

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::HALF YEARLY RESULTS**Issuer & 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 & Time of Broadcast

11-Aug-2022 18:37:09

Status

New

Announcement Sub Title

Half Yearly Results

Announcement Reference

SG220811OTHRSTIG

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 documents:

1. Condensed Interim Consolidated Financial Statements for the Half Year ended 30 June ("1H") 2022;
2. News Release titled "Hong Leong Asia's Attributable Net Profit Up 4.5% Year-on-year in 1H 2022 to S\$42.6 million"; and
3. 1H 2022 Results Presentation.

Additional Details**For Financial Period Ended**

30-Jun-2022

Attachments[1. Hong Leong Asia Ltd Condensed Interim Consolidated Financials 30 Jun 2022.pdf](#)

 [2. HLA 1H 2022 News Release.pdf](#)

 [3. HLA 1H 2022 Results Presentation.pdf](#)

Total size =2431K MB

Company Registration No. 196300306G

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

Hong Leong Asia Ltd. and its subsidiaries

Index

| | Page |
|------------------------------------------------------------------|-------------|
| Condensed Interim Consolidated Balance Sheet | 1 |
| Condensed Interim Consolidated Income Statement | 3 |
| Condensed Interim Consolidated Statement of Comprehensive Income | 4 |
| Condensed Interim Consolidated Statement of Changes in Equity | 5 |
| Condensed Interim Consolidated Cash Flow Statement | 8 |
| Notes to the Condensed Interim Consolidated Financial Statements | 10 |
| Other Information Required by Listing Rule Appendix 7.2 | 25 |

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Balance Sheet
As at 30 June 2022

| | Note | Group | | Company | |
|------------------------------------------------------------------------|------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | | 30 June 2022 \$'000 | 31 December 2021 \$'000 | 30 June 2022 \$'000 | 31 December 2021 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 975,886 | 1,012,752 | 194 | 216 |
| Intangible assets | 6 | 333,207 | 332,851 | - | 1 |
| Investment in subsidiaries | | - | - | 229,867 | 229,867 |
| Interests in associates | | 128,846 | 126,452 | 14,605 | 14,605 |
| Interests in joint ventures | | 40,242 | 46,648 | - | - |
| Investment property | | 1,004 | 1,079 | - | - |
| Other investments | | 13,696 | 22,855 | - | - |
| Non-current receivables | | 3,783 | 3,665 | 1,200 | 3,500 |
| Capitalised contract costs | | 30,635 | 31,284 | - | - |
| Right-of-use assets | | 131,886 | 139,749 | 3 | 5 |
| Deferred tax assets | | 79,622 | 84,598 | - | - |
| Long-term deposits | | 14,539 | 23,331 | - | - |
| | | <u>1,753,346</u> | <u>1,825,264</u> | <u>245,869</u> | <u>248,194</u> |
| Current assets | | | | | |
| Inventories | | 927,011 | 1,186,923 | - | - |
| Development properties | | 3,334 | 3,430 | - | - |
| Other investments | | 24 | 129 | - | - |
| Trade and other receivables | | 1,636,082 | 1,753,896 | 381,449 | 379,591 |
| Cash and short-term deposits | | 1,165,709 | 1,219,021 | 12,146 | 1,996 |
| | | <u>3,732,160</u> | <u>4,163,399</u> | <u>393,595</u> | <u>381,587</u> |
| Assets held for sale | | - | 2,243 | - | - |
| Assets of disposal group classified as held for distribution to owners | | 1,951 | 2,232 | - | - |
| | | <u>3,734,111</u> | <u>4,167,874</u> | <u>393,595</u> | <u>381,587</u> |
| Total assets | | <u>5,487,457</u> | <u>5,993,138</u> | <u>639,464</u> | <u>629,781</u> |

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

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Balance Sheet
As at 30 June 2022

| | Note | Group | | Company | |
|---------------------------------------------------------------------------------------------------|------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | | 30 June 2022 \$'000 | 31 December 2021 \$'000 | 30 June 2022 \$'000 | 31 December 2021 \$'000 |
| Current liabilities | | | | | |
| Trade and other payables | | 1,769,655 | 2,165,535 | 4,315 | 4,645 |
| Contract liabilities | | 75,853 | 121,588 | - | - |
| Lease liabilities | 7 | 11,657 | 12,572 | 5 | 6 |
| Provisions | | 54,311 | 55,849 | - | - |
| Loans and borrowings | 7 | 832,605 | 724,460 | 381,870 | 236,696 |
| Current tax payable | | 16,490 | 14,529 | 8 | 21 |
| Derivatives | | - | 7 | - | - |
| | | <u>2,760,571</u> | <u>3,094,540</u> | <u>386,198</u> | <u>241,368</u> |
| Liabilities directly associated with disposal group classified as held for distribution to owners | | 1,194 | 1,413 | - | - |
| | | <u>2,761,765</u> | <u>3,095,953</u> | <u>386,198</u> | <u>241,368</u> |
| Net current assets | | <u>972,346</u> | <u>1,071,921</u> | <u>7,397</u> | <u>140,219</u> |
| Non-current liabilities | | | | | |
| Loans and borrowings | 7 | 9,762 | 176,373 | - | 140,000 |
| Deferred tax liabilities | | 16,633 | 19,903 | 3,058 | 3,058 |
| Deferred grants | | 111,155 | 87,313 | - | - |
| Other non-current payables | | 39,198 | 40,029 | - | - |
| Contract liabilities | | 14,367 | 14,672 | - | - |
| Lease liabilities | 7 | 28,690 | 29,887 | - | 1 |
| Retirement benefit obligations | | 2 | 3 | - | - |
| | | <u>219,807</u> | <u>368,180</u> | <u>3,058</u> | <u>143,059</u> |
| Total liabilities | | <u>2,981,572</u> | <u>3,464,133</u> | <u>389,256</u> | <u>384,427</u> |
| Net assets | | <u>2,505,885</u> | <u>2,529,005</u> | <u>250,208</u> | <u>245,354</u> |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 8 | 467,938 | 467,938 | 467,938 | 467,938 |
| Reserves | | 490,011 | 488,353 | (217,730) | (222,584) |
| Reserve attributable to disposal group classified as held for distribution to owners | | 706 | 614 | - | - |
| | | <u>958,655</u> | <u>956,905</u> | <u>250,208</u> | <u>245,354</u> |
| Non-controlling interests | | <u>1,547,230</u> | <u>1,572,100</u> | <u>-</u> | <u>-</u> |
| Total equity | | <u>2,505,885</u> | <u>2,529,005</u> | <u>250,208</u> | <u>245,354</u> |
| Total equity and liabilities | | <u>5,487,457</u> | <u>5,993,138</u> | <u>639,464</u> | <u>629,781</u> |

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

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Income Statement
For the Half Year Ended 30 June 2022

| | Note | Group | | +/- % |
|--------------------------------------------------------------------------------------------------------------|------|-------------------------------------------|-------------------------------------------|---------------|
| | | Half year ended 30 June 2022 \$'000 | Half year ended 30 June 2021 \$'000 | |
| Continuing operations | | | | |
| Revenue | 9 | 2,096,577 | 2,838,742 | -26.1% |
| Cost of sales | | (1,736,493) | (2,450,461) | -29.1% |
| Gross profit | | 360,084 | 388,281 | -7.3% |
| Other item of income | | | | |
| Other income | | 33,347 | 40,382 | -17.4% |
| Other items of expense | | | | |
| Selling and distribution expenses | | (128,509) | (151,858) | -15.4% |
| Research and development expenses | | (85,876) | (65,033) | 32.0% |
| General and administrative expenses | | (82,877) | (85,353) | -2.9% |
| Finance costs | | (15,378) | (17,036) | -9.7% |
| Other expenses | | (436) | (1,118) | -61.0% |
| Share of results of associates and joint ventures, net of income tax | | 589 | 3,178 | -81.5% |
| Profit before income tax from continuing operations | 10 | 80,944 | 111,443 | -27.4% |
| Income tax expense | 11 | (16,793) | (21,105) | -20.4% |
| Profit from continuing operations, net of tax | | 64,151 | 90,338 | -29.0% |
| Discontinued operation | | | | |
| (Loss)/profit from discontinued operation, net of tax | | (115) | 533 | NM |
| Profit for the period | | 64,036 | 90,871 | -29.5% |
| Attributable to: | | | | |
| Owners of the Company | | | | |
| - Profit from continuing operations, net of tax | | 42,656 | 40,380 | 5.6% |
| - (Loss)/profit from discontinued operation, net of tax | | (77) | 357 | NM |
| | | 42,579 | 40,737 | 4.5% |
| Non-controlling interests | | | | |
| - Profit from continuing operations, net of tax | | 21,495 | 49,958 | -57.0% |
| - (Loss)/profit from discontinued operation, net of tax | | (38) | 176 | NM |
| | | 21,457 | 50,134 | -57.2% |
| Earnings per share from continuing operations attributable to owners of the Company (cents per share) | | | | |
| - Basic | 12 | 5.70 | 5.40 | |
| - Diluted | 12 | 5.70 | 5.40 | |
| Earnings per share (cents per share) | | | | |
| - Basic | 12 | 5.69 | 5.45 | |
| - Diluted | 12 | 5.69 | 5.45 | |

