

HONG LEONG ASIA LTD. (Co. Reg. No. 196300306G)

RESPONSE TO SGX-ST'S QUERY REGARDING THE COMPANY'S UNAUDITED FULL YEAR FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 ("UNAUDITED FY 2018 FINANCIAL RESULTS")

The Board of Directors of Hong Leong Asia Ltd. (the "**Company**") wishes to state the following in response to the query raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in its email of 5 March 2019 regarding the Company's Unaudited FY 2018 Financial Results:

SGX-ST's Query

With reference to the statement of financial position on page 4 of the unaudited financial results, please provide an explanation for the material variances in the amounts of the following items:-

Line Item	The Group (\$'000)	
	31.12.2018	31.12.2017 (Restated)
Current assets		
Inventories	562,729	631,817
Current liabilities		
Trade and other payables	1,479,583	1,792,866
Contract liabilities	56,956	40,667
Provisions	38,556	53,017
Loans and borrowings	544,657	677,709

Company's Response

- (i) *Inventories: The decrease in inventories was mainly resulting from the de-consolidation of the Xinfei Companies during the second quarter ("2Q") of 2018 and a lower inventory level maintained at year-end.*
- (ii) *Trade and other payables: The decrease in trade and other payables was mainly resulting from the de-consolidation of the Xinfei Companies during 2Q 2018 and timing of settlement with suppliers.*
- (iii) *Contract liabilities: The increase in contract liabilities was mainly due to increase in deferred income for unfulfilled maintenance services at year-end and increase in advance payment from customers for future product delivery.*
- (iv) *Provisions: The decrease in provision was mainly due to the net utilisation of warranty provision and the de-consolidation of the Xinfei Companies during 2Q 2018.*
- (v) *Loans and borrowings: The decrease in loans and borrowings was mainly resulting from the de-consolidation of the Xinfei Companies during 2Q 2018 and higher repayment of short-term borrowings during the year.*

By Order of the Board
HONG LEONG ASIA LTD.

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

7 March 2019
Singapore