

**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::HALF YEARLY RESULTS**

## Issuer &amp; Securities

## Issuer/ Manager

HONG LEONG ASIA LTD.

## Securities

HONG LEONG ASIA LTD. - SG1F76860344 - H22

## Stapled Security

No

## Announcement Details

## Announcement Title

Financial Statements and Related Announcement

## Date &amp; Time of Broadcast

13-Aug-2020 20:18:00

## Status

New

## Announcement Sub Title

Half Yearly Results

## Announcement Reference

SG200813OTHRH7FK

## Submitted By (Co./ Ind. Name)

Ng Siew Ping, Jaslin

## Designation

Company Secretary

## Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please refer to the attached Unaudited Half Year Financial Statement for the Period Ended 30 June 2020.

## Additional Details

## For Financial Period Ended

30-Jun-2020

## Attachments

[SGXNet%201H2020\\_13%20Aug%202020.pdf](#)

Total size =376K MB

**Unaudited Half Year Financial Statement For The Period Ended 30 June 2020**

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

The Board of Directors announces the results of the Group for the half year ended 30 June ("1H") 2020. These figures have not been audited or reviewed.

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

**1(a)(i) Income statement**

	Group		
	1H 2020	1H 2019	+/-
	\$'000	\$'000	%
<b>Revenue</b>	2,141,516	2,054,867	4.2%
Cost of sales	(1,817,826)	(1,713,705)	6.1%
<b>Gross profit</b>	<b>323,690</b>	<b>341,162</b>	<b>-5.1%</b>
Other income	26,718	30,277	-11.8%
Selling and distribution expenses	(107,882)	(130,464)	-17.3%
Research and development expenses	(42,684)	(37,207)	14.7%
General and administrative expenses	(79,147)	(76,315)	3.7%
Finance costs	(16,884)	(17,582)	-4.0%
Other expenses	(666)	(1,628)	-59.1%
<b>Profit from operations</b>	<b>103,145</b>	<b>108,243</b>	<b>-4.7%</b>
Share of results of associates and joint ventures, net of income tax	334	2,296	-85.5%
<b>Profit before income tax</b>	<b>103,479</b>	<b>110,539</b>	<b>-6.4%</b>
Income tax expense	(25,158)	(25,492)	-1.3%
<b>Profit for the period</b>	<b>78,321</b>	<b>85,047</b>	<b>-7.9%</b>
<b>Attributable to:</b>			
Owners of the Company	19,365	20,543	-5.7%
Non-controlling interests	58,956	64,504	-8.6%
	<b>78,321</b>	<b>85,047</b>	<b>-7.9%</b>

*Note: Approximately 90% of the Group's total revenue is generated from its businesses in China. For the half year ended 30 June, translation of income statements from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rates of RMB5.0471 = SGD1.00 for 1H 2020 and RMB4.9925 = SGD1.00 for 1H 2019. For 1H 2020, RMB has depreciated by about 1.1% as compared to 1H 2019.*

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

Profit before income tax includes the following:	Group		+/- %
	1H 2020 \$'000	1H 2019 \$'000	
Gain on disposal of property, plant and equipment, net <sup>(1)</sup>	20	410	-95.1%
Gain on disposal of right-of-use assets, net <sup>(2)</sup>	513	-	NM
Impairment losses written back for trade and other receivables, net <sup>(3)</sup>	540	196	175.5%
Allowance recognised for inventories obsolescence, net <sup>(4)</sup>	-	(319)	NM
Depreciation and amortisation <sup>(5)</sup>	(59,277)	(59,442)	-0.3%
Foreign exchange gain/(loss), net <sup>(6)</sup>	1,252	(472)	NM
Fair value gain/(loss) on derivatives, net <sup>(7)</sup>	435	(401)	NM
Interest expense <sup>(8)</sup>	(16,490)	(16,916)	-2.5%
Interest income <sup>(9)</sup>	17,881	17,268	3.5%
Write-off of property, plant & equipment <sup>(10)</sup>	(1,030)	(177)	481.9%

