cont'd)

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

The following are the amounts recognised in the income statement:

	Group	
	2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets	16,506	15,187
Interest expenses on lease liabilities	889	790
Expenses relating to short-term leases	5,769	2,856
Expenses relating to leases of low-value assets	2	2
Total amount recognised in profit or loss	23,166	18,835

The Group had total cash outflows for leases of \$18,086,000 (2020: \$17,102,000) in 2021. The Group also had non-cash additions to right-of-use assets and lease liabilities of \$38,511,000 (2020: \$5,126,000) in 2021.

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	
	2021 \$'000	2020 \$'000
Within 1 year	1,611	1,738
After 1 year but within 5 years	3,244	4,884
After 5 years	3,147	3,747
	8,002	10,369

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Trade payables	1,513,251	1,407,789	-	-
Accrued expenses	317,791	344,374	2,974	3,158
Other payables	28,783	31,632	94	58
Refund liabilities	193,808	209,717	-	-
Deferred grants (Note 23)	2,647	4,866	-	73
Amounts due to:				
- immediate holding company (non-trade)	202	150	102	91
- subsidiaries (trade)	-	-	1,475	1,461
- associates and joint ventures (trade)	63,041	115,882	-	-
- associates and joint ventures (non-trade)	36	102	-	-
- other related corporations (trade)	45,715	48,544	-	-
- other related corporations (non-trade)	261	357	-	-
Total trade and other payables (current)	2,165,535	2,163,413	4,645	4,841

	Group	
	2021	2020
	\$'000	\$'000
Other payables (non-current)		
Provision for bonus	40,029	38,945

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's refund liabilities arise from customers' right of return and volume rebates. 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 2021

23. DEFERRED GRANTS

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
At 1 January	110,204	130,676	73	-
Received and receivable during the year	12,318	10,889	34	391
Grant disbursed to partner of joint project	(3,390)	(9,705)	-	-
Released to consolidated income statement	(33,473)	(28,054)	(107)	(318)
Translation differences	4,301	6,398	-	-
At 31 December	89,960	110,204	-	73
Current (Note 22)	2,647	4,866	-	73
Non-current	87,313	105,338	-	-
	89,960	110,204	-	73

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

24. PROVISIONS

Group	Claims and restoration costs	Warranties	Onerous contracts	Total
	\$'000	\$'000	\$'000	\$'000
At 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 and 1 January 2021	2,201	51,937	3,361	57,499
Provision made	38	60,878	1,006	61,922
Provision utilised	(30)	(62,386)	-	(62,416)
Provision reversed	(23)	-	(3,428)	(3,451)
Translation differences	(13)	2,221	87	2,295
At 31 December 2021	2,173	52,650	1,026	55,849

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

24. 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.

25. REVENUE

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Segments	Diesel engines \$'000	Building materials \$'000	2021 Rigid packaging \$'000	Others \$'000	Consolidated total \$'000
Major product or service lines					
Sale of heavy-duty engines	1,544,219	-	-	-	1,544,219
Sale of medium-duty engines	1,472,228	-	-	-	1,472,228
Sale of light-duty engines	506,298	-	-	-	506,298
Sale of precast concrete products	-	66,344	-	-	66,344
Sale of ready-mix concrete	-	238,633	-	-	238,633
Sale of cement	-	142,050	-	-	142,050
Sale of other goods	-	24,103	-	-	24,103
Sale of rigid packaging products	-	-	30,171	-	30,171
Hospitality operations	9,047	-	-	2,442	11,489
Others ⁽¹⁾	897,038	-	-	16	897,054
	<u>4,428,830</u>	<u>471,130</u>	<u>30,171</u>	<u>2,458</u>	<u>4,932,589</u>

⁽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 2021

25. 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):

Segments	Diesel engines \$'000	Building materials \$'000	2021 Rigid packaging \$'000	Others \$'000	Consolidated total \$'000
Geographical markets					
The PRC	4,421,756	-	28,781	-	4,450,537
Singapore	-	325,650	1,390	-	327,040
Malaysia	-	140,677	-	2,458	143,135
Others	7,074	4,803	-	-	11,877
	<u>4,428,830</u>	<u>471,130</u>	<u>30,171</u>	<u>2,458</u>	<u>4,932,589</u>

Timing of revenue recognition

Goods and services transferred at a point in time	4,419,783	471,130	30,171	1,681	4,922,765
Goods and services transferred over time	9,047	-	-	777	9,824
	<u>4,428,830</u>	<u>471,130</u>	<u>30,171</u>	<u>2,458</u>	<u>4,932,589</u>

Segments	Diesel engines \$'000	Building materials \$'000	2020 Rigid packaging \$'000	Others \$'000	Consolidated total \$'000
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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
	<u>4,102,795</u>	<u>362,988</u>	<u>25,732</u>	<u>4,692</u>	<u>4,496,207</u>

⁽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 2021

25. 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):

Segments	Diesel engines \$'000	Building materials \$'000	2020 Rigid packaging \$'000	Others \$'000	Consolidated total \$'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
	<u>4,102,795</u>	<u>362,988</u>	<u>25,732</u>	<u>4,692</u>	<u>4,496,207</u>
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
	<u>4,102,795</u>	<u>362,988</u>	<u>25,732</u>	<u>4,692</u>	<u>4,496,207</u>

Contract balances

	Group	
	2021 \$'000	2020 \$'000
Trade receivables (Note 15)	231,272	177,116
Capitalised contract costs	31,284	25,962
Contract liabilities	<u>136,260</u>	<u>190,180</u>

The Group has recognised impairment losses written back on receivables arising from contracts with customers amounting to \$306,000 (2020: impairment losses written back of \$3,373,000).

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 2021

25. 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	
	2021 \$'000	2020 \$'000
Capitalised contract costs relating to service fee charges on development of technology know-how		
At 1 January	25,962	26,350
Addition	4,125	4,819
Reclassification to intangible assets	-	(4,295)
Released to consolidated income statement	-	(2,271)
Translation differences	1,197	1,359
At 31 December	<u>31,284</u>	<u>25,962</u>

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 2 years.

	Group	
	2021 \$'000	2020 \$'000
Contract liabilities		
Unfulfilled maintenance services	44,493	36,538
Advance from customer	91,767	153,642
At 31 December	<u>136,260</u>	<u>190,180</u>
Current	121,588	176,504
Non-current	14,672	13,676
At 31 December	<u>136,260</u>	<u>190,180</u>

Set out below are the amounts of revenue recognised from:

	Group	
	2021 \$'000	2020 \$'000
Amounts included in contract liabilities at the beginning of the year	<u>182,201</u>	<u>72,538</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

25. 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	
	2021	2020
	\$'000	\$'000
Within 1 year	29,821	22,862
More than 1 year	14,672	13,676

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 2 years.

26. PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

Profit before income tax from continuing operations includes the following:

	Note	Group	
		2021	2020
		\$'000	\$'000
Impairment losses written back for trade and other receivables		(7,762)	(2,468)
Inventories recognised as an expense in cost of sales	13	3,642,424	3,237,427
Amortisation of intangible assets		9,577	1,201
Depreciation of property, plant and equipment		119,341	105,748
Depreciation of investment property		74	75
Depreciation of right-of-use assets		16,506	15,021
Property, plant and equipment written off		410	1,587
Audit fees paid/payable:			
– auditors of the Company		1,192	1,069
– other auditors		1,507	1,324
Non-audit fees paid/payable to:			
– auditors of the Company		23	110
– other auditors		285	232
Exchange (gain)/loss, net		(933)	1,206
Fair value (gain)/loss on investments		(29)	239
Fair value gain on derivatives		–	(199)
(Gain)/loss on disposal of property, plant and equipment		(561)	770
Gain on disposal of right-of-use assets		(3,066)	(514)
Gain on disposal of other investments		(419)	(384)
Provisions made, net		58,471	69,569
(Written back)/allowance for inventory obsolescence, net		(1,650)	5,694
Inventories written off		2,101	–
Impairment losses on property, plant and equipment		1,507	782
Impairment losses on intangible assets		–	377
Dividend income from other investments		(670)	(86)
Interest income:			
– cash and short-term deposits		(28,166)	(34,357)
– other related corporations		(155)	(47)
Gain on debt assignment		(9,990)	–
Sale of scrap		(1,164)	(566)
Government grants ⁽¹⁾		(35,030)	(46,145)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. 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. The Group also recognised Coronavirus Disease 2019 (“COVID-19”) related government assistance for its operations in Singapore and Malaysia (2020: Singapore, China and Malaysia). The grants had been included in the “Other income” line item or deducted against related expenses in the income statement.

27. FINANCE COSTS

	Group	
	2021	2020
	\$'000	\$'000
Bank term loans	22,208	25,741
Lease liabilities	889	790
Bills and other discounting	5,807	9,926
Bank charges	1,187	919
Facilities fees	–	150
	30,091	37,526

28. EMPLOYEE BENEFITS

	Group	
	2021	2020
	\$'000	\$'000
Wages and salaries	352,945	346,761
Cost of share-based payments	46	47
Contributions to defined contribution plans	81,696	58,477
	434,687	405,285

29. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	Group	
	2021	2020
	\$'000	\$'000
Consolidated income statement:		
Current tax charge		
– Current year	15,922	38,986
– Over provision in respect of prior years	(5,417)	(360)
	10,505	38,626

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29. INCOME TAX EXPENSE (CONT'D)

Major components of income tax expense (cont'd)

	Group	
	2021 \$'000	2020 \$'000
Deferred tax expense		
- Movements in temporary differences	220	(3,952)
- Under provision in respect of prior years	-	166
	220	(3,786)
Withholding tax expense	3,027	7,237
Income tax expense recognised in profit or loss	13,752	42,077

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 2021 and 2020 are as follows:

	Group	
	2021 \$'000	2020 \$'000
Profit before income tax from continuing operations	132,495	195,070
Income tax using the PRC tax rate of 25% (2020: 25%)	33,124	48,768
Adjustments:		
Effect of different tax rates in other countries	(3,389)	1,593
Effect of tax concessions	(6,734)	(15,642)
Non-deductible expenses	9,770	6,308
Tax-exempt income	(6,280)	(3,078)
Utilisation of deferred tax benefits previously not recognised	-	(254)
Deferred tax benefits not recognised	1,916	1,896
Tax credits for research and development expense	(12,426)	(5,353)
(Over)/under provision in respect of prior years:		
- current	(5,417)	(360)
- deferred	-	166
Withholding tax expense	3,027	7,237
Others	161	796
	13,752	42,077

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29. 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% (2020: 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 2021, the amount of deferred tax liability recognised in respect of withholding tax payable was \$13,903,000 (2020: \$22,861,000). The amount of unrecognised deferred tax liability relating to undistributed earnings of the PRC enterprises is estimated to be \$41,474,000 (2020: \$48,068,000).

30. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on:

	Group	
	2021 \$'000	2020 \$'000
Net profit attributable to owners of the Company	60,121	46,745
Less: Profit from discontinued operation, net of tax attributable to owners of the Company	(461)	(1,483)
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	59,660	45,262

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

30. 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	
	2021 No. of shares	2020 No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	747,866,637	747,817,118
Dilutive effect of share options	185,072	16,651
Weighted average number of ordinary shares (diluted)	<u>748,051,709</u>	<u>747,833,769</u>

190,000 (2020: 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.

31. DIVIDENDS

	Group	
	2021 \$'000	2020 \$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
First and final tax exempt dividend paid of 1 cent per share in respect of year 2020 (2020: 1 cent per share in respect of year 2019)	<u>7,478</u>	<u>7,478</u>
Proposed but not recognised as a liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
First and final tax exempt (one-tier) dividend for 2021: 2 cents (2020: 1 cent) per share	<u>14,958</u>	<u>7,478</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. 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.

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

Ng Sey Ming – Chairman
Kwek Leng Peck
Tan Chian Khong
Kwong Ka Lo @ Caroline Kwong

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 2021

32. 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 2021	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Number of options outstanding at 31 December 2021	Number of options exercisable at 1 January 2021	Number of options exercisable at 31 December 2021	Proceeds on options exercised during the year credited to share capital	Market price of Shares at exercise date of option	Exercise period
5/1/2011	\$3.17	380,000	-	-	380,000	-	380,000	-	-	-	5/1/2012 to 4/1/2021
28/1/2014	\$1.31	190,000	-	-	-	190,000	190,000	190,000	-	-	28/1/2015 to 27/1/2024
3/6/2019	\$0.53	50,000	-	-	50,000	-	16,500	-	-	-	3/6/2020 to 2/6/2029
11/6/2020	\$0.54	397,000	-	88,600	-	308,400	-	131,010	48	-	11/6/2021 to 10/6/2030
3/3/2021	\$0.72	-	200,000	-	-	200,000	-	-	-	-	3/3/2022 to 2/3/2031
18/8/2021	\$0.87	-	60,000	-	-	60,000	-	-	-	-	18/8/2022 to 17/8/2031
Total		1,017,000	260,000	88,600	430,000	758,400	586,500	321,010	48		

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For the financial year ended 31 December 2021

32. 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 is 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	On 3 March 2021	On 18 August 2021
Fair value at measurement date (\$)	1.18 – 1.44	0.13 – 0.25	0.14 – 0.17	0.12 – 0.15	0.18 – 0.21	0.23 – 0.27
Share price (\$)	3.17	1.31	0.52	0.52	0.72	0.855
Exercise price (\$)	3.17	1.31	0.53	0.54	0.72	0.87
Expected volatility (%)	72.0 – 79.0	21.1 – 34.0	40.6 – 48.4	38.2 – 42.2	39.6 – 41.8	41.2 – 43.1
Expected option life (years)	2 – 4	2 – 4	2 – 4	2 – 4	2 – 4	2 – 4
Expected dividends (%)	3.0	3.1	–	0.5	0.4	–
Risk-free interest rate (%)	0.9 – 1.4	0.6 – 0.8	1.7 – 1.8	0.3 – 0.5	0.4 – 0.7	0.5 – 0.8

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

The range of exercise prices for options outstanding at the end of the year was \$0.54 to \$1.31 (2020: \$0.53 to \$3.17). The weighted average remaining contractual life for these options is 7.14 years (2020: 4.68 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 2021

32. 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 2021

32. 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 270,000 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 2021	Options granted	Options exercised	Options cancelled/lapsed	Balance at 31 December 2021	Exercise Period
29/7/2014	US\$21.11	470,000	-	-	200,000	270,000	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.