NM – Not meaningful

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

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Statement of Comprehensive Income
For the Half Year Ended 30 June 2022

| | Group | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|---------------|
| | Half year ended 30 June 2022 \$'000 | Half year ended 30 June 2021 \$'000 | +/- % |
| Profit for the period | 64,036 | 90,871 | -29.5% |
| Other comprehensive income | | | |
| Items that will not be subsequently reclassified to profit or loss | | | |
| Net fair value changes of equity instruments at fair value through other comprehensive income | (9,078) | (5,185) | 75.1% |
| Items that may be subsequently reclassified to profit or loss | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | (47,314) | 49,027 | NM |
| Net fair value changes of debt instruments at fair value through other comprehensive income | 5,899 | 8,161 | -27.7% |
| Other comprehensive income for the period, net of income tax | <u>(50,493)</u> | <u>52,003</u> | NM |
| Total comprehensive income for the period | <u>13,543</u> | <u>142,874</u> | -90.5% |
| Attributable to: | | | |
| Owners of the Company | 16,687 | 55,483 | -69.9% |
| Non-controlling interests | (3,144) | 87,391 | NM |
| Total comprehensive income for the period | <u>13,543</u> | <u>142,874</u> | -90.5% |
| Attributable to: | | | |
| Owners of the Company | | | |
| - Total comprehensive income from continuing operations, net of tax | 16,764 | 55,126 | -69.6% |
| - Total comprehensive income from discontinued operation, net of tax | (77) | 357 | NM |
| | <u>16,687</u> | <u>55,483</u> | -69.9% |

NM – Not meaningful

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

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2022

| | 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 |
|--------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------|-----------------------------|------------------------------|--------------------------------|-------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------|-------------------------------------|------------------------|
| The Group | | | | | | | | | | | | |
| At 1 January 2022 | 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 |
| Profit for the period | - | - | - | - | - | - | - | - | 42,579 | 42,579 | 21,457 | 64,036 |
| <u>Other comprehensive income</u> | | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | (18,853) | - | - | - | (18,853) | (28,461) | (47,314) |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | (9,054) | - | - | - | - | - | (9,054) | (24) | (9,078) |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 2,015 | - | - | - | - | - | 2,015 | 3,884 | 5,899 |
| Other comprehensive income for the period, net of tax | - | - | - | (7,039) | - | (18,853) | - | - | - | (25,892) | (24,601) | (50,493) |
| Total comprehensive income for the period | - | - | - | (7,039) | - | (18,853) | - | - | 42,579 | 16,687 | (3,144) | 13,543 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | | | | |
| Dividends paid to shareholders | - | - | - | - | - | - | - | - | (14,958) | (14,958) | - | (14,958) |
| Dividends paid/payable to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | (22,598) | (22,598) |
| Cost of share-based compensation | - | - | - | - | 21 | - | - | - | - | 21 | - | 21 |
| Contribution by non-controlling interests | - | - | - | - | - | - | - | - | - | - | 872 | 872 |
| <u>Others</u> | | | | | | | | | | | | |
| Transfer to statutory reserve | - | - | 1,974 | - | - | - | - | - | (1,974) | - | - | - |
| Reserve attributable to disposal group classified as held for distribution to owners | - | - | - | - | - | (92) | - | 92 | - | - | - | - |
| At 30 June 2022 | 467,938 | 4,351 | 18,776 | 12,252 | 5,381 | 9,160 | 62,597 | 706 | 377,494 | 958,655 | 1,547,230 | 2,505,885 |

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

Hong Leong Asia Ltd. and its subsidiaries

**Condensed Interim Consolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2022**

| | 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 period | - | - | - | - | - | - | - | - | 40,737 | 40,737 | 50,134 | 90,871 |
| <i>Other comprehensive income</i> | | | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures | - | - | - | - | - | 17,161 | - | - | - | 17,161 | 31,866 | 49,027 |
| Net fair value changes of equity instruments at fair value through other comprehensive income | - | - | - | (5,195) | - | - | - | - | - | (5,195) | 10 | (5,185) |
| Net fair value changes of debt instruments at fair value through other comprehensive income | - | - | - | 2,780 | - | - | - | - | - | 2,780 | 5,381 | 8,161 |
| Other comprehensive income for the period, net of tax | - | - | - | (2,415) | - | 17,161 | - | - | - | 14,746 | 37,257 | 52,003 |
| Total comprehensive income for the period | - | - | - | (2,415) | - | 17,161 | - | - | 40,737 | 55,483 | 87,391 | 142,874 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | | | | | | |
| Share issued during the period | 48 | - | - | - | - | - | - | - | - | 48 | - | 48 |
| Dividends paid to shareholders | - | - | - | - | - | - | - | - | (7,478) | (7,478) | - | (7,478) |
| Dividends paid/payable to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | (90,170) | (90,170) |
| Cost of share-based compensation | - | - | - | - | 22 | - | - | - | - | 22 | - | 22 |
| <i>Others</i> | | | | | | | | | | | | |
| Reserve attributable to disposal group classified as held for distribution to owners | - | - | - | - | - | 15 | - | (15) | - | - | - | - |
| At 30 June 2021 | 467,938 | 4,351 | 16,371 | 25,810 | 5,336 | 12,123 | 62,597 | 652 | 332,870 | 928,048 | 1,535,582 | 2,463,630 |

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

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Statement of Changes in Equity For the Half Year Ended 30 June 2022

| Company | Share capital \$'000 | Capital reserve \$'000 | Share option reserve \$'000 | Accumulated (losses)/profits \$'000 | Total equity \$'000 |
|--------------------------------------------------------------|-------------------------|---------------------------|--------------------------------|----------------------------------------|------------------------|
| At 1 January 2022 | 467,938 | 9,199 | 2,584 | (234,367) | 245,354 |
| Total comprehensive income for the period | - | - | - | 19,791 | 19,791 |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Dividends paid to shareholders | - | - | - | (14,958) | (14,958) |
| Cost of share-based compensation | - | - | 21 | - | 21 |
| At 30 June 2022 | <u>467,938</u> | <u>9,199</u> | <u>2,605</u> | <u>(229,534)</u> | <u>250,208</u> |
| At 1 January 2021 | 467,890 | 9,199 | 2,538 | (263,163) | 216,464 |
| Total comprehensive income for the period | - | - | - | 11,396 | 11,396 |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Share issued during the period | 48 | - | - | - | 48 |
| Dividends paid to shareholders | - | - | - | (7,478) | (7,478) |
| Cost of share-based compensation | - | - | 22 | - | 22 |
| At 30 June 2021 | <u>467,938</u> | <u>9,199</u> | <u>2,560</u> | <u>(259,245)</u> | <u>220,452</u> |