NM: Not meaningful

- (1) Net gain on disposal of property, plant and equipment in 1H 2019 was attributed mainly to the Group's Diesel Engines Unit ("Yuchai").
- (2) Net gain on disposal of right-of-use assets in 1H 2020 was attributed mainly to Yuchai.
- (3) Net impairment losses written back for trade and other receivables in 1H 2020 and 1H 2019 were attributed mainly to Yuchai.
- (4) Net allowance recognised for inventories obsolescence in 1H 2019 was attributed mainly to the Group's Air-conditioning Systems Unit ("Airwell").
- (5) Depreciation and amortisation recorded in 1H 2020 were comparable to 1H 2019.
- (6) The higher net foreign exchange gain recorded in 1H 2020 was mainly due to foreign exchange gain on revaluation of United States dollar ("USD") assets, as a result of the weakening of the Singapore dollar ("SGD") against the USD.
- (7) Net fair value gain/(loss) on derivatives in 1H 2020 and 1H 2019 (for hedging against foreign currency risk) arose largely from forward foreign exchange contracts in Yuchai.
- (8) The decrease in interest expense in 1H 2020 was mainly due to lower interest rates, which was partially offset by higher loan interest expense for Yuchai with increase in borrowings.
- (9) The increase in interest income in 1H 2020 was due mainly to higher deposits placement.
- (10) The write-offs of property, plant and equipment in 1H 2020 and 1H 2019 were recorded mainly by Yuchai.

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

In 1H 2020, the Group's tax charge included additional provision of \$8,000 for prior years (1H 2019: additional provision of \$41,000 for prior years).

### 1(a)(iv) Statement of Comprehensive Income

	1H 2020	Group 1H 2019	+/-
	\$'000	\$'000	%
<b>Profit for the period</b>	<b>78,321</b>	<b>85,047</b>	<b>-7.9%</b>
<b>Other comprehensive income</b>			
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Net fair value changes of equity instruments at fair value through other comprehensive income	10,597	3,490	203.6%
<b>Items that may be subsequently reclassified to profit or loss</b>			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	39,993	(21,147)	NM
Net fair value changes of debt instruments at fair value through other comprehensive income	9,878	11,096	-11.0%
<b>Total other comprehensive income for the period, net of tax</b>	<b>60,468</b>	<b>(6,561)</b>	<b>NM</b>
<b>Total comprehensive income for the period</b>	<b>138,789</b>	<b>78,486</b>	<b>76.8%</b>
<b>Attributable to:</b>			
Owners of the Company	44,380	22,615	96.2%
Non-controlling interests	94,409	55,871	69.0%
<b>Total comprehensive income for the period</b>	<b>138,789</b>	<b>78,486</b>	<b>76.8%</b>