33. 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	
	2021	2020
	\$'000	\$'000
Capital commitments in respect of property, plant and equipment	110,119	95,645

Operating lease commitments as lessee

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are \$587,000 within one year and \$462,000 within five years (2020: \$54,000 within one year and \$224,000 within five years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

	Group	
	2021	2020
	\$'000	\$'000
Short-term employee benefits	8,845	10,848
Defined contribution plans	161	67
Equity compensation benefits	33	18
	<u>9,039</u>	<u>10,933</u>

Directors' remuneration included in key management personnel compensation amounted to \$2,445,000 (2020: \$2,763,000).

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 32. During the financial year, 200,000 (2020: 300,000) 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, 380,400 (2020: 520,000) options granted to key management personnel were outstanding, of which 200,000 (2020: 300,000) were Options granted to an Executive Director 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 32. In 2021 and 2020, 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, 270,000 (2020: 430,000) options granted to key management personnel were outstanding. These options are subject to a vesting period.

(b) Sale and purchase of goods and services

During the year, the Group made payments to firms, in which a director has an interest, in respect of professional services rendered. This amounted to \$106,389 (2020: \$332,063). No balance was outstanding at the balance sheet date (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Sale and purchase of goods and services (cont'd)

Significant transactions with related parties made at terms agreed between the parties, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2021 \$'000	2020 \$'000
<i>Sale of engines and materials</i>		
– associates and joint ventures	91,909	250,720
– related corporations	671,756	526,448
<i>Purchase of materials, supplies and engines</i>		
– associates and joint ventures	491,090	601,178
– related corporations	272,375	248,477
<i>Management services income</i>		
– an associate	444	444
<i>Management services paid and payable</i>		
– related corporations	806	166
<i>Rental paid and payable (include general expenses)</i>		
– immediate holding company	491	491
<i>General and administrative expenses</i>		
– joint ventures	1,068	1,454
– related corporations	11,950	11,158
<i>Delivery, storage, distribution and handling expenses</i>		
– related corporations	62,658	62,445
<i>Hospitality, restaurant and consultancy service income</i>		
– a joint venture	448	782
– related corporations	1,377	1,350
<i>Rental income</i>		
– joint ventures	961	833
– related corporations	57	911
<i>Purchase of vehicles and machineries</i>		
– related corporations	721	566

(c) Outstanding balances with a related party

As at 31 December 2021, fixed deposits held with a related party amounted to \$29,958,000 (2020: \$27,304,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. RELATED PARTY TRANSACTIONS (CONT'D)

(d) Commitments with related parties

As at 31 December 2021, the Group has commitments to purchase raw materials from related parties amounting to approximately \$22,453,000 between 2022 and 2024.

35. 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

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 25.

As at 31 December 2021 and 31 December 2020, there was no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

35. 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 and Ringgit Malaysia, 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 \$'000	100 bp Decrease \$'000
Group		
31 December 2021		
Floating rate instruments	(1,876)	1,876
31 December 2020		
Floating rate instruments	(1,620)	1,620
Company		
31 December 2021		
Floating rate instruments	(3,766)	3,766
31 December 2020		
Floating rate instruments	(3,011)	3,011

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

35. 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 20.

(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 and Euro.

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 2021

35. 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 \$'000	Chinese Renminbi \$'000	2021 United States Dollar \$'000	Ringgit Malaysia \$'000	Euro \$'000
Other investments	129	-	-	-	-
Trade and other receivables	148	20,658	57,837	1,864	1,879
Cash and bank balances	34,893	311	1,107	3,041	540
Loans and borrowings	(303)	-	(8,742)	-	-
Trade and other payables	(80,576)	(151)	(81,867)	(7,565)	(6,864)
	(45,709)	20,818	(31,665)	(2,660)	(4,445)

Add: Loan payables forming part of net investment in foreign entities

	54,516	-	-	-	-
	8,807	20,818	(31,665)	(2,660)	(4,445)

Group	Singapore Dollar \$'000	Chinese Renminbi \$'000	2020 United States Dollar \$'000	Ringgit Malaysia \$'000	Euro \$'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 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

Company	2021		2020	
	Chinese Renminbi \$'000	United States Dollar \$'000	Chinese Renminbi \$'000	United States Dollar \$'000
Trade and other receivables	-	57,732	-	55,786
Cash and bank balances	79	89	66	191
Loans and borrowings	-	(5,783)	-	(5,654)
Trade and other payables	(1)	(9)	-	(20)
	78	52,029	66	50,303

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.

Group	Profit before income tax	
	2021 \$'000	2020 \$'000
Singapore Dollar	881	3,528
Chinese Renminbi	2,082	76
United States Dollar	(3,167)	(2,474)
Ringgit Malaysia	(266)	(231)
Euro	(445)	71
Company		
Chinese Renminbi	8	7
United States Dollar	5,203	5,030

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the assets or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

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

	Quoted prices in active markets for identical instruments (Level 1) \$'000	Group Significant observable inputs other than quoted prices (Level 2) \$'000	Total \$'000
31 December 2021			
Financial assets			
Other investments	22,984	-	22,984
Bill receivables	-	1,365,309	1,365,309
At 31 December 2021	22,984	1,365,309	1,388,293
Financial liabilities			
Derivatives	-	7	7
At 31 December 2021	-	7	7

NOTES TO THE FINANCIAL STATEMENTS

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36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

31 December 2020	Quoted prices in active markets for identical instruments (Level 1) \$'000	Group 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

(c) Level 2 fair value measurements

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

- i. 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.
- ii. In 2021, 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 2022. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current trade and other receivables (Note 15), cash and short-term deposits (Note 16), trade and other payables (Note 22), and current loans and borrowings (Note 20) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of non-current receivables (Note 11) and other non-current payables (Note 22) are reasonable approximation of fair values as the consideration of time value of money is not material.

The carrying amounts of long term deposits (Note 16) and non-current loans and borrowings (Note 20) are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting period or their interest rates approximate the market lending rate.