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

Hong Leong Asia Ltd. and its subsidiaries**Condensed Interim Consolidated Cash Flow Statement
For the Half Year Ended 30 June 2022**

| | Group | |
|----------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| | Half year ended 30 June 2022 \$'000 | Half year ended 30 June 2021 \$'000 |
| Operating activities | | |
| Profit before income tax from continuing operations | 80,944 | 111,443 |
| (Loss)/profit before income tax from discontinued operation | (115) | 533 |
| Adjustments for: | | |
| Share of results of associates and joint ventures, net of income tax | (589) | (3,178) |
| Cost of share-based payments | 21 | 22 |
| Depreciation and amortisation | 77,668 | 69,916 |
| Allowance recognised/(written back) for inventories obsolescence | 2,759 | (120) |
| Inventories written off | - | 2,077 |
| Impairment losses written back for trade and other receivables | (365) | (1,574) |
| Property, plant and equipment written off | 70 | 66 |
| Finance costs | 15,378 | 17,038 |
| Dividend income from other investments | (54) | (296) |
| Interest income | (13,381) | (15,058) |
| Gain on disposal of: | | |
| - property, plant and equipment | (1,367) | (494) |
| - right-of-use assets | (804) | (2,062) |
| - assets classified as held-for-sale | (10,598) | - |
| - other investments | (95) | (242) |
| Gain on debt assignment | - | (9,990) |
| Fair value gain on investments | (3) | (73) |
| Fair value loss on derivatives | - | 12 |
| Provision for warranties and other costs, net | 32,840 | 45,694 |
| Operating cash flows before changes in working capital | 182,309 | 213,714 |
| Changes in working capital: | | |
| Inventories and development properties | 234,525 | 129,460 |
| Trade and other receivables and capitalised contract costs | 97,317 | (493,175) |
| Trade and other payables and contract liabilities | (385,912) | 185,931 |
| Grant received from government | 27,805 | 4,129 |
| Provisions utilised | (33,246) | (39,916) |
| Cash flows from operations | 122,798 | 143 |
| Income tax paid | (13,475) | (38,100) |
| Net cash flows from/(used in) operating activities | 109,323 | (37,957) |

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

Hong Leong Asia Ltd. and its subsidiaries

**Condensed Interim Consolidated Cash Flow Statement
For the Half Year Ended 30 June 2022**

| | Group | |
|------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| | Half year ended 30 June 2022 \$'000 | Half year ended 30 June 2021 \$'000 |
| Investing activities | | |
| Additional investment in associates and joint ventures | (674) | (3,634) |
| Dividends received from: | | |
| - associates and joint ventures | 4,890 | 868 |
| - other investments | 41 | 296 |
| Interest received | 12,485 | 14,026 |
| Net release of deposits with banks | 13,246 | 879 |
| Purchase of: | | |
| - property, plant and equipment | (59,871) | (63,979) |
| - intangible assets | (12,874) | (24,785) |
| - other investments | - | (12,651) |
| Net cash inflow on disposal of: | | |
| - property, plant and equipment | 1,930 | 1,573 |
| - right of use assets | 1,511 | 5,924 |
| - assets classified as held-for-sale | 11,605 | - |
| - other investments | 113 | 832 |
| Net cash flows used in investing activities | <u>(27,598)</u> | <u>(80,651)</u> |
| Financing activities | | |
| Contribution by non-controlling interests | 872 | - |
| Dividends paid to non-controlling interests of subsidiaries | (22,598) | (36,581) |
| Dividends paid to shareholders of the Company | (14,958) | (7,478) |
| Interest paid | (15,756) | (17,247) |
| Net proceeds from shares issue | - | 48 |
| Proceeds from borrowings | 331,167 | 328,311 |
| Repayment in respect of borrowings | (380,101) | (294,833) |
| Repayment of obligation under lease liabilities | (5,372) | (5,978) |
| Net cash flows used in financing activities | <u>(106,746)</u> | <u>(33,758)</u> |
| Net decrease in cash and cash equivalents | (25,021) | (152,366) |
| Cash and cash equivalents at beginning of the financial period | 1,129,344 | 1,274,451 |
| Effect of exchange rate changes on balances held in foreign currencies | (21,885) | 26,020 |
| Cash and cash equivalents at end of the financial period | <u>1,082,438</u> | <u>1,148,105</u> |
| Comprising: | | |
| Cash and short-term deposits | 1,165,709 | 1,230,702 |
| Less: Short-term deposits and restricted deposits | (85,222) | (84,838) |
| Add: Cash at bank attributable to discontinued operation | 1,951 | 2,241 |
| | <u>1,082,438</u> | <u>1,148,105</u> |

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

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2022

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), 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 condensed interim consolidated financial statements for the half year ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting*.

The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.2.

The condensed interim consolidated financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$’000), except when otherwise indicated.

2.2 *New standards, interpretations and amendments adopted by the Group*

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2. Summary of significant accounting policies (cont'd)

2.3 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. 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, pre-cast concrete products, ready-mix concrete and quarry products.
- (iii) Rigid packaging: plastic packaging related products and container components.
- (iv) Air-conditioning systems (discontinued operation): commercial and residential air-conditioning products and lifestyle consumer appliances.

Other operations include hospitality and property development. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2022 or 2021.

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.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interm Consolidated Financial Statements
For the Half Year Ended 30 June 2022

4. Segment information (cont'd)

Reportable segments (cont'd)

| | Diesel engines \$'000 | Building materials \$'000 | Rigid packaging \$'000 | Corporate and Others* \$'000 | Air-conditioning systems (Discontinued operation) \$'000 | Adjustments \$'000 | Total \$'000 |
|-----------------------------------------------------------------|--------------------------|---------------------------------|---------------------------|------------------------------------|----------------------------------------------------------------------|-----------------------|-----------------|
| Half year ended 30 June 2022 | | | | | | | |
| Total external revenue | 1,798,222 | 282,015 | 13,180 | 3,160 | - | - | 2,096,577 |
| Reportable segment profit/(loss) before income tax ^A | 41,804 | 33,555 | 9,861 | (4,276) | (115) | 115 | 80,944 |
| Reportable segment profit/(loss) after income tax ^A | 29,944 | 28,656 | 9,854 | (4,303) | (115) | 115 | 64,151 |
| 30 June 2022 | | | | | | | |
| Assets and liabilities | | | | | | | |
| Reportable segment assets | 4,720,631 | 407,156 | 48,567 | 1,137,029 | 1,951 | (996,965) | 5,318,369 |
| Investment in associates and joint ventures | 25,309 | 142,854 | - | 925 | - | - | 169,088 |
| Reportable segment liabilities | 2,399,311 | 159,322 | 104,419 | 1,237,013 | 1,194 | (919,687) | 2,981,572 |
| Half year ended 30 June 2021 | | | | | | | |
| Total external revenue | 2,600,971 | 222,887 | 14,255 | 629 | - | - | 2,838,742 |
| Reportable segment profit/(loss) before income tax ^A | 92,131 | 13,913 | (685) | 6,084 | 533 | (533) | 111,443 |
| Reportable segment profit/(loss) after income tax ^A | 74,405 | 10,671 | (383) | 5,645 | 533 | (533) | 90,338 |
| 31 December 2021 | | | | | | | |
| 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 |
| Reportable segment liabilities | 2,858,046 | 163,351 | 118,305 | 1,255,403 | 1,413 | (932,385) | 3,464,133 |

* Others include hospitality and property development.

^A 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, "(loss)/profit from discontinued operation, net of tax".

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2022

5. Property, plant and equipment

During the half year ended 30 June 2022, the Group acquired assets with a cost of \$47,203,000 (30 June 2021: \$55,946,000).

During the half year ended 30 June 2022, the Group completed the disposal of its property, which was classified as assets held-for-sale as at 31 December 2021. Accordingly, the Group recognised a gain on disposal in the income statement for the financial period ended 30 June 2022.

Capital commitments

As at 30 June 2022, the Group had capital expenditure contracted for but not recognised in the financial statements amounting to \$61,004,000 (31 December 2021: \$110,119,000).

6. 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 | Club membership \$'000 | Goodwill \$'000 | Total \$'000 |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------|--------------------|-----------------|
| At 31 December 2021 | | | | | |
| Cost | 349,539 | 39,660 | 313 | 11,569 | 401,081 |
| Accumulated amortisation and impairment losses | (53,607) | (3,643) | (313) | (10,667) | (68,230) |
| Net carrying amount | 295,932 | 36,017 | - | 902 | 332,851 |
| Half year ended 30 June 2022 | | | | | |
| Opening net carrying amount | 295,932 | 36,017 | - | 902 | 332,851 |
| Additions | 14,500 | - | - | - | 14,500 |
| Amortisation charge for the period | (7,222) | - | - | - | (7,222) |
| Translation differences | (6,175) | (747) | - | - | (6,922) |
| Closing net carrying amount | 297,035 | 35,270 | - | 902 | 333,207 |
| At 30 June 2022 | | | | | |
| Cost | 356,904 | 39,000 | 313 | 11,569 | 407,786 |
| Accumulated amortisation and impairment losses | (59,869) | (3,730) | (313) | (10,667) | (74,579) |
| Net carrying amount | 297,035 | 35,270 | - | 902 | 333,207 |

Additions during the half year ended 30 June 2022 were mainly capitalised technology development expenditure for new engines that comply with National VI and Tier 4 emission standards.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