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

\$'000	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
<b>Non-current assets</b>				
Property, plant and equipment	958,190	951,772	123	112
Intangible assets	190,201	145,609	54	72
Investment in subsidiaries	-	-	219,876	212,367
Interests in associates	42,816	43,688	14,605	14,605
Interests in joint ventures	70,728	67,972	-	-
Investment property	1,205	1,265	-	-
Other investments	26,763	16,198	-	-
Non-current receivables	5,660	5,811	10,000	10,000
Capitalised contract costs	30,100	26,350	-	-
Right-of-use assets	122,463	127,944	33	56
Deferred tax assets	84,465	82,029	-	-
Long-term deposits	17,730	9,655	-	-
	<u>1,550,321</u>	<u>1,478,293</u>	<u>244,691</u>	<u>237,212</u>
<b>Current assets</b>				
Inventories	849,553	594,208	-	-
Development properties	3,383	3,422	-	-
Other investments	1,410	1,785	-	-
Trade and other receivables	1,967,358	1,718,514	261,694	269,712
Cash and short-term deposits	1,383,094	1,318,983	24,840	8,557
Derivatives	215	-	-	-
	<u>4,205,013</u>	<u>3,636,912</u>	<u>286,534</u>	<u>278,269</u>
<b>Total assets</b>	<u>5,755,334</u>	<u>5,115,205</u>	<u>531,225</u>	<u>515,481</u>
<b>Current liabilities</b>				
Trade and other payables	2,175,826	1,738,047	4,174	3,035
Contract liabilities	56,220	74,594	-	-
Lease liabilities	10,145	11,309	24	41
Provisions	55,816	45,168	-	-
Loans and borrowings	552,064	647,510	73,027	194,875
Current tax payable	15,619	13,546	72	72
Derivatives	1	47	-	-
	<u>2,865,691</u>	<u>2,530,221</u>	<u>77,297</u>	<u>198,023</u>
<b>Net current assets</b>	<u>1,339,322</u>	<u>1,106,691</u>	<u>209,237</u>	<u>80,246</u>
<b>Non-current liabilities</b>				
Loans and borrowings	371,232	113,789	240,000	100,000
Deferred tax liabilities	32,672	35,068	2,631	2,631
Deferred grants	122,667	126,823	-	-
Other non-current payables	34,732	34,044	-	-
Contract liabilities	12,599	10,391	-	-
Lease liabilities	9,220	11,703	11	16
Retirement benefit obligations	2	2	-	-
	<u>583,124</u>	<u>331,820</u>	<u>242,642</u>	<u>102,647</u>
<b>Total liabilities</b>	<u>3,448,815</u>	<u>2,862,041</u>	<u>319,939</u>	<u>300,670</u>
<b>Net assets</b>	<u>2,306,519</u>	<u>2,253,164</u>	<u>211,286</u>	<u>214,811</u>
<b>Equity attributable to owners of the Company</b>				
Share capital	467,890	467,890	467,890	467,890
Reserves	347,392	296,934	(256,604)	(253,079)
	<u>815,282</u>	<u>764,824</u>	<u>211,286</u>	<u>214,811</u>
<b>Non-controlling interests</b>	1,491,237	1,488,340	-	-
<b>Total equity</b>	<u>2,306,519</u>	<u>2,253,164</u>	<u>211,286</u>	<u>214,811</u>
<b>Total equity and liabilities</b>	<u>5,755,334</u>	<u>5,115,205</u>	<u>531,225</u>	<u>515,481</u>

## Explanatory Notes to Statement of Financial Position

### Group

- **Non-current assets:** The increase in non-current assets was mainly due to (a) purchase of property, plant and equipment, (b) capitalisation of development costs for National VI and Tier 4 engines as intangible assets, (c) recognition of higher fair value changes of other investments, (d) additional contract costs capitalised for projects in 1H 2020 and (e) increase in long-term deposits placement. The increase was partially offset by decrease in right-of-use assets mainly due to depreciation during 1H 2020.
- **Current assets:** The increase in current assets was mainly due to (a) higher inventory level maintained as at 30 June 2020 (b) higher trade and other receivables caused by timing of collection from customers and (c) higher cash and short-term deposits.
- **Current liabilities:** The increase in current liabilities was mainly due to higher trade and other payables and higher provision for warranties, which was partially offset by lower contract liabilities and lower loans and borrowings as at 30 June 2020. In particular:
  - The increase in trade and other payables was mainly caused by timing of settlement of amounts owed to suppliers and higher purchases made towards period-end.
  - The decrease in contract liabilities was mainly due to decrease in advance payment from customers as at 30 June 2020 for future product deliveries, partially offset by higher unfulfilled maintenance service costs.
  - The decrease in loans and borrowings was mainly due to refinancing of loans and borrowings at longer loan tenures, as seen by the increase in non-current loans and borrowings. The decrease was partially offset by additional loans and borrowings taken up by the Group.
- **Non-current liabilities:** The increase in non-current liabilities was mainly due to refinancing of loans and borrowings at longer loan tenures (more than one year) and additional loans and borrowings taken up by the Group as at 30 June 2020.