Set out below is a comparison by category of carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements:

Classification of financial instruments

Group	Financial assets at amortised cost \$'000	Fair value through profit or loss \$'000	Fair value through OCI \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
31 December 2021					
Assets					
Other investments	–	129	22,855	–	22,984
Non-current receivables	3,665	–	–	–	3,665
Trade receivables	231,272	–	–	–	231,272
Bill receivables	–	–	1,365,309	–	1,365,309
Due from related corporations	44,691	–	–	–	44,691
Refundable deposits	3,259	–	–	–	3,259
Lease receivables	39	–	–	–	39
Other receivables	21,113	–	–	–	21,113
Cash and bank balances	1,242,352	–	–	–	1,242,352
	1,546,391	129	1,388,164	–	2,934,684
Liabilities					
Trade payables	–	–	–	1,513,251	1,513,251
Accrued expenses	–	–	–	317,791	317,791
Other payables	–	–	–	28,783	28,783
Refund liabilities	–	–	–	193,808	193,808
Due to related corporations	–	–	–	109,255	109,255
Loans and borrowings	–	–	–	900,833	900,833
Lease liabilities	–	–	–	42,459	42,459
Other non-current payables	–	–	–	40,029	40,029
	–	–	–	3,146,209	3,146,209

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36. 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 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
	<u>1,589,091</u>	<u>1,268</u>	<u>1,620,882</u>	<u>-</u>	<u>3,211,241</u>
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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,035,879</u>	<u>3,035,879</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

36. 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 \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
31 December 2021			
Assets			
Due from related corporations	383,042	-	383,042
Refundable deposits	1	-	1
Cash and short-term deposits	1,996	-	1,996
	<u>385,039</u>	<u>-</u>	<u>385,039</u>
Liabilities			
Accrued expenses	-	2,974	2,974
Other payables	-	94	94
Due to related corporations	-	1,577	1,577
Loans and borrowings	-	376,696	376,696
Lease liabilities	-	7	7
	<u>-</u>	<u>381,348</u>	<u>381,348</u>
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
	<u>290,661</u>	<u>-</u>	<u>290,661</u>
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
Lease liabilities	-	14	14
	<u>-</u>	<u>306,021</u>	<u>306,021</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

37. 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 2021 and 2020.

As disclosed in Note 19(b), the Group's subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial years ended 31 December 2021 and 2020.

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

	Group	
	2021	2020
	\$'000	\$'000
Loans and borrowings (current and non-current)	900,833	823,305
Trade and other payables (current and non-current)	2,205,564	2,202,358
Less: Cash and deposits	(1,242,352)	(1,374,611)
Net debt	<u>1,864,045</u>	<u>1,651,052</u>
Equity attributable to the owners of the Company	956,905	879,973
Less: Fair value reserve	(19,291)	(28,225)
Statutory reserve	(16,802)	(16,371)
Total capital	<u>920,812</u>	<u>835,377</u>
Capital and net debt	<u>2,784,857</u>	<u>2,486,429</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has four 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 2021 or 2020.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment report is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2021	Diesel engines \$'000	Building materials \$'000	Rigid Packaging \$'000	Corporate and Others* \$'000	Air-conditioning systems (Discontinued operation) \$'000	Adjustments \$'000	Consolidated total \$'000
Total external revenue	4,428,830	471,130	30,171	2,458	-	-	4,932,589
Interest income ^	27,239	612	152	3,329	33	(3,044)	28,321
Interest expense	(23,295)	(622)	(458)	(7,564)	-	3,035	(28,904)
Depreciation and amortisation	(118,435)	(24,650)	(1,220)	(1,193)	-	-	(145,498)
Reportable segment profit/(loss) before income tax ^	94,766	32,430	(804)	6,103	688	(688)	132,495
Share of results of associates and joint ventures, net of income tax	(20,141)	3,628	-	159	-	-	(16,354)
Reportable segment profit/(loss) after income tax ^	85,687	28,179	(974)	5,851	688	(688)	118,743
Other material non-cash items:							
- Impairment losses recognised on property, plant and equipment and intangible assets	1,506	-	1	-	-	-	1,507
- Claims and restoration costs, net	-	15	-	-	-	-	15
- Warranties	60,878	-	-	-	-	-	60,878
- Onerous contract	(1,836)	(586)	-	-	-	-	(2,422)
Assets and liabilities							
Reportable segment assets	5,210,911	308,580	52,904	1,320,213	2,232	(1,074,802)	5,820,038
Investment in associates and joint ventures	31,671	140,529	-	900	-	-	173,100
Capital expenditure @	160,856	16,631	222	918	-	-	178,627
Reportable segment liabilities	2,858,046	163,351	118,305	1,255,403	1,413	(932,385)	3,464,133

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. SEGMENT INFORMATION (CONT'D)

Reportable segments (cont'd)

2020	Diesel engines \$'000	Building materials \$'000	Rigid Packaging \$'000	Corporate and Others* \$'000	Air-conditioning systems (Discontinued operation) \$'000	Adjustments \$'000	Consolidated total \$'000
Total external revenue ^	4,102,795	362,988	25,732	4,692	10,206	(10,206)	4,496,207
Interest income ^	32,617	923	44	3,815	37	(3,032)	34,404
Interest expense ^	(29,396)	(833)	(632)	(8,833)	(570)	3,657	(36,607)
Depreciation and amortisation ^	(97,677)	(21,894)	(1,301)	(1,173)	(432)	432	(122,045)
Reportable segment profit/(loss) before income tax ^	193,923	15,921	(396)	(14,378)	2,220	(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)	(14,732)	2,214	(2,214)	152,993
Other material non-cash items:							
- Impairment losses recognised on property, plant and equipment and intangible assets	782	-	377	-	-	-	1,159
- Claims and restoration costs, net	-	428	-	-	-	-	428
- Warranties ^	66,991	-	-	-	109	(109)	66,991
- Onerous contract	2,260	(110)	-	-	-	-	2,150
Assets and liabilities							
Reportable segment assets	5,217,673	334,795	41,545	1,138,771	23,620	(1,003,474)	5,752,930
Investment in associates and joint ventures	45,943	57,310	-	717	-	-	103,970
Capital expenditure @	215,795	25,438	171	1,178	-	-	242,582
Reportable segment liabilities	2,937,237	128,838	106,536	1,127,865	3,121	(865,031)	3,438,566

* 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 from discontinued operation, net of tax".

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

38. 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
2021					
Total revenue from external customers **	4,450,537	327,040	143,135	11,877	4,932,589
Non-current assets #^^	1,273,463	71,461	141,504	3	1,486,431
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

** Exclude revenue of nil (2020: \$10,206,000) relating to the discontinued air-conditioning systems segment.

Exclude interests 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 \$1,110,212,000 (2020: \$1,201,074,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

39. 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 derecognition 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 bills receivable and cash received is recorded in the statement of profit or loss. Please refer to Note 15 to the financial statements.