6. Intangible assets (cont'd)

| Company | Computer software and related costs \$'000 | Club membership \$'000 | Total \$'000 |
|------------------------------------------------|-----------------------------------------------|---------------------------|-----------------|
| At 31 December 2021 | | | |
| Cost | 1,502 | 313 | 1,815 |
| Accumulated amortisation and impairment losses | (1,501) | (313) | (1,814) |
| Net carrying amount | 1 | - | 1 |
| Half year ended 30 June 2022 | | | |
| Opening net carrying amount | 1 | - | 1 |
| Amortisation charge for the period | (1) | - | (1) |
| Closing net carrying amount | - | - | - |
| At 30 June 2022 | | | |
| Cost | 1,502 | 313 | 1,815 |
| Accumulated amortisation and impairment losses | (1,502) | (313) | (1,815) |
| Net carrying amount | - | - | - |

7. Loans and borrowings

| | Group | | Company | |
|-----------------------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|
| | 30 June 2022 \$'000 | 31 December 2021 \$'000 | 30 June 2022 \$'000 | 31 December 2021 \$'000 |
| Amount repayable in one year or less, or on demand | | | | |
| Unsecured bank loans | 820,438 | 712,007 | 381,870 | 236,696 |
| Secured bank loans | 12,167 | 12,453 | - | - |
| | 832,605 | 724,460 | 381,870 | 236,696 |
| Unsecured lease liabilities | 11,657 | 12,533 | 5 | 6 |
| Secured lease liabilities | - | 39 | - | - |
| | 11,657 | 12,572 | 5 | 6 |
| Amount repayable after one year | | | | |
| Unsecured bank loans | - | 161,210 | - | 140,000 |
| Secured bank loans | 9,762 | 15,163 | - | - |
| | 9,762 | 176,373 | - | 140,000 |
| Unsecured lease liabilities | 28,690 | 29,887 | - | 1 |
| Secured lease liabilities | - | - | - | - |
| | 28,690 | 29,887 | - | 1 |

The secured banking facilities of the Group are secured on the assets of certain subsidiaries with a total carrying value as at 30 June 2022 of \$90,592,000 (31 December 2021: \$108,884,000).

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2022

8. Share capital

| | Group and Company | | | |
|---------------------------------------------------------------------------------------|--------------------------|------------------|--------------------------|------------------|
| | 30 June 2022 | | 31 December 2021 | |
| | No. of shares '000 | Amount \$'000 | No. of shares '000 | Amount \$'000 |
| Issued and fully paid ordinary shares, with no par value | | | | |
| Beginning of interim period | 747,906 | 467,938 | 747,817 | 467,890 |
| Shares issued under the Hong Leong Asia Share Option Scheme 2000 (the "Scheme") | – | – | 89 | 48 |
| End of interim period | 747,906 | 467,938 | 747,906 | 467,938 |

The total number of issued shares as at 30 June 2022 was 747,905,718 (31 December 2021: 747,905,718). There were no shares held as treasury shares or subsidiary holdings as at 30 June 2022, 31 December 2021 and 30 June 2021.

There was no sale, transfer, disposal, cancellation and/or use of treasury shares/subsidiary holdings during the half year ended 30 June 2022.

Share options

During the half year ended 30 June 2022, there was no option exercised pursuant to the terms of the Scheme.

As at 30 June 2022, there were a total of 758,400 (30 June 2021: 748,400) unissued shares under option granted pursuant to the Scheme. Details are as follows:

| Year of Grant | Exercise Price | Number of Outstanding Options |
|------------------|-------------------|----------------------------------|
| 2014 | \$1.31 | 190,000 |
| 2020 | \$0.54 | 308,400 |
| 2021 | \$0.72 | 200,000 |
| 2021 | \$0.87 | 60,000 |
| Total | | 758,400 |

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

9. Revenue

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

| Segments | Half year ended 30 June 2022 | | | | Consolidated total \$'000 |
|---------------------------------------|------------------------------|---------------------------------|------------------------------|------------------|------------------------------|
| | Diesel Engines \$'000 | Building materials \$'000 | Rigid packaging \$'000 | Others \$'000 | |
| Major product or service lines | | | | | |
| Sale of heavy-duty engines | 611,910 | - | - | - | 611,910 |
| Sale of medium-duty engines | 585,458 | - | - | - | 585,458 |
| Sale of light-duty engines | 209,195 | - | - | - | 209,195 |
| Sale of precast concrete products | - | 53,239 | - | - | 53,239 |
| Sale of ready-mix concrete | - | 137,310 | - | - | 137,310 |
| Sale of cement | - | 71,230 | - | - | 71,230 |
| Sale of other goods | - | 20,236 | - | - | 20,236 |
| Sale of rigid packaging products | - | - | 13,180 | - | 13,180 |
| Hospitality operations | 4,549 | - | - | 3,141 | 7,690 |
| Others ⁽¹⁾ | 387,110 | - | - | 19 | 387,129 |
| | <u>1,798,222</u> | <u>282,015</u> | <u>13,180</u> | <u>3,160</u> | <u>2,096,577</u> |

⁽¹⁾ Included sales of power generator sets, engine components, service-type maintenance services and others.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

9. Revenue (cont'd)

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

| Segments | Half year ended 30 June 2022 | | | | Consolidated total \$'000 |
|---------------------------------------------------|------------------------------|---------------------------------|------------------------------|------------------|------------------------------|
| | Diesel Engines \$'000 | Building materials \$'000 | Rigid packaging \$'000 | Others \$'000 | |
| Geographical markets | | | | | |
| The PRC | 1,793,340 | - | 13,180 | - | 1,806,520 |
| Singapore | - | 207,849 | - | - | 207,849 |
| Malaysia | - | 74,166 | - | 3,160 | 77,326 |
| Others | 4,882 | - | - | - | 4,882 |
| | <u>1,798,222</u> | <u>282,015</u> | <u>13,180</u> | <u>3,160</u> | <u>2,096,577</u> |
| Timing of revenue recognition | | | | | |
| Goods and services transferred at a point in time | 1,793,673 | 282,015 | 13,180 | 715 | 2,089,583 |
| Services transferred over time | 4,549 | - | - | 2,445 | 6,994 |
| | <u>1,798,222</u> | <u>282,015</u> | <u>13,180</u> | <u>3,160</u> | <u>2,096,577</u> |

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

9. Revenue (cont'd)

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

| Segments | Half year ended 30 June 2021 | | | | Consolidated total \$'000 |
|---------------------------------------|------------------------------|---------------------------------|------------------------------|------------------|------------------------------|
| | Diesel Engines \$'000 | Building materials \$'000 | Rigid packaging \$'000 | Others \$'000 | |
| Major product or service lines | | | | | |
| Sale of heavy-duty engines | 1,003,423 | - | - | - | 1,003,423 |
| Sale of medium-duty engines | 804,993 | - | - | - | 804,993 |
| Sale of light-duty engines | 282,160 | - | - | - | 282,160 |
| Sale of precast concrete products | - | 35,482 | - | - | 35,482 |
| Sale of ready-mix concrete | - | 111,079 | - | - | 111,079 |
| Sale of cement | - | 70,459 | - | - | 70,459 |
| Sale of other goods | - | 5,867 | - | - | 5,867 |
| Sale of rigid packaging products | - | - | 14,255 | - | 14,255 |
| Hospitality operations | 4,273 | - | - | 625 | 4,898 |
| Others ⁽¹⁾ | 506,122 | - | - | 4 | 506,126 |
| | <u>2,600,971</u> | <u>222,887</u> | <u>14,255</u> | <u>629</u> | <u>2,838,742</u> |

⁽¹⁾ Included sales of power generator sets, engine components, service-type maintenance services and others.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

9. Revenue (cont'd)

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

| Segments | Half year ended 30 June 2021 | | | | Consolidated total \$'000 |
|---------------------------------------------------|------------------------------|---------------------------------|------------------------------|------------------|------------------------------|
| | Diesel Engines \$'000 | Building materials \$'000 | Rigid packaging \$'000 | Others \$'000 | |
| Geographical markets | | | | | |
| The PRC | 2,596,086 | - | 13,423 | - | 2,609,509 |
| Singapore | - | 151,941 | 832 | - | 152,773 |
| Malaysia | - | 69,755 | - | 629 | 70,384 |
| Others | 4,885 | 1,191 | - | - | 6,076 |
| | <u>2,600,971</u> | <u>222,887</u> | <u>14,255</u> | <u>629</u> | <u>2,838,742</u> |
| Timing of revenue recognition | | | | | |
| Goods and services transferred at a point in time | 2,596,698 | 222,887 | 14,255 | 285 | 2,834,125 |
| Services transferred over time | 4,273 | - | - | 344 | 4,617 |
| | <u>2,600,971</u> | <u>222,887</u> | <u>14,255</u> | <u>629</u> | <u>2,838,742</u> |