### Company

- **Non-current assets:** The increase in non-current assets was mainly due to additional inter-company loan, which forms part of investment in subsidiaries, extended to a subsidiary in 1H 2020.
- **Current assets:** The increase in current assets was mainly due to higher cash and short-term deposits, partially offset by decrease in receivables upon net repayment from subsidiaries.
- **Current liabilities:** The decrease in current liabilities was mainly due to refinancing of loans and borrowings at longer loan tenures (more than one year), partially offset by additional loans and borrowings taken up as at 30 June 2020.
- **Non-current liabilities:** The increase in non-current liabilities was mainly due to refinancing of loans and borrowings at longer loan tenures (more than one year) and additional loans and borrowings taken up as at 30 June 2020.

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

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

<b>As at 30.06.2020</b>		<b>As at 31.12.2019</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
\$264,000	\$561,945,000	\$400,000	\$658,419,000

**Amount repayable after one year \***

<b>As at 30.06.2020</b>		<b>As at 31.12.2019</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
\$33,031,000	\$347,421,000	\$13,861,000	\$111,631,000

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

**Details of any collateral**

The secured banking facilities of the Group are secured on the assets of certain subsidiaries with a total carrying value as at 30 June 2020 of \$107,915,000 (31 December 2019: \$107,005,000).

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

	<b>1H 2020</b>	<b>1H 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating activities</b>		
Profit before income tax	103,479	110,539
Adjustments for:		
Share of results of associates and joint ventures, net of income tax	(334)	(2,296)
Cost of share-based payments	19	8
Depreciation and amortisation	59,277	59,442
Allowance recognised for inventories obsolescence, net	-	319
Impairment losses written back for trade and other receivables	(540)	(196)
Property, plant and equipment written off	1,030	177
Finance costs	16,884	17,582
Dividend income from other investments	-	(42)
Interest income	(17,881)	(17,268)
Gain on disposal of:		
- property, plant and equipment	(20)	(410)
- right-of-use assets	(513)	-
- other investments	(2)	(396)
Fair value loss/(gain) on investments	236	(270)
Fair value (gain)/loss on derivatives	(435)	401
Provision for warranties and other costs, net	28,346	33,512
<b>Operating cash flows before changes in working capital</b>	<b>189,546</b>	<b>201,102</b>
Changes in working capital:		
Inventories and development properties	(246,796)	42,588
Trade and other receivables and capitalised contract costs	(216,416)	(225,086)
Trade and other payables and contract liabilities	362,538	266,695
Grant received from government	4,158	32,093
Provisions utilised	(18,493)	(23,576)
<b>Cash flows from operations</b>	<b>74,537</b>	<b>293,816</b>
Income tax paid	(26,703)	(30,692)
<b>Net cash flows from operating activities</b>	<b>47,834</b>	<b>263,124</b>
<b>Investing activities</b>		
Additional investment in joint ventures	-	(3,551)
Dividends received from:		
- associates and joint ventures	-	3,179
- other investments	-	42
Interest received	17,921	17,194
Net release/(placement) of deposits with banks	26,358	(42,434)
Purchase of:		
- property, plant and equipment	(55,343)	(61,361)
- right-of-use assets	(442)	-
- intangible assets	(39,738)	(55,003)
- other investments	-	(6,800)
Net cash inflow on disposal of:		
- property, plant and equipment	39	63
- right of use assets	1,276	-
- other investments	144	2,371
Tax and relevant expenses in relation to a subsidiary disposed previously	-	(7,789)
<b>Net cash flows used in investing activities</b>	<b>(49,785)</b>	<b>(154,089)</b>
<b>Financing activities</b>		
Acquisition of non-controlling interests	(27,659)	(18,405)
Dividends paid to non-controlling interests of subsidiaries	(29,953)	(30,131)
Interest paid	(15,982)	(16,082)
Proceeds from borrowings	450,533	392,195
Repayment in respect of borrowings	(296,059)	(317,857)
Repayment of obligation under lease liabilities	(4,778)	(6,876)
<b>Net cash flows generated from financing activities</b>	<b>76,102</b>	<b>2,844</b>
<b>Net increase in cash and cash equivalents</b>	<b>74,151</b>	<b>111,879</b>
Cash and cash equivalents at beginning of the financial period	1,204,236	1,224,105
Effect of exchange rate changes on balances held in foreign currencies	21,751	(9,764)
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,300,138</b>	<b>1,326,220</b>
Comprising:		
Cash and short-term deposits	1,383,094	1,459,540
Less: Short-term deposits and restricted deposits	(82,956)	(133,320)
	<b>1,300,138</b>	<b>1,326,220</b>



