

ASSET ACQUISITIONS AND DISPOSALS::UPDATE ON THE PROPOSED DISPOSAL OF ASSETS BY AIRWELL AIR-CONDITIONING TECHNOLOGY (CHINA) CO., LTD.**Issuer & Securities****Issuer/ Manager**

HONG LEONG ASIA LTD.

Securities

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Submitted By (Co./ Ind. Name)

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Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the attachment relating to the update on the Proposed Disposal of Assets by Airwell Air-Conditioning Technology (China) Co., Ltd.

Attachments[Sale of assets 20201116.pdf](#)

Total size =135K MB

HONG LEONG ASIA LTD.
(Company Registration Number: 196300306G)
(Incorporated in the Republic of Singapore)

**UPDATE ON THE PROPOSED DISPOSAL OF ASSETS BY
AIRWELL AIR-CONDITIONING TECHNOLOGY (CHINA) CO., LTD.**

Unless otherwise defined, all capitalised terms used in this announcement shall bear the meanings as ascribed to them in the announcement dated 30 September 2020.

1. INTRODUCTION

The board of directors (the “**Board**”) of Hong Leong Asia Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement made by the Company on 30 September 2020 (the “**Announcement**”) in relation to the Proposed Disposal (as defined in the Announcement).

2. THE PROPOSED DISPOSAL

Further to the Announcement, the Board wishes to update that as at the date of this announcement:

- (a) the Vendor has made the Tax Payment in respect of the Proposed Disposal;
- (b) the Purchaser has received the real estate certificate from the regulatory authority, Taicang Real Estate Registration Centre (太仓市不动产登记中心); and
- (c) pursuant to the terms of the SPA, the Vendor has received RMB91.2 million (approximately S\$18.6 million¹) representing approximately 74% of the Consideration (less any taxes paid in respect of the Proposed Disposal).

The Vendor has accordingly recognised a net gain on disposal of approximately RMB14.6 million (or approximately S\$3.0 million), after taking into account legal fees, taxes and other relevant transaction costs from the disposal of the Underlying Assets, as at 31 October 2020.

As stated in the Announcement, following completion of the Proposed Disposal, the Company intends to take steps to cease the Vendor’s operations, and wind up and dissolve the Vendor and its sole wholly-owned subsidiary (collectively, the “**Vendor Group**”). To this end, the Board wishes to announce that the Vendor Group has commenced winding down its operations and intends to appoint a liquidator to commence the voluntary winding up and dissolution of the Vendor Group.

¹ Unless otherwise stated, translations of amounts from RMB to S\$ have been made on the basis of RMB4.9092: S\$1.00 as at 13 November 2020.

3. FINANCIAL IMPACT

Following cessation of the Vendor Group's operations, the Group's Air-conditioning Systems Unit segment will be presented as "discontinued operation" in the Group's financial statements.

Upon completion of the dissolution and liquidation of the Vendor Group, the Vendor Group will cease to be subsidiaries of the Group and will be deconsolidated. The deconsolidation will involve de-recognition of the assets and liabilities of the Vendor Group. The unaudited financial effects (computed based on the unaudited management accounts as at 30 September 2020) of the deconsolidation of the Vendor Group as set out below are purely for illustrative purposes only and are neither indicative nor do they represent any projection of the financial performance or position of the Group after the completion of the deconsolidation of the Vendor Group.

The Vendor Group has been loss-making since 2012 and is in a net liability position. In accordance with the accounting standards, a portion of the loss has been attributed to the non-controlling interests of the Vendor Group. Assuming that the Proposed Disposal had been completed and all relevant costs had been adequately provided for as at 30 September 2020, the carrying amount of the non-controlling interests of the Vendor Group on the Group's balance sheet (after taking into account the outstanding capital contribution of RMB55.9 million (approximately S\$11.1 million based on the average exchange rate of RMB5.0448: S\$1.00 as at 30 September 2020) by the non-controlling shareholder to the Vendor which has since been paid) would have been S\$18.9 million. Further, assuming that the dissolution and liquidation of the Vendor Group had been completed as at 30 September 2020 and the net assets of the Vendor Group had been deconsolidated, the carrying amount of S\$18.9 million, which is not recoverable from the non-controlling interests, would be recognised as a loss in the Group's income statement with no impact to the cash flow of the Group.

The Group will continue to monitor and update the estimated financial effects of the deconsolidation of the Vendor Group and will disclose the latest estimated financial effects in the unaudited consolidated financial statements of the Group for the full-year ending 31 December 2020.

As the Vendor Group has been loss-making since 2012, the Board believes that the Proposed Disposal and deconsolidation of the Vendor Group is a positive development for the Group and is expected to have a positive effect on the financial performance of the Group going forward.

4. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, when there are material updates or developments in respect of the Proposed Disposal.

5. ADDITIONAL INFORMATION

Amidst the uncertainty resulting from the COVID-19 situation and further to the announcement dated 16 November 2020 ("**CYI Announcement**") made by China Yuchai International Limited, a subsidiary of the Company, the Board wishes to provide a voluntary ad hoc business update of key highlights for the financial quarter ended 30 September 2020 ("**3Q 2020**"), following the Group's adoption of the semi-annual reporting of its results.

For 3Q 2020, the unaudited revenue for the Group was S\$1.172 billion, an increase of S\$383.9 million or 48.7%, from the unaudited revenue of S\$788.6 million for the financial quarter ended 30 September

2019 (“**3Q 2019**”). This was attributed mainly to the higher revenue recorded by the Group’s Diesel Engines Unit (“**Yuchai**”) as disclosed in the CYI Announcement. Yuchai sold 118,488 engines in 3Q 2020 as compared to 70,140 units sold in 3Q 2019.

As compared with the financial quarter ended 30 June 2020, the Group’s Building Materials Unit recorded an increase in sales volumes in 3Q 2020 with the resumption of construction activities in Singapore and Malaysia following the lifting of the circuit breaker measures and movement control order in Singapore and Malaysia, respectively.

Based on the unaudited financial figures for 3Q 2020, the profit attributable to the shareholders of the Company was S\$8.0 million, an increase of S\$4.6 million, from the unaudited profits attributable to the shareholders of the Company of S\$3.4 million in 3Q 2019.

Shareholders should note that the financial figures disclosed above in respect of 3Q 2020 have not been audited or reviewed.

BY ORDER OF THE BOARD
HONG LEONG ASIA LTD.

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

16 November 2020
Singapore