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2022

10. Profit before income tax from continuing operations

Profit before income tax from continuing operations includes the following:

| | Half year ended 30 June 2022 \$'000 | Group Half year ended 30 June 2021 \$'000 | +/- % |
|---------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------|----------|
| Gain on disposal of property, plant and equipment, net | 1,367 | 494 | 176.7% |
| Gain on disposal of right-of-use assets, net | 804 | 2,062 | -61.0% |
| Gain on disposal of assets classified as held-for-sale | 10,598 | - | NM |
| Impairment losses written back for trade and other receivables, net | 365 | 1,245 | -70.7% |
| Allowance (recognised)/written back for inventories obsolescence | (2,759) | 77 | NM |
| Inventories written off | - | (2,077) | NM |
| Depreciation and amortisation | (77,668) | (69,916) | 11.1% |
| Foreign exchange gain, net | 531 | 1,364 | -61.1% |
| Fair value loss on derivatives, net | - | (12) | NM |
| Interest expense | (14,877) | (16,338) | -8.9% |
| Interest income | 13,375 | 15,032 | -11.0% |
| Write-off of property, plant & equipment | (70) | (66) | 6.1% |
| Gain on debt assignment | - | 9,990 | NM |

NM – Not meaningful

11. Taxation

For the half year ended 30 June 2022, the Group's tax charge included additional provision of \$2,000 for prior years (30 June 2021: additional provision of \$23,000 for prior years).

12. Earnings per share

The weighted average number of ordinary shares adjusted for the effect of unissued ordinary shares under the Scheme is determined as follows:

| | Group Half year ended 30 June 2022 No. of shares | Group Half year ended 30 June 2021 No. of shares |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Weighted average number of shares issued, used in the calculation of basic earnings per share | 747,905,718 | 747,826,419 |
| Dilutive effect of share options | 118,964 | 196,173 |
| Weighted average number of ordinary shares (diluted) | 748,024,682 | 748,022,592 |

250,000 (30 June 2021: 190,000) 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 as the options are out-of-the-money.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2022

13. Related party transactions

(a) *Sale and purchase of goods and services*

During the half year ended 30 June 2022, the Group made payments to firms, in which a director has an interest, in respect of professional services rendered. This amounted to \$101,099 (30 June 2021: \$48,802). No balance was outstanding at the balance sheet date (31 December 2021: Nil).

Significant transactions with related parties made at terms agreed between the parties during the half year ended 30 June, other than those disclosed elsewhere in the financial statements, are as follows:

| | Group | |
|--------------------------------------------------------|---------------------------------|---------------------------------|
| | Half year ended 30 June 2022 | Half year ended 30 June 2021 |
| | \$'000 | \$'000 |
| Sale of engines and materials | | |
| - associates and joint ventures | 28,459 | 59,015 |
| - related corporations | 294,784 | 478,711 |
| Purchase of materials, supplies and engines | | |
| - associates and joint ventures | 176,188 | 315,475 |
| - related corporations | 101,039 | 148,477 |
| Management services income | | |
| - an associate | 222 | 222 |
| Management services paid and payable | | |
| - related corporations | 113 | 721 |
| Rental paid and payable (include general expenses) | | |
| - immediate holding company | 336 | 235 |
| General and administrative expenses | | |
| - joint ventures | - | 114 |
| - related corporations | 7,504 | 4,735 |
| Delivery, storage, distribution and handling expenses | | |
| - related corporations | 21,053 | 30,389 |
| Hospitality, restaurant and consultancy service income | | |
| - joint ventures | 455 | 82 |
| - related corporations | 82 | 557 |
| Rental income | | |
| - joint ventures | 454 | 192 |
| - related corporations | 91 | 56 |
| Purchase of vehicles and machineries | | |
| - related corporations | 483 | - |

(b) *Outstanding balances with a related party*

As at 30 June 2022, fixed deposits held with a related party amounted to \$19,739,000 (31 December 2021: \$29,958,000).

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2022

13. Related party transactions (cont'd)

(c) *Commitments with related parties*

As at 30 June 2022, the Group has commitments to purchase raw materials from related parties amounting to approximately \$26,236,000 between 2022 and 2024 (31 December 2021: \$22,453,000 between 2022 and 2024).

14. Dividends

| | Group | |
|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | Half year ended 30 June 2022 | Half year ended 30 June 2021 |
| | \$'000 | \$'000 |
| Declared and paid during the financial period | | |
| <i>Dividends on ordinary shares:</i> | | |
| First and final tax exempt dividend paid of 2 cents per share in respect of year 2021 (30 June 2021: 1 cent per share in respect of year 2020) | 14,958 | 7,478 |

15. Net Asset Value

| | Group | | Company | |
|--------------------------------------------|-----------------|---------------------|-----------------|---------------------|
| | 30 June 2022 | 31 December 2021 | 30 June 2022 | 31 December 2021 |
| Net asset value per ordinary share (cents) | 128.18 | 127.94 | 33.45 | 32.81 |

16. 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.

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

16. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value*

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

| | Quoted prices in active markets for identical instruments (Level 1) \$'000 | Significant observable inputs other than quoted prices (Level 2) \$'000 | Total \$'000 |
|------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------------|
| 30 June 2022 | | | |
| Financial assets | | | |
| Other investments | 13,720 | - | 13,720 |
| Bill receivables | - | 380,179 | 380,179 |
| As at 30 June 2022 | <u>13,720</u> | <u>380,179</u> | <u>393,899</u> |
| 31 December 2021 | | | |
| Financial assets | | | |
| Other investments | 22,984 | - | 22,984 |
| Bill receivables | - | 1,365,309 | 1,365,309 |
| As at 31 December 2021 | <u>22,984</u> | <u>1,365,309</u> | <u>1,388,293</u> |
| Financial liabilities | | | |
| Derivatives | - | 7 | 7 |
| As at 31 December 2021 | <u>-</u> | <u>7</u> | <u>7</u> |

(c) *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, cash and short-term deposits, trade and other payables, and current loans and borrowings are reasonable approximation of fair values due to their short-term nature.

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

The carrying amounts of long term deposits and non-current loans and borrowings 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.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2022

16. Fair value of assets and liabilities (cont'd)

(c) **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)**

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

Classification of financial instruments

| | Financial assets at amortised cost \$'000 | Fair value through profit or loss \$'000 | Fair value through other comprehensive income \$'000 | Financial liabilities at amortised cost \$'000 | Total \$'000 |
|------------------------------|----------------------------------------------|---------------------------------------------|---------------------------------------------------------|---------------------------------------------------|------------------|
| 30 June 2022 | | | | | |
| Assets | | | | | |
| Other investments | - | 24 | 13,696 | - | 13,720 |
| Trade and other receivables* | 1,187,132 | - | - | - | 1,187,132 |
| Bills receivables | - | - | 380,179 | - | 380,179 |
| Cash and bank balances | 1,180,248 | - | - | - | 1,180,248 |
| | <u>2,367,380</u> | <u>24</u> | <u>393,875</u> | <u>-</u> | <u>2,761,279</u> |
| Liabilities | | | | | |
| Trade and other payables^ | - | - | - | 1,806,305 | 1,806,305 |
| Loans and borrowings | - | - | - | 842,367 | 842,367 |
| Lease liabilities | - | - | - | 40,347 | 40,347 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,689,019</u> | <u>2,689,019</u> |
| 31 December 2021 | | | | | |
| Assets | | | | | |
| Other investments | - | 129 | 22,855 | - | 22,984 |
| Trade and other receivables* | 304,039 | - | - | - | 304,039 |
| Bills receivables | - | - | 1,365,309 | - | 1,365,309 |
| Cash and bank balances | 1,242,352 | - | - | - | 1,242,352 |
| | <u>1,546,391</u> | <u>129</u> | <u>1,388,164</u> | <u>-</u> | <u>2,934,684</u> |
| Liabilities | | | | | |
| Trade and other payables^ | - | - | - | 2,202,917 | 2,202,917 |
| Loans and borrowings | - | - | - | 900,833 | 900,833 |
| Lease liabilities | - | - | - | 42,459 | 42,459 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,146,209</u> | <u>3,146,209</u> |

* Excludes advances paid to suppliers, prepaid expenses and tax recoverable.

^ Excludes deferred grants.