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

Statement of Changes in Equity	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus/(deficit) on changes of non-controlling interests \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>The Group</b>											
At 1 January 2019	467,890	4,351	15,425	2,192	5,243	(26,394)	51,298	226,847	746,852	1,512,100	2,258,952
Profit for the period	-	-	-	-	-	-	-	20,543	20,543	64,504	85,047
<i>Other comprehensive income</i>											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(3,876)	-	-	(3,876)	(17,271)	(21,147)
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	2,495	-	-	-	-	2,495	995	3,490
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	3,453	-	-	-	-	3,453	7,643	11,096
Other comprehensive income for the period, net of tax	-	-	-	5,948	-	(3,876)	-	-	2,072	(8,633)	(6,561)
Total comprehensive income for the period	-	-	-	5,948	-	(3,876)	-	20,543	22,615	55,871	78,486
<b>Transactions with owners, recorded directly in equity</b>											
<i>Contributions by and distributions to owners</i>											
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(57,849)	(57,849)
Cost of share-based compensation	-	-	-	-	8	-	-	-	8	-	8
<i>Changes in ownership interests in subsidiaries</i>											
Acquisition of non-controlling interests	-	-	-	-	-	-	(4,244)	-	(4,244)	(14,161)	(18,405)
At 30 June 2019	467,890	4,351	15,425	8,140	5,251	(30,270)	47,054	247,390	765,231	1,495,961	2,261,192
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 period	-	-	-	-	-	-	-	19,365	19,365	58,956	78,321
<i>Other comprehensive income</i>											
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	11,162	-	-	11,162	28,831	39,993
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	10,717	-	-	-	-	10,717	(120)	10,597
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	3,136	-	-	-	-	3,136	6,742	9,878
Other comprehensive income for the period, net of tax	-	-	-	13,853	-	11,162	-	-	25,015	35,453	60,468
Total comprehensive income for the period	-	-	-	13,853	-	11,162	-	19,365	44,380	94,409	138,789
<b>Transactions with owners, recorded directly in equity</b>											
<i>Contributions by and distributions to owners</i>											
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(57,794)	(57,794)
Cost of share-based compensation	-	-	-	-	19	-	-	-	19	-	19
<i>Changes in ownership interests in subsidiaries</i>											
Acquisition of non-controlling interests	-	-	-	-	-	-	6,059	-	6,059	(33,718)	(27,659)
At 30 June 2020	467,890	4,351	15,801	22,231	5,286	(29,650)	49,094	280,279	815,282	1,491,237	2,306,519

**1(d)(i) Statement of changes in equity for the periods ended 30 June (cont'd)**

<b>The Company</b>	<b>Share capital \$'000</b>	<b>Capital reserve \$'000</b>	<b>Share option reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
At 1 January 2019	467,890	9,199	2,467	(273,718)	205,838
Total comprehensive income for the period	-	-	-	(4,688)	(4,688)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Cost of share-based compensation	-	-	8	-	8
At 30 June 2019	<u>467,890</u>	<u>9,199</u>	<u>2,475</u>	<u>(278,406)</u>	<u>201,158</u>
At 1 January 2020	467,890	9,199	2,491	(264,769)	214,811
Total comprehensive income for the period	-	-	-	(3,544)	(3,544)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Cost of share-based compensation	-	-	19	-	19
At 30 June 2020	<u>467,890</u>	<u>9,199</u>	<u>2,510</u>	<u>(268,313)</u>	<u>211,286</u>

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

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

There were no shares held as treasury shares or subsidiary holdings as at 30 June 2020, 31 December 2019 and 30 June 2019.