(ii) Identifying contract price and performance obligations in sales of engines

The Group provides certain warranties for both general repairs and maintenance service as part of the sales of 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 a combination of expected cost plus margin and residual approaches. Please refer to Note 24 to the financial statements.

(iii) Capitalisation of development expenditure

Development expenditure are capitalised in accordance with the accounting policy in Note 2.12. Capitalisation of development expenditure is based on management's judgement to determine what constitutes development activities, and when a development project moves from the research phase into development phase. In addition, management's judgement is required to determine the nature of the expenses that qualify for capitalisation. The carrying amount of development expenditure capitalised is disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

39. 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 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 are disclosed in Note 5 to the financial statements.

40. SUBSEQUENT EVENTS

In February 2022, Rex Plastics Malaysia completed the disposal of its property, which was classified as assets held for sale (Note 17) as at 31 December 2021. The Group is expected to recognise approximately MYR 33.2 million (net of estimated taxes and related transaction costs) as a gain in the income statement for the financial year ending 31 December 2022.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Hong Leong Asia Ltd. for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors passed on 25 March 2022.

财务报表

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所有者权益变动表

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合并现金流量表

资产负债表

2021年12月31日

	附注	合并		母公司	
		2021年 12月31日 \$'000	2020年 12月31日 \$'000	2021年 12月31日 \$'000	2020年 12月31日 \$'000
非流动资产					
固定资产	3	1,012,752	993,781	216	261
无形资产	4	332,581	264,800	1	36
子公司股权投资	6	-	-	229,867	219,876
联营公司权益	7	126,452	42,954	14,605	14,605
合资公司权益	8	46,648	61,016	-	-
投资性房地产	9	1,079	1,185	-	-
其它金融资产	10	22,855	36,359	-	-
长期应收款	11	3,665	2,433	3,500	-
合同资产	25	31,284	25,962	-	-
使用权资产	21	139,749	114,376	5	10
递延所得税资产	12	84,598	81,561	-	-
长期存款	16	23,331	28,462	-	-
		1,185,264	1,652,889	248,194	234,788
流动资产					
存货	13	1,186,923	967,929	-	-
开发性房地产	14	3,430	3,438	-	-
其它金融资产	10	129	1,268	-	-
应收账款及其他应收款	15	1,753,896	1,861,607	379,591	289,470
货币资金	16	1,219,021	1,346,149	1,996	1,220
		4,163,399	4,180,391	381,587	290,690
持有待售资产	17	2,243	-	-	-
分类为待分配给所有者的资产	6(e)	2,232	23,620	-	-
		4,167,874	4,204,011	381,587	290,690
总资产合计		5,993,138	5,856,900	629,781	525,478

此报告中的附注是组成这些财务报表不可或缺的内容

资产负债表

2021年12月31日

	附注	合并		母公司	
		2021年 12月31日 \$'000	2020年 12月31日 \$'000	2021年 12月31日 \$'000	2020年 12月31日 \$'000
流动负债					
应付账款及其他应付款	22	2,165,535	2,163,413	4,645	4,841
合同负债	25	121,588	176,504	-	-
租赁负债	21	12,572	9,063	6	6
预计负债	24	55,849	57,499	-	-
短期借款	20	724,460	495,390	236,696	101,239
应付所得税		14,529	12,475	21	69
衍生金融负债		7	99	-	-
		3,094,540	2,914,443	241,368	106,155
分类为待分配给所有者直接相关的负债	6(e)	1,413	3,121	-	-
		3,095,953	2,917,564	241,368	106,155
净流动资产		1,071,921	1,286,447	140,219	184,535
非流动负债					
长期借款	20	176,373	327,915	140,000	200,000
递延所得税负债	12	19,903	29,107	3,058	2,851
递延补贴	23	87,313	105,338	-	-
其他非流动应付款	22	40,029	38,945	-	-
合同负债	25	14,672	13,676	-	-
租赁负债	21	29,887	6,019	1	8
应付退休金		3	2	-	-
		368,180	521,002	143,059	202,859
总负债合计		3,464,133	3,438,566	384,427	309,014
净资产		2,529,005	2,418,334	245,354	216,464
股本与公积					
发行股本	18	467,938	467,890	467,938	467,890
各项储备	19	48,353	411,416	(222,584)	(251,426)
分类为待分配给所有者的公积	6(e)	614	667	-	-
		956,905	879,973	245,354	216,464
非控股权益		1,572,100	1,538,361	-	-
所有者权益合计		2,529,005	2,418,334	245,354	216,464
负债及所有者权益总计		5,993,138	5,856,900	629,781	525,478

此报告中的附注是组成这些财务报表不可或缺的内容

合并利润表

截至2021年12月31日

	附注	2021 \$'000	合并 2020 \$'000
持续经营			
营业收入	25	4,932,589	4,496,207
营业成本		(4,203,150)	(3,776,760)
毛利润		729,439	719,447
其他收入项目			
其他收入		93,139	87,606
其他费用项目			
销售费用		(286,966)	(266,467)
研发费用		(176,871)	(125,029)
管理费用		(178,081)	(165,780)
财务费用	27	(30,091)	(37,526)
其他费用		(1,720)	(5,429)
应占联营企业的业绩		(16,354)	(11,752)
税前利润	26	132,495	195,070
所得税费用	29	(13,752)	(42,077)
本年来自持续经营的利润		118,743	152,993
终止经营			
本年来自终止经营的利润	6(e)	688	2,214
本年利润		119,431	155,207
利润归属于:			
母公司所有者			
- 本年来自持续经营的利润		59,660	45,262
- 本年来自终止经营的利润		461	1,483
		60,121	46,745
非控股权益			
- 本年来自持续经营的利润		59,083	107,731
- 本年来自终止经营的利润		227	731
		59,310	108,462
来自持续经营的每股收益(分)			
- 基本	30	7.98	6.05
- 稀释	30	7.98	6.05
来自持续及终止经营的每股收益(分)			
- 基本	30	8.04	6.25
- 稀释	30	8.04	6.25

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2021年12月31日

	2021 \$'000	合并 2020 \$'000
本年利润	119,431	155,207
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	(13,399)	20,176
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	92,873	105,225
其他债权投资公允价值变动	13,294	(550)
本年其他综合收益(税后净值)	92,768	124,851
本年综合收益总额	212,199	280,058
归属于:		
母公司所有者	84,316	103,018
非控股权益	127,883	177,040
本年综合收益总额	212,199	280,058
归属于:		
母公司所有者		
- 本年来自持续经营的综合收益	83,855	101,535
- 本年来自终止经营的综合收益	461	1,483
	84,316	103,018