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2022

1. Review

The condensed interim consolidated balance sheets of Hong Leong Asia Ltd. and its subsidiaries as at 30 June 2022 and the related condensed interim consolidated income statement and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the half year period then ended and certain explanatory notes have not been audited or reviewed.

2. Notes to the financial statements for the half year ended 30 June 2022

2.1 Explanatory notes to the balance sheets of the Group and the Company

Group

- **Non-current assets:** The decrease in non-current assets was mainly due to (a) depreciation of property, plant and equipment and translation effect as Renminbi (“**RMB**”) weakened against the Singapore dollar (“**SGD**”), partially offset by additional capital expenditure during the half year ended 30 June (“**1H**”) 2022, (b) recognition of share of losses (net) of joint ventures, (c) fair value changes of other investments, (d) depreciation of right-of-use assets and (e) decrease in long-term deposits placement.
- **Current assets:** The decrease in current assets was mainly due to lower inventory level maintained at period-end, lower trade and other receivables which resulted largely from lower sales towards period-end and lower cash and cash equivalents held as at 30 June 2022.
- **Current liabilities:** The decrease in current liabilities was mainly due to lower trade and other payables and lower contract liabilities. This was partially offset by higher loans and borrowings as at 30 June 2022. In particular:
 - The decrease in trade and other payables was mainly due to lower purchases made towards period-end.
 - The decrease in contract liabilities was mainly due to decrease in advance payment from customers as at 30 June 2022.
 - The increase in loans and borrowings was mainly due to reclassification of loans (maturing within the next 12 months) from non-current liabilities. This was partially offset by net repayment of short-term borrowings.
- **Non-current liabilities:** The decrease in non-current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) to current liabilities and lower deferred tax liabilities recognised. This was partially offset by higher deferred grants taken up during 1H 2022.
- **Assets/liabilities directly associated with disposal group classified as held for distribution to owners (Airwell):** The decreases in assets and liabilities of disposal group were mainly due to settlement of payables during 1H 2022.

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2022

2. Notes to the financial statements for the half year ended 30 June 2022 (cont'd)

2.1 Explanatory notes to the balance sheets of the Group and the Company (cont'd)

Company

- **Non-current assets:** The decrease in non-current assets was mainly due to reclassification of intercompany loans (maturing within the next 12 months) to current assets.
- **Current assets:** The increase in current assets was mainly due to additional intercompany loans extended to subsidiaries during 1H 2022 and higher cash and cash equivalents held as at 30 June 2022, which was partially offset by repayment of intercompany loans from subsidiaries.
- **Current liabilities:** The increase in current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) from non-current liabilities and additional loans and borrowings taken up as at 30 June 2022.
- **Non-current liabilities:** The decrease in non-current liabilities was mainly due to reclassification of loans (maturing within the next 12 months) to current liabilities.

2.2 Notes to the consolidated income statement

Items included in profit before income tax from continuing operations:

- Net gain on disposal of property, plant and equipment in 1H 2022 was attributed mainly to the Group's Diesel Engines Unit ("**Yuchai**"). Net gain on disposal of property, plant and equipment in 1H 2021 was attributed mainly to Yuchai and the Group's Rigid Packaging Unit ("**Rex**").
- Net gains on disposal of right-of-use assets in 1H 2022 and 1H 2021 were attributed mainly to Yuchai.
- Gain on disposal of assets classified as held-for-sale was recognised upon completion of the disposal of property held by Rex Plastics (Malaysia) Sdn. Bhd. during 1H 2022.
- Net impairment losses written back for trade and other receivables in 1H 2022 were attributed mainly to a subsidiary of the Company. Net impairment losses written back for trade and other receivables in 1H 2021 were attributed mainly to Yuchai.
- Allowances recognised/(written back) for inventories obsolescence in 1H 2022 and 1H 2021 were attributed mainly to Yuchai.
- Inventories written off in 1H 2021 was attributed mainly to Yuchai.
- The higher depreciation and amortisation recorded in 1H 2022 were mainly due to additional capital expenditure and the commencement of amortisation of technology know-how transferred from capitalised development expenditure upon completion and ready for use.
- Net foreign exchange gains recorded in 1H 2022 and 1H 2021 were mainly due to foreign exchange gains on revaluation of United States dollar ("**USD**") assets, as a result of the weakening of the SGD against the USD.
- Net fair value loss on derivatives (for hedging against foreign currency risk) arose largely from forward foreign exchange contracts in the Group's Building Materials Unit ("**BMU**") in 1H 2021.

2. Notes to the financial statements for the half year ended 30 June 2022 (cont'd)

2.2 Notes to the consolidated income statement (cont'd)

Items included in profit before income tax from continuing operations: (cont'd)

- The decrease in interest expense in 1H 2022 was due mainly to lower borrowings and reduced bills discounting.
- The decrease in interest income in 1H 2022 was due mainly to lower deposit interest rates and lower deposits placement.
- The write-offs of property, plant and equipment in 1H 2022 and 1H 2021 were recorded mainly by Yuchai.
- Gain on assignment of debt recorded in 1H 2021 was related to the debt outstanding from the Xinfei Companies.

3. Review of performance of the Group

The Group operates mainly in China, Singapore and Malaysia.

The main business units of the Group are Yuchai and BMU. The other business units of the Group include Rex and the Air-conditioning Systems Unit (“**Airwell**”) – in which the latter is classified as discontinued operation.

The Group’s businesses in China and Malaysia recorded lower sales volume and lower revenues in 1H 2022, as compared to 1H 2021. Recovery of volumes and pricing was seen for the Group’s operations in Singapore.

Renewed COVID-19 related lockdowns in cities across China and the lower pace of growth there resulted in lower sales for Yuchai in 1H 2022.

In Singapore, the Ministry of Trade and Industry announced that the construction sector grew by 3.3% year-on-year (“**YoY**”) in the second quarter of 2022, quicker than the 2.4% YoY figure recorded in the preceding quarter. The recovery of volumes and restart of projects for the construction sector allowed BMU in Singapore (“**BMU Singapore**”) to record improvements in performance in 1H 2022.

In Malaysia, while the recovery momentum continued as the country moved into COVID-19 endemic phase from April, the construction sector decreased 6.2% YoY for the first quarter of 2022, with weakness in both civil engineering and residential building subsectors. This affected the sales volume and performance of BMU in Malaysia (“**Tasek**”) in 1H 2022.

While key input costs continued to rise across 1H 2022, the Group had responded with measures to improve operational efficiencies, diversify its supply chain as well as in managing selling prices to counter these costs increases. Throughout the COVID-19 pandemic, the Group has put the safety of its employees first while managing business risks effectively.

3. Review of performance of the Group (cont'd)

1H 2022 versus 1H 2021

Note:

- (a) Approximately 86% 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 RMB to SGD has been made at the average exchange rates of RMB4.7566 = SGD1.00 for 1H 2022 and RMB4.8543 = SGD1.00 for 1H 2021. For 1H 2022, RMB has appreciated by about 2.0% as compared to 1H 2021.
- (b) Discontinued operation – Airwell Air-conditioning Technology (China) Co., Ltd. and its subsidiary, Airwell Air-conditioning (Hong Kong) Company Limited (collectively, "Airwell") had ceased business operations in 2020. Accordingly, the operating performance of Airwell had been presented separately under "discontinued operation" in the income statement for 1H 2022 and 1H 2021.

Revenue for the Group was \$2.097 billion in 1H 2022, a decrease of \$742.1 million or 26.1%, from \$2.839 billion in 1H 2021. The decrease in revenue was mainly due to lower revenue recorded by Yuchai, partially offset by higher revenue recorded by BMU.

- Yuchai's revenue decreased by \$802.7 million or 30.9% as compared to 1H 2021. The total number of engines sold by Yuchai in 1H 2022 was 180,911 units, a 36.6% decrease as compared to 285,342 units sold in 1H 2021. Yuchai reported a 56.8% decline in truck and bus unit sales and a 12.7% decline in off-road unit sales in 1H 2022. The decline was due to COVID-19 related lockdowns, supply chain disruptions and much slower economic growth in China, which led to lower commercial vehicle demand.
- BMU's revenue increased by \$59.1 million or 26.5% as compared to 1H 2021, with higher sales volumes and average selling prices in 2022, as construction activities in Singapore and Malaysia continued to recover and drove demand for concrete and related products.