There was no change in the Company's issued share capital during the half year ended 30 June 2020.

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

There was no option exercised pursuant to the terms of the Hong Leong Asia Share Option Scheme 2000 (the "**Scheme**") during the half year ended 30 June 2020.

As at 30 June 2020, there were a total of 1,217,000 (30 June 2019: 920,000) unissued shares under option granted pursuant to the Scheme. Details are as follows:

<b>Year of Grant</b>	<b>Exercise Price</b>	<b>Number of Outstanding Options</b>
2011	\$3.17	380,000
2014	\$1.31	190,000
2019	\$0.53	250,000
2020	\$0.54	397,000
Total		1,217,000

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

The total number of issued ordinary shares as at 30 June 2020 and 31 December 2019 was 747,817,118.

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

There was no sale, transfer, cancellation and/or use of treasury shares/subsidiary holdings during the half year ended 30 June 2020.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

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

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

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

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

	Group	
	1H 2020	1H 2019
Profit per ordinary share based on net profit attributable to shareholders		
(i) Based on the weighted average number of ordinary shares in issue	2.59	2.75
(ii) On a fully diluted basis (cts)	2.59	2.75

1,217,000 (30 June 2019: 570,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Net Asset Value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares, if any, of the issuer as at 30 June 2020 and as at 31 December 2019 (cts)	109.02	102.27	28.25	28.73

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

The Group operates mainly in China, Singapore and Malaysia.

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

As announced on 12 May 2020, HL Cement (Malaysia) Sdn Bhd and Ridge Star Limited, both wholly owned subsidiaries of the Company (collectively, the “**Joint Offerors**”), launched a unconditional voluntary take-over offer to acquire all the remaining ordinary shares (“**Ordinary Shares**”) (excluding treasury shares) and the 6% cumulative participating preference shares (“**Preference Shares**”) of Tasek Corporation Berhad (“**Tasek**”) not already held by the Joint Offerors (the “**Offer**”) at an offer price of Malaysian Ringgit (“**RM**”) 5.80 per share. Following the close of the Offer on 3 August 2020, the Group holds 117,773,688 Ordinary Shares (or

117,789,588 Ordinary Shares including those shares which were subject to verification) and 217,450 Preference Shares in Tasek, representing approximately 97.22% (or 97.23%) of the total issued and paid-up Ordinary Shares (excluding treasury shares) and 64.91% of the total issued and paid-up Preference Shares respectively. The Joint Offerors do not intend to maintain the listing status of Tasek on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). Trading of all Tasek's securities has been suspended on 11 August 2020 and Tasek is currently taking the requisite steps to withdraw its listing status from the Official List of Bursa Securities.

The Coronavirus Disease 2019 ("**COVID-19**") has triggered a global health crisis in an unprecedented way, and this has caused the global economies to collapse and disrupted major supply chains. The performance of the Group's businesses in China, Singapore and Malaysia has been impacted during 1H 2020. Throughout this period, the Group has responded to the crisis by putting the safety of our employees first and ensured that we continue to manage our business risks effectively.

In China, the economy contracted by 6.8% in the first quarter ("**1Q**") of 2020 but rebounded with a growth of 3.2% in the second quarter ("**2Q**") when the lockdown in many cities were lifted. Statistics from China Association of Automobile Manufacturers reported an increase in sales of commercial vehicles (excluding gasoline-powered and electric-powered vehicles) by 50.5% in 2Q 2020 as compared with 2Q 2019.