此报告中的附注是组成这些财务报表不可或缺的内容

合并所有者权益变动表

截至2021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	权益报酬 公积 \$'000	外币折算 储备 \$'000	非控股股 权 变动的盈余 \$'000	分类为待分 配给所有者 的待售组合 的公积 \$'000	未分配利润 \$'000	归属于 母公司 所有者权益 合计 \$'000	非控股权益 \$'000	所有者权益 合计 \$'000
2021年1月1日余额		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
本年利润		-	-	-	-	-	-	-	-	60,121	60,121	59,310	119,431
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		-	-	-	-	-	33,105	-	-	-	33,105	59,768	92,873
其他权益工具投资公允价值变动		-	-	-	(13,441)	-	-	-	-	-	(13,441)	42	(13,399)
其他债权投资公允价值变动		-	-	-	4,531	-	-	-	-	-	4,531	8,763	13,294
本年其他综合收益(税后净值)		-	-	-	(8,910)	-	33,105	-	-	-	24,195	68,573	92,768
本年综合收益总额		-	-	-	(8,910)	-	33,105	-	-	60,121	84,316	127,883	212,199
与所有者的交易直接在权益确认													
<i>所有者投入和减少资本</i>													
本年股本发行	18	48	-	-	-	-	-	-	-	-	48	-	48
支付公司股东股利	31	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
支付子公司非控股股东股利		-	-	-	-	-	-	-	-	-	-	(94,144)	(94,144)
支付股份费用		-	-	-	-	46	-	-	-	-	46	-	46
<i>其他</i>													
转入法定公积		-	-	431	-	-	-	-	-	(431)	-	-	-
转出公允价值公积		-	-	-	(24)	-	-	-	-	24	-	-	-
分类为待分配给所有者的公积	6(e)	-	-	-	-	-	53	-	(53)	-	-	-	-
2021年12月31日余额		467,938	4,351	16,802	19,291	5,360	28,105	62,597	614	351,847	956,905	1,572,100	2,529,005

合并所有者权益变动表

截至2021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	权益报酬 公积 \$'000	外币折算 储备 \$'000	非控股股 权 变动的盈余 \$'000	分类为待分 配给所有者 的待售组合 的公积 \$'000	未分配利润 \$'000	归属于 母公司 所有者权益 合计 \$'000	非控股权益 \$'000	所有者权益 合计 \$'000
2020年1月1日余额		467,890	4,351	15,801	8,378	5,267	(40,812)	43,035	-	260,914	764,824	1,488,340	2,253,164
本年利润		-	-	-	-	-	-	-	-	46,745	46,745	108,462	155,207
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		-	-	-	-	-	36,426	-	-	-	36,426	68,799	105,225
其他权益工具投资公允价值变动		-	-	-	20,277	-	-	-	-	-	20,277	(101)	20,176
其他债权投资公允价值变动		-	-	-	(430)	-	-	-	-	-	(430)	(120)	(550)
本年其他综合收益(税后净值)		-	-	-	19,847	-	36,426	-	-	-	56,273	68,578	124,851
本年综合收益总额		-	-	-	19,847	-	36,426	-	-	46,745	103,018	177,040	280,058
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	31	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
支付子公司非控股股东股利		-	-	-	-	-	-	-	-	-	-	(69,459)	(69,459)
支付股份费用		-	-	-	-	47	-	-	-	-	47	-	47
非控股股东的投入资本		-	-	-	-	-	-	-	-	-	-	11,149	11,149
对子公司控股股权的变动													
收购非控股股权		-	-	-	-	-	-	19,562	-	-	19,562	(68,709)	(49,147)
其他													
转入法定公积		-	-	570	-	-	-	-	-	(570)	-	-	-
分类为待分配给所有者的公积	6(e)	-	-	-	-	-	(667)	-	667	-	-	-	-
2020年12月31日余额		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

所有者权益变动表

截至2021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
2021年1月1日余额		467,890	9,199	2,538	(263,163)	216,464
本年综合收益总额		-	-	-	36,274	36,274
与所有者的交易直接在权益确认						
所有者投入和减少资本						
本年股本发行	18	48	-	-	-	48
支付公司股东股利	31	-	-	-	(7,478)	(7,478)
支付股份费用		-	-	46	-	46
2021年12月31日余额		467,938	9,199	2,584	(234,367)	245,354
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	31	-	-	-	(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

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至2021年12月31日

	附注	2021 \$'000	2020 \$'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		132,495	195,070
本年来自终止经营的税前利润		688	2,220
调整项目:			
应占联营企业的业绩		16,354	11,752
股份支付费用		46	47
折旧与摊销费用		145,498	122,477
存货跌价准备变动		(1,694)	3,285
存货注销		2,101	-
应收账款及其他应收款坏账准备变动		(8,091)	(3,079)
固定资产及无形资产减值准备		1,507	1,159
固定资产注销	26	410	1,587
财务费用		30,094	38,101
其他投资股利收入	26	(670)	(86)
利息收入		(28,354)	(34,441)
处置以下资产的(收益)/损失:			
- 固定资产		(561)	2,695
- 使用权资产		(3,066)	(5,344)
- 其他金融资产		(419)	(384)
债务转让收益	26	(9,990)	-
其他投资公允价值变动(收益)/损失	26	(29)	239
衍生性金融产品公允价值变动收益	26	-	(199)
三包费及其他准备计提净额		58,471	69,678
流动资金变动前经营活动产生的现金流量		334,790	404,777
流动资金的变动:			
存货的变动		(178,140)	(344,257)
应收账款, 合同资产及其他应收款的变动		184,874	(100,644)
应付账款, 合同负债及其他应付款的变动		(125,202)	425,396
政府补贴收入收到的现金		13,969	28,971
已计提准备的使用	24	(62,416)	(59,585)
经营活动产生的现金流量		167,875	354,658
支付所得税		(37,209)	(48,586)
经营活动产生的现金流量净额		130,666	306,072

此报告中的附注是组成这些财务报表不可或缺的内容

合并现金流量表

截至2021年12月31日

	附注	合并	
		2021 \$'000	2020 \$'000
投资活动产生的现金流量			
收购联营公司与合资公司股权支付的现金		(71,822)	-
取得股利分配收到的现金：			
- 联营公司与合资公司		868	1,037
- 其他金融资产		663	86
取得利息收入收到的现金		26,955	35,404
银行存款净流入		5,999	14,344
购置资产支付的现金：			
- 固定资产		(135,989)	(137,310)
- 使用权资产		(4,699)	-
- 无形资产		(59,984)	(105,105)
- 其他金融资产		(12,651)	-
处置资产产生的净现金流入：			
- 固定资产		2,144	10,896
- 使用权资产		8,594	11,667
- 其它金融资产		1,350	270
投资活动使用的现金流量净额		(238,572)	(168,711)
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)
非控股股东的投入资本		-	11,149
支付子公司非控股股东股利		(94,144)	(69,459)
支付公司股东股利		(7,478)	(7,478)
偿付利息支付的现金		(30,606)	(38,001)
发行股本收到的现金		48	-
向银行借款收到的现金		468,359	486,283
偿还银行贷款支付的现金		(410,052)	(446,362)
偿还租赁负债支付的现金		(11,426)	(13,454)
筹资活动使用的现金流量净额		(85,299)	(126,469)
现金及现金等价物净(减少)/增加额		(193,205)	10,892
年初现金及现金等价物余额	16	1,274,451	1,204,236
汇率变动对现金及现金等价物的影响		48,098	59,323
年末现金及现金等价物余额	16	1,129,344	1,274,451