The Group's gross profit was \$360.1 million in 1H 2022, a decrease of \$28.2 million from \$388.3 million in 1H 2021. This was mainly due to decrease in gross profit recorded for Yuchai with lower sales volumes achieved in 1H 2022, partially offset by higher profits for BMU. The Group's gross margin increased to 17.2% in 1H 2022 as compared to 13.7% in 1H 2021, mainly due to improved margin in National VI engine sales and the increase in sales mix in the off-road segment for Yuchai.

Other income, which comprised mainly interest income, gain on disposal of assets held-for-sale and government grants, was \$33.3 million in 1H 2022, a decrease of \$7.1 million from \$40.4 million in 1H 2021. The decrease was largely due to lower interest income, lower government grants and absence of gain on debt assignment in 1H 2021.

Selling and distribution ("S&D") expenses were \$128.5 million in 1H 2022, a decrease of \$23.4 million or 15.4% as compared to \$151.9 million in 1H 2021, largely due to lower staff costs and lower warranty expenses and delivery costs.

Research and development ("R&D") expenses were \$85.9 million in 1H 2022, an increase of \$20.9 million or 32.0% as compared to \$65.0 million in 1H 2021. This was mainly due to an increase in experimental costs primarily for the engines used for marine and power generation applications. Yuchai continues to improve the performance and qualities of its engines compliant with China's National VI and Tier-4 emission standards, and develop products for new energy vehicles.

**Other Information Required by Listing Rule Appendix 7.2
For the Half Year Ended 30 June 2022**

3. Review of performance of the Group (cont'd)

1H 2022 versus 1H 2021 (cont'd)

General and administrative (“G&A”) expenses were \$82.9 million in 1H 2022, a decrease of \$2.5 million or 2.9% as compared to \$85.4 million in 1H 2021. The decrease was mainly due to lower staff costs.

Finance costs were \$15.4 million in 1H 2022, a decrease of \$1.6 million or 9.7% as compared to \$17.0 million in 1H 2021. This was mainly due to lower borrowings and lower bills discounting rates during 1H 2022.

Share of results of associates and joint ventures was a profit of \$0.6 million in 1H 2022 as compared to \$3.2 million in 1H 2021. This was mainly due to higher losses from joint ventures of Yuchai, partially offset by higher share of profits (net) recognised for associates of BMU.

In conclusion, profit from continuing operations decreased from \$90.3 million in 1H 2021 to \$64.2 million in 1H 2022. Profit from continuing operations attributable to the owners of the Company was \$42.7 million in 1H 2022 as compared to \$40.4 million in 1H 2021.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.166 billion as at 30 June 2022 compared with \$1.219 billion as at 31 December 2021.

During the period under review, the Group generated operating cash inflow before changes in working capital of \$182.3 million and net cash inflow from operating activities of \$109.3 million. This was mainly due to lower inventories holdings and lower trade and other receivables, partially offset by lower trade and other payables as compared to 31 December 2021.

The net cash outflow from investing activities of \$27.6 million was mainly due to purchase of property, plant and equipment and intangible assets, partially offset by net proceeds from disposal of assets held-for-sale, net release of bank deposits and interest received.

The net cash outflow from financing activities of \$106.7 million was mainly due to net repayment of borrowings of \$48.9 million, dividends paid to non-controlling interests of subsidiaries and shareholders of the Company of \$37.6 million and interest payment of \$15.8 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 21 June 2022, the Group had announced that \$169.6 million of the net proceeds had been utilised. Since then, a further \$5.4 million of the net proceeds have been utilised as follows:

- (a) \$4.7 million for the construction of a fully mechanised integrated precast plant with state of the art technology on a piece of land at Pulau Punggol Barat, Singapore; and
- (b) \$0.7 million for the acquisition of additional interest in associate (being general corporate purposes or making strategic investments and/or acquisitions).

3. Review of performance of the Group (cont'd)

Working Capital and Cash Flow (cont'd)

Other than the above and previously announced, the remaining unutilised funds have been used in the interim to repay short-term revolving facilities pending future deployment. The Company will make periodic announcements via SGXNET as and when such funds are materially utilised.

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

None.

5. 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.

China's GDP growth slowed to 2.5% in 1H 2022 (versus 12.7% in 1H 2021). Economists at the World Bank have recently lowered China's growth forecast to 4.3%, with the downward revisions reflecting the impact caused by Omicron outbreaks and the prolonged lockdowns in various parts of China across 1H 2022. The World Bank has also highlighted risks stemming from the persistent stress in the Chinese real estate sector with wider economic consequences. The global economic environment has also worsened following Russia's invasion of Ukraine, though recently announced stimulus measures by the Chinese government could help to mitigate some of these downside risks.

In China, we expect the diesel engines market conditions to remain challenging. However, Yuchai's portfolio of National VI-compliant diesel and natural gas engines is well positioned to address customers' powertrain needs while its off-road engines such as agricultural machineries, industrial and power generator sets are being prepared for China's move to implement more stringent emission standards (Tier 4) for off-road applications in late 2022. Yuchai's R&D programmes continue to develop New Energy solutions, hydrogen fuel cells, hybrid drivetrains as well as hydrogen engines.

In Singapore, BMU's order books in the Precast and Ready Mix Concrete segments remain healthy given the government's push to ramp up the supply of housing. Notably, the Housing and Development Board (HDB) announced recent plans to launch up to 23,000 flats per year in 2022 and 2023, a 35% increase from 2021's figure. Further, the Building and Construction Authority (BCA) has projected that the total value of construction contracts awarded in 2022 to be between \$27 billion and \$32 billion versus \$30 billion for 2021. While the labour situation has improved with borders reopened, risk of supply disruptions remains given Singapore's need for raw materials imports. The push to digitalise workflows and higher automation and improved productivity continues, in line with Singapore's transformation plan for the Building and Construction industry. The completion of the Group's Integrated Construction and Prefabrication Hub (ICPH) manufacturing facility later in 2022 will enable the Precast division to be automated and continue to position itself as a leading player in Singapore. Barring any unforeseen circumstances, BMU Singapore should continue to perform satisfactorily. In Malaysia, Tasek with its integrated cement plant and Ready-Mix Concrete products expect modest improvements as Malaysia's economy continues to recover. Still, industry conditions remain challenging given higher input and energy costs as well as tight credit conditions in the construction sector.

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2022

The Group is focused on cost control and continues to strengthen its execution capabilities, supply chain resilience and market position. It is also working to develop solutions to help customers address climate-change issues and looking for opportunities to strengthen its market position. With a conservative balance sheet and net cash position, the Group should be able to meet the challenges and emerge stronger from the pandemic.

6. 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.

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

No dividend is declared for the current financial period under review. Given the risk of business and supply chain disruptions due to the COVID-19 situation, the directors consider it prudent to conserve cash.

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2022

8. Interested person transactions

| Name of Interested Person ("IP") | Nature of Relationship | Aggregate value of all interested person transactions for 1H 2022 conducted under shareholders' 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. HCI and KS, being associates of HLIH, are IPs. | Construction-related Transaction - Sale of raw materials to IP: \$1,600,976 |
| Kimsik Sdn Bhd ("KS") | | Construction-related Transaction - Sale of raw materials to IP: \$1,156,792 |
| | | Total: \$2,757,768 |

9. 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

11 August 2022

Confirmation by the Board of Directors of the Company (the "Board") pursuant to Rule 705(5) of the Listing Manual

The Board hereby confirms that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial statements of the Group for the half year ended 30 June 2022 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Peck

Executive Chairman

11 August 2022

Stephen Ho Kiam Kong

Director and Chief Executive Officer



Press Release

Hong Leong Asia's Attributable Net Profit Up 4.5% YoY in 1H 2022 to S\$42.6 million

Singapore, Aug 11 2022 – Hong Leong Asia Ltd (“HLA” or the “Group”), the listed trading and manufacturing arm of the Hong Leong Group, is pleased to announce that attributable net profit to shareholders rose 4.5% YoY to S\$42.6 million for the Half Year ended 30 June 2022 (“1H 2022”) with group revenue declining 26.1% YoY to S\$2.1 billion.

The Group’s key business segment in diesel engines in China recorded lower volume sales and lower revenue for 1H 2022.

Revenue of the diesel engines unit (“Yuchai”) declined 30.9% YoY to S\$1.8 billion with 180,911 engine units sold, a decline of 36.6% YoY. A steeper decline of 56.8% YoY was recorded in engines for on-road commercial applications vs a 12.7% YoY decline in engines for off-road applications. This was attributed to renewed COVID-19 related lockdowns in cities across China which had impacted commercial vehicles demand. Reportable segment profit after tax was S\$29.9 million, compared with S\$74.4 million for 1H 2021 due to lower sales volumes.