In Singapore, the economy contracted by 0.3% on a year-on-year basis in 1Q 2020 and a further drop of 13.2% on a year-on-year basis in 2Q 2020. The Ministry of Trade and Industry also reported that the construction sector contracted by 1.2% year-on-year in 1Q 2020 and similarly by 59.3% in 2Q 2020. The performance of the sector was weighed down primarily by a fall in private sector construction works due to the implementation of the Circuit Breaker ("**CB**") measures from 7 April 2020 to 1 June 2020. Most construction activities were stopped during the period as the sector faced major manpower disruptions from the quarantine of foreign workers in the dormitories. This affected the operations and performance of BMU's operations in Singapore during 2Q 2020.

In Malaysia, the economy grew slightly by 0.7% in 1Q 2020 and expected to have contracted sharply in 2Q 2020, reflecting the negative impact of the Movement Control Order ("**MCO**") imposed by the Malaysian government. During this period, Tasek's integrated cement plant and ready-mix batching plants ceased operations. Since mid-May 2020, the construction sector has been allowed to resume activities, subject to compliance with new standard operating procedures and COVID-19 testing for foreign workers.

The profit attributable to the owners of the Company ("**PATMI**") for 1H 2020 decreased by \$1.1 million to \$19.4 million, as compared to \$20.5 million for 1H 2019.

### **1H 2020 versus 1H 2019**

Revenue for the Group was \$2.142 billion in 1H 2020, an increase of \$86.6 million or 4.2%, from \$2.055 billion in 1H 2019. The increase in revenue was mainly due to higher revenue recorded by Yuchai which was partially offset by the revenue decline of BMU.

- Yuchai's revenue increased by \$167.9 million or 9.3% as compared to 1H 2019. Yuchai sold 213,182 engines in 1H 2020 as compared to 211,359 units sold in 1H 2019. The increase was mainly due to higher engine sales in the heavy-duty truck and off-road segments, particularly agricultural engines, which more than offset the sales decline in the bus segment.
- BMU's revenue decreased by \$75.4 million or 33.1% as compared to 1H 2019 as both its Singapore and Malaysian operations were affected by disruption to business activities due to the COVID-19 pandemic, particularly during 2Q 2020.

The Group's gross profit was \$323.7 million in 1H 2020, a decrease of \$17.5 million from \$341.2 million in 1H 2019. This was mainly due to the decline in gross profit of BMU as a result of business disruptions during the CB and MCO periods.

Other income, which comprised mainly interest income and government grants, was \$26.7 million in 1H 2020, a decrease of \$3.6 million from \$30.3 million in 1H 2019, largely due to lower government grants.

Selling and distribution (“**S&D**”) expenses were \$107.9 million in 1H 2020, a decrease of \$22.6 million or 17.3% as compared to \$130.5 million in 1H 2019, largely due to lower delivery costs and warranty expenses.

Research and development (“**R&D**”) expenses were \$42.7 million in 1H 2020, an increase of \$5.5 million or 14.7% as compared to \$37.2 million in 1H 2019 due to the need to increase Yuchai’s portfolio of new engines which are compliant with the more stringent National VI emission standards and continuous improvements made to enhance the quality and performance of its engines.

General and administrative (“**G&A**”) expenses were \$79.1 million in 1H 2020, an increase of \$2.8 million or 3.7% as compared to \$76.3 million in 1H 2019. The increase was mainly due to higher staff costs and consultancy fees.

Finance costs were \$16.9 million in 1H 2020, a decrease of \$0.7 million or 4.0% as compared to \$17.6 million in 1H 2019. This was mainly due to lower interest rates, which was partially offset by higher loan interest expense for Yuchai with increase in borrowings.

Other expenses, which comprised mainly revaluation loss on investment, were \$0.7 million in 1H 2020, a decrease of \$0.9 million from \$1.6 million in 1H 2019. The higher expenses in 1H 2019 were mainly due to foreign exchange loss and fair value loss on derivatives.

Share of results of associates and joint ventures was a profit of \$0.3 million in 1H 2020 as compared to \$2.3 million in 1H 2019. This was mainly due to losses from associates of BMU.