附注：

存放于实行外汇管制国家的现金及现金等价物共计\$908,580,000 (2020: \$1,096,226,000)。

附注6列示收购和处置子公司的现金流影响。

此报告中的附注是组成这些财务报表不可或缺的内容

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MARCH 2022

Class of Shares	: Ordinary shares ("Shares")
Number of Shares in issue	: 747,905,718
Number of Ordinary Shareholders	: 5,501
Voting Rights	: 1 vote for 1 share

As at 7 March 2022, there were no Shares held as treasury shares or subsidiary holdings[^] in the Company.[^] 'Subsidiary holdings' is defined in the Listing Manual of 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 1967.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 - 99	14	0.25	162	0.00
100 - 1,000	633	11.51	590,367	0.08
1,001 - 10,000	3,059	55.61	16,927,680	2.26
10,001 - 1,000,000	1,773	32.23	78,714,519	10.53
1,000,001 and above	22	0.40	651,672,990	87.13
	5,501	100.00	747,905,718	100.00

Based on information available to the Company as at 7 March 2022, approximately 23.50% 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 7 MARCH 2022

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	20,049,221	2.68
3	Citibank Nominees Singapore Pte Ltd	15,872,847	2.12
4	DBS Nominees Pte Ltd	12,923,043	1.73
5	Taiheiyo Singapore Pte Ltd	9,079,659	1.21
6	Raffles Nominees (Pte) Ltd	6,282,707	0.84
7	Phillip Securities Pte Ltd	5,183,600	0.69
8	Morph Investments Ltd	4,180,000	0.56
9	HSBC (Singapore) Nominees Pte Ltd	3,837,335	0.51
10	OCBC Securities Pte Ltd	3,233,400	0.43
11	UOB Kay Hian Pte Ltd	2,861,400	0.38
12	United Overseas Bank Nominees Pte Ltd	2,593,600	0.35
13	Lim Thiam Yew Paul or Tan Soon Tze Mrs Lim Soon Tze	2,485,000	0.33
14	DB Nominees (Singapore) Pte Ltd	2,119,000	0.28
15	DBS Vickers Securities (S) Pte Ltd	1,930,300	0.26
16	DBSN Services Pte Ltd	1,811,821	0.24
17	Maybank Securities Pte. Ltd.	1,676,700	0.22
18	Ang Jwee Herng	1,600,000	0.21
19	OCBC Nominees Singapore Pte Ltd	1,464,900	0.20
20	Soon Lee Heng Trading & Transportation Pte Ltd	1,373,900	0.18
		649,560,090	86.83

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 7 March 2022.

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MARCH 2022

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders as at 7 March 2022)

	←----- No. of Shares -----→		Total Interest	%*
	Direct Interest	Deemed Interest		
Hong Leong Corporation Holdings Pte Ltd	549,001,657	13,328,000 ⁽¹⁾	562,329,657	75.19
Hong Leong Enterprises Pte. Ltd.	–	562,329,657 ⁽²⁾	562,329,657	75.19
Hong Leong Investment Holdings Pte. Ltd.	–	562,865,657 ⁽³⁾	562,865,657	75.26
Davos Investment Holdings Private Limited	–	562,865,657 ⁽⁴⁾	562,865,657	75.26
Kwek Holdings Pte Ltd	–	562,865,657 ⁽⁴⁾	562,865,657	75.26

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 7 March 2022.

Notes:

- (1) Hong Leong Corporation Holdings Pte Ltd (“HLCH”) is deemed under Section 4 of the Securities and Futures Act 2001 (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 Sixty-First Annual General Meeting (the “**Meeting**”) of HONG LEONG ASIA LTD. (the “**Company**”) will be convened and held by way of electronic means on Wednesday, 27 April 2022 at 3.00 p.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**”) 2021 and the Auditors’ Report thereon.
2. To declare a first and final one-tier tax exempt dividend of 2 cents per ordinary share for FY 2021 (“**First and Final Dividend**”).
3. To approve Directors’ Fees (excluding Fees to the Audit and Risk Committee (“**ARC**”)) of \$380,290 for FY 2021 (FY 2020: \$415,776).
4. To re-elect the following Directors who would be retiring in accordance with the Company’s Constitution and who, being eligible, offer themselves for re-election as Directors of the Company:

- (a) Mr Kwek Leng Peck
- (b) Ms Kwong Ka Lo @ Caroline Kwong

Detailed information on the Directors who are proposed to be re-elected can be found under the sections on “Board of Directors” and “Additional Information on Directors Seeking Re-election at the 61st Annual General Meeting” of the Annual Report 2021.

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 which will be proposed as Ordinary Resolutions:

6. That authority be and is hereby given to the Directors to:
 - (a) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

 - (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution is in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 50% 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 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 and subsidiary holdings (as defined in the Listing Manual of SGX-ST), of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

8. That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act 1967 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 29 March 2022 (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, 29 March 2022

NOTICE OF ANNUAL GENERAL MEETING

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 5 May 2022 up to (and including) 6 May 2022. Registrable transfers received up to 5.00 p.m. on 5 May 2022 will be registered to determine shareholders’ entitlement to the First and Final Dividend. If approved at the Meeting, it will be paid on 17 May 2022.
2. With reference to item 3 of the Ordinary Business above, the Directors’ Fees of \$380,290 for FY 2021 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 2021 which had been approved by shareholders at the 2021 AGM of the Company. Further information on the Directors’ Fees structure can be found on page 47 of the Annual Report 2021.
3. With reference to item 4(a) of the Ordinary Business above, Mr Kwek Leng Peck will, upon re-election as a Director of the Company, remain as the Chairman of the Board and a member of the Nominating Committee (“**NC**”) and SOS Committee (“**SOSC**”).

Key information on Mr Kwek can be found on page 23 and pages 218 to 221 of the Annual Report 2021.
4. With reference to item 4(b) of the Ordinary Business above, Ms Kwong Ka Lo @ Caroline Kwong will, upon re-election as a Director of the Company, remain as the chairman of the NC and a member of the ARC, Remuneration Committee and SOSC. Ms Kwong is considered an independent Director.

Key information on Ms Kwong can be found on page 24 and pages 218 to 221 of the Annual Report 2021.
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 50% 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 or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
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.

NOTICE OF ANNUAL GENERAL MEETING

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:

- 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/agm>. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- 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 29 March 2022. The announcement may be accessed at the Company's website at URL <http://agm.hlasia.com.sg/agm>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- 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/agm>, 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 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 18 April 2022.