In conclusion, profit after tax decreased from \$85.0 million in 1H 2019 to \$78.3 million in 1H 2020. Profit attributable to the owners of the Company was \$19.4 million in 1H 2020 as compared to \$20.5 million in 1H 2019.

### **Working Capital and Cash Flow**

The Group had cash and short-term deposits of \$1.383 billion as at 30 June 2020 compared with \$1.319 billion as at 31 December 2019.

During the period under review, the Group generated operating cash inflow before changes in working capital of \$189.5 million and net cash inflow from operating activities of \$47.8 million. This was mainly due to higher trade and other payables, partially offset by higher inventories holdings and higher trade and other receivables and capitalised contract costs as compared to 31 December 2019.

The net cash outflow from investing activities of \$49.8 million was mainly due to purchase of property, plant and equipment and intangible assets, partially offset by net release of deposits with banks and interest received.

The Group had net cash inflow from financing activities of \$76.1 million. It was mainly due to net borrowings of \$154.5 million, partially offset by dividends paid to non-controlling interests of \$30.0 million, acquisition of non-controlling interests of \$27.7 million and interest payment of \$16.0 million.

As reported in the Group’s results announcement for the third quarter of 2018 dated 14 November 2018, the Company had raised net proceeds of \$201.1 million from the rights issue exercise in October 2018. On 7 July 2020, the Group had announced that \$88.5 million of the net proceeds had been utilised. Since then, a further \$1.3 million of the net proceeds have been utilised for general corporate purposes or making strategic investments and/or acquisitions as follows:

- (a) \$0.8 million for the acquisition of assets relating to the Group’s quarry operations; and
- (b) \$0.5 million for the acquisition of additional equity interests in Tasek.

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

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

None.

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

The global health crisis will continue into the second half of 2020 although the markets in China, Singapore and Malaysia are showing positive signs that the virus outbreak can be contained. There remains uncertainties such as threat of subsequent infection waves from imported cases and worsening US-China trade tensions which will impact the pace of recovery in the countries where the Group operates.

Yuchai has resumed operations since mid-February 2020. Our China operations remain committed to its research and development programmes as we work towards meeting the increasingly stringent emission standards.

In Malaysia, Tasek's integrated cement plant and its ready-mix batching plants have resumed operations post MCO. In line with Group's delisting plans for Tasek, we will integrate Tasek's operations with the rest of the Building Materials Group to reduce our operating costs.

In Singapore, the construction sector remains challenging with project delays and many are awaiting approval to fully resume work. The Singapore government has put in place schemes and measures to support companies to ride through this difficult period. BMU will continue with its strategic direction in line with Singapore's transformation towards higher automation and improved productivity. The construction of the Group's Precast manufacturing facility, when ready, will enable the Precast business division to continue to be a significant player in Singapore.

With the strong balance sheet and positive cash flow from operations, we are cautiously optimistic that we will be able to ride through the challenging second half of 2020.

## **11. Dividend**

### ***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on? No

### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year? No

### ***(c) Date payable***

Not applicable.

### ***(d) Record date***

Not applicable.

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

No dividend is declared / recommended for the current financial period under review, as the Company has incurred losses for the half year ended 30 June 2020.

## **13. Interested person transactions**

No interested persons transactions (“IPT”) were conducted under the Company’s IPT mandate for the half year ended 30 June 2020.



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

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

Not applicable.

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

Not applicable.

- 16. A breakdown of sales.**

Not applicable.

- 17. Confirmation Pursuant to Rule 720(1) of the Listing Manual**

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

**BY ORDER OF THE BOARD**

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

13 August 2020

**Confirmation Pursuant to Rule 705(5) of the Listing Manual**

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the half year ended 30 June 2020 to be false or misleading in any material respect.

On behalf of the Board

**Kwek Leng Peck**  
Executive Chairman

**Stephen Ho Kiam Kong**  
Director and Chief Executive Officer-Designate

13 August 2020