- The Chairman of the Meeting, as proxy, need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

- The form appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

- 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
- 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 2021 and the Letter to Shareholders are available on the Company's website at the URL <http://agm.hlasia.com.sg/agm> 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 2021 and the Letter to Shareholders by completing and submitting the online Request Form at <http://agm.hlasia.com.sg/agm/ar2021request.html> by 11 April 2022.

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:

- 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);
- 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;
- 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
- enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 61ST ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Kwong Ka Lo @ Caroline Kwong
Age	65	63
Date of appointment	1 September 1982	22 February 2016
Job Title	Executive Chairman A member of the Nominating Committee (“ NC ”) and Hong Leong Asia Share Option Scheme 2000 Committee (“ SOSC ”)	Non-Executive and Independent Director Chairman of the NC and a member of the Audit and Risk Committee, Remuneration Committee and SOSC
Date of last re-election as Director (if applicable)	18 June 2020	26 April 2019
Country of principal residence	Singapore	Singapore
Board’s comments on the re-election (including rationale, selection criteria, and the search and nomination process)	<p>The Board reviewed the recommendation of the NC on the re-election of Mr Kwek Leng Peck and Ms Kwong Ka Lo @ Caroline Kwong and took into account, <i>inter alia</i>,</p> <ul style="list-style-type: none"> the NC’s report to the Board on the evaluation of Mr Kwek Leng Peck and Ms Kwong Ka Lo @ Caroline Kwong; 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 Ms Kwong. <p>The Board recommends the re-election of Mr Kwek Leng Peck and Ms Kwong Ka Lo @ Caroline Kwong as Directors of the Company.</p> <p>For more details on the NC’s evaluation process, please refer to Principle 4: Board Membership and Principle 5: Board Performance on pages 41 to 44 of the Corporate Governance Report.</p>	
Whether appointment is executive, and if so, the area of responsibility	Yes Executive Chairman	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 61ST ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Kwong Ka Lo @ Caroline Kwong
Professional qualification and working experience and occupation(s) during the past 10 years	<p>Executive Director on several Hong Leong group companies and has many years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management as well as extensive involvement in the Hong Leong Group real estate developments, investments and hotel operations.</p> <p><u>April 2017 to Present</u> Executive Chairman of Hong Leong Asia Ltd. (“HLA”)</p> <p><u>April 1998 to April 2017</u> Executive Director of HLA</p> <p><u>December 1982 to Present</u> Executive Director of Hong Leong Investment Holdings Pte. Ltd. (“HLIH”)</p> <p><u>October 2001 to Present</u> Executive Director of Hong Leong Corporation Holdings Pte Ltd (“HLCH”)</p>	<p>Extensive experience in investment, fund raising, corporate finance, capital markets and debt restructuring.</p> <p><u>October 2016 to present</u> Managing Director of The Global Value Investment Portfolio Management Pte Ltd</p> <p><u>October 2014 to September 2016</u> Limited Partner of Laurel Capital Kingsway LLP, London, United Kingdom</p> <p><u>March 2011 to July 2013</u> General Manager, Head of Capital Markets & Corporate Banking and Co-head of Corporate Finance of HL Bank, Singapore branch of Hong Leong Bank Berhad</p> <p>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.</p>
Shareholding interest in the Company and its subsidiaries	Please refer to the Directors’ Statement on pages 65 to 67.	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	<p>Director of HLCH, Hong Leong Enterprises Pte. Ltd. (“HLE”) and HLIH. HLCH, HLE and HLIH are substantial shareholders and related corporations of the Company.</p> <p>Ms Kwek Pei Xuan, Head of Sustainability and Corporate Affairs of HLA, is the daughter of Mr Kwek Leng Peck.</p> <p>Please refer to the Directors’ Statement on page 66 on his shareholding interest in HLIH.</p>	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 61ST ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Kwong Ka Lo @ Caroline Kwong
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	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"	<u>Principal Commitments:</u> Please see information under segment "Professional qualification, working experience and occupation(s) during the past 10 years"
<u>Directorships:</u> • Past (for the last 5 years):	<ul style="list-style-type: none"> 4 subsidiaries of HLA* City Developments Limited* and 2 of its subsidiaries 1 subsidiary of HLCH 5 subsidiaries of HLIH Millennium & Copthorne Hotels plc* (delisted and privatized in 2019, and now known as Millennium & Copthorne Hotels Limited) and 13 of its subsidiaries 	<ul style="list-style-type: none"> Ceribell, Inc
• Present:	<ul style="list-style-type: none"> HLA* and 25 of its subsidiary and associated companies China Yuchai International Limited* and 1 of its subsidiaries Hong Leong Finance Limited* and its 2 subsidiaries Hong Leong Company (Malaysia) Berhad HLCH and 9 of its subsidiaries Hong Leong Holdings Limited and 2 of its subsidiaries HLIH and 5 of its subsidiaries Hong Realty (Private) Limited and 3 of its subsidiaries Tasek Corporation Berhad and 2 of its subsidiaries Hong Leong Foundation Hong Leong Nominees (Private) Limited Kwek Hong Leong Investment Pte. Ltd. 	<ul style="list-style-type: none"> HLA* Freshape Pte. Ltd. Freshape SA (formerly known as H.Glass SA) GVIP Ventures SPC KEV Capital Limited Singapore Association for Mental Health The Global Value Investment Portfolio Management Pte Ltd U Light Pte. Ltd. u.life Special Investments Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE 61ST ANNUAL GENERAL MEETING

Name of Director	Kwek Leng Peck	Kwong Ka Lo @ Caroline Kwong
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 10 March 2022

IMPORTANT:

Alternative Arrangements for Annual General Meeting ("Meeting")

- 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/agm>. The Notice of Meeting will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- 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 29 March 2022. The announcement may be accessed at the Company's website at the URL <http://agm.hlasia.com.sg/agm>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- 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.**
- 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

- 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 18 April 2022.

Personal Data

- 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 29 March 2022.

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 Sixty-First Annual General Meeting of the Company (the "Meeting") to be convened and held by way of electronic means on Wednesday, 27 April 2022 at 3.00 p.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			
4.	Re-election of Directors:			
	(a) Mr Kwek Leng Peck			
	(b) Ms Kwong Ka Lo @ Caroline Kwong			
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 1967 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 _____ 2022

Total No. of Shares Held

NOTES: SEE OVERLEAF

Signature(s) or Common Seal of Member(s)

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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/agm>, 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 18 April 2022.

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.

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PROXY FORM

HONG LEONG ASIA LTD.
c/o The Share Registrar
M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

Affix
Postage
Stamp

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
F : (607) 598 6822

Cement Division

Singapore Cement Manufacturing Company (Private) Limited
43/45 Sungei Kadut Street 4
Singapore 729061
T : (65) 6488 5777
F : (65) 6368 0312

Tasek Corporation Berhad
5, Persiaran Tasek
Tasek Industrial Estate
31400 Ipoh, Perak
Malaysia
T : (605) 291 1011
F : (605) 291 9932

Trading and Granite Division

HL Building Materials Pte. Ltd.
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