The building materials unit (“BMU”) revenue increased 26.5% YoY to S\$282.0 million with reportable segment profit after tax of S\$28.7 million, compared with S\$10.7 million 1H 2021 as construction activities in Singapore and Malaysia continued to recover and drove demand for concrete and related products. The BMU segment includes the results of our 20% stake in BRC Asia Limited. BMU Singapore performed satisfactorily, led by the ready mix concrete business and the supply for precast products recovering. While the operating environment for BMU Malaysia has improved, the construction-related segment remains challenging given higher input costs, a shortage of labour and tighter credit conditions.

1H 2022 FINANCIAL SUMMARY

| | Half year ended 30 June 2022 | Half year ended 30 June 2021 | +/- |
|-----------------------------------------------------|---------------------------------|---------------------------------|--------|
| | S\$'000 | S\$'000 | % |
| Revenue | 2,096,577 | 2,838,742 | (26.1) |
| Profit before Income Tax from Continuing Operations | 80,944 | 111,443 | (27.4) |
| Profit from Continuing Operations, Net of Tax | 64,151 | 90,338 | (29.0) |
| Total Attributable Net Profit | 42,579 | 40,737 | 4.5 |
| Earnings per share (cents) | 5.69 | 5.45 | 4.4 |

- Attributable net profit to shareholders grew 4.5% YoY to S\$42.6 million for 1H 2022.
- Revenue for the Group declined 26.1% YoY to S\$2.1 billion in 1H 2022.
- The decline in revenue was mainly due to lower revenue recorded by Yuchai. 180,911 engine units were sold, a decline of 36.6% YoY, with much of the decline due to weaker sale of truck engines in China as economic growth slowed. Yuchai’s R&D programmes continue to develop New Energy solutions.
- Demand for concrete and related products for BMU Singapore continued to benefit from a pickup in construction activities. While BMU Malaysia’s operating environment has improved, the construction related segment remains challenging given higher input and energy costs as well as tight credit conditions.

Market Outlook

We are cautiously optimistic that our main business units will continue to demonstrate their resilience in a difficult operating environment in the second half of 2022.

While challenges such as higher input costs and energy costs and issues with global supply chains are expected to linger, our push towards innovation and productivity improvements with automation and digitalisation will help to mitigate some of these pressures.

In China, the diesel engines market conditions remain challenging. However, Yuchai is focused on making available its portfolio of Tier-4 compliant off-road engines for implementation as China transitions towards a more stringent emissions standard in late 2022 as well as to develop New Energy solutions, with its hydrogen engine development and range extender ventures as recent examples.

BMU Singapore's order books in the Precast and Ready Mix Concrete segments remain healthy given the government's push to ramp up housing supply. The construction of the Group's Integrated Construction and Prefabrication Hub manufacturing facility remains on track for completion in the second half of 2022. The facility will introduce higher automation and help improve productivity for our precast business. We expect modest improvement at BMU Malaysia as Malaysia's economy continues to recover.

Issued by Hong Leong Asia Ltd. (Co. Reg. No. 196300306G)

About Hong Leong Asia:

Hong Leong Asia Ltd ("HLA") is part of Hong Leong Group, a Singapore-based conglomerate and has been listed on the Singapore Exchange since 1998. We are a diversified Asian multinational with core businesses in construction and transport. We work closely with customers to develop and deliver innovative and sustainable solutions for cities of the future. For more information, please visit <https://www.hlasia.com.sg/>.

For more information, please contact:

Kwek Pei Xuan
Head, Sustainability and Corporate Affairs
Hong Leong Asia
T: 6322 6222
E: pxkwek@corp.hla-grp.com

Patrick Yau
Chief Investment Officer
Hong Leong Asia
T: 6322 6259
E: patrickyau@corp.hla-grp.com



HONG LEONG ASIA LTD.

RESULTS PRESENTATION HALF YEAR ENDED 30 JUNE 2022

11 AUG 2022 | MR. STEPHEN HO, CEO

1H 2022 FINANCIALS

| | 1H 2022 | 1H 2021 | Change (%) |
|-----------------------------------------------------------------------|-----------|-----------|------------|
| Revenue (S\$'000) | 2,096,577 | 2,838,742 | (26.1%) |
| Profit before Income Tax from Continuing Operations (S\$'000) | 80,944 | 111,443 | (27.4%) |
| Profit from Continuing Operations, Net of Tax (S\$'000) | 64,151 | 90,338 | (29.0%) |
| Total Attributable Net Profit (PATMI) (S\$'000) | 42,579 | 40,737 | 4.5% |
| Earnings Per Share (cents) | 5.69 | 5.45 | 4.4% |
| Net Cash-flow Generated from/(Used in) Operating Activities (S\$'000) | 109,323 | (37,957) | N.M. |

| | 30 Jun 2022 | 31 Dec 2021 | Change (%) |
|--------------------------------------|-------------|-------------|------------|
| Net Debt ¹ / Equity Ratio | (0.36) | (0.37) | (2.7%) |
| Net Debt ² / Equity Ratio | 1.59 | 2.02 | (21.3%) |

¹ Net Debt is defined as Loans and Borrowings, less Cash and Deposits. The Group is in a Net Cash position of \$337M (31 Dec 2021: \$342M)

² Net Debt is defined as Trade and Other Payables and Loans and Borrowings, less Cash and Deposits and does not include Trade and Other Receivables. Including Trade and Other Receivables, the Group is in a Net Cash position of \$169M (31 Dec 2021: Net Debt position of \$106M)



KEY SEGMENT RESULTS

| | Unless specified, figures are in S\$'000 | 1H 2022 | 1H 2021 | Change (%) |
|----------------------|------------------------------------------|--------------------|-----------|------------|
| Diesel Engines | Volume (Units) | 180,911 | 285,342 | (36.6%) |
| | Revenue | 1,798,222 | 2,600,971 | (30.9%) |
| | Profit After Tax | 29,944 | 74,405 | (59.8%) |
| Building Materials | Revenue | 282,015 | 222,887 | 26.5% |
| | Profit After Tax | 28,656 | 10,671 | 168.5 |
| Rigid Packaging | Revenue | 13,180 | 14,255 | (7.5%) |
| | Profit/(Loss) After Tax | 9,854 ¹ | (383) | NM |
| Corporate and Others | Revenue | 3,160 | 629 | 402.4% |
| | (Loss)/Profit After Tax | (4,303) | 5,645 | NM |

Note 1: Profit after tax for 1H 2022 included gain on disposal of assets held-for-sale of S\$10.6 million.



KEY HIGHLIGHTS OF CASH FLOW

| | 1H 2022 (S\$'000) | 1H 2021 (S\$'000) |
|-------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Operating Cash Flow before Working Capital Changes | 182,309 | 213,714 |
| Net Cash Flow Generated from/(Used in) Operating Activities | 109,323 | (37,957) |
| (Less)/Add: | | |
| Capital Expenditure (PPE) | (59,871) | (63,979) |
| Capital Expenditure (Intangible Assets) | (12,874) | (24,785) |
| Purchase of Other Investments | - | (12,651) |
| Net Cash Inflow from Disposal of PPE, Right-of-Use Assets, Assets Held-For-Sale and Other Investments | 15,159 | 8,329 |
| Contribution by non-controlling interests | 872 | - |
| Additional Investment in Associates and Joint Ventures | (674) | (3,634) |
| Dividends Received from Associates, Joint Ventures and Other investments | 4,931 | 1,164 |
| Dividends Paid to Shareholders of the Company | (14,958) | (7,478) |
| Dividends Paid to Non-Controlling Interests of Subsidiaries | (22,598) | (36,581) |
| Net Proceeds from Shares Issue | - | 48 |
| Net (Decrease)/Increase from Borrowings | (48,934) | 33,478 |
| Net Release of Deposits with Banks | 13,246 | 879 |
| Interest Paid, Net | (3,271) | (3,221) |
| Repayment of Obligations under Lease Liabilities | (5,372) | (5,978) |
| Net Cash Flow | (25,021) | (152,366) |
| Free Cash Flow | 36,578 | (126,721) |



BUSINESS UPDATES

| Business Segment | Business Updates |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Diesel Engines/New Energy Powertrains | <ul style="list-style-type: none">• Lower revenues on reduced volumes (-36.6% YoY).• Slower growth in China, regional lockdowns have crimped demand for commercial vehicles• Off-road engines (-12.7% YoY) performing relatively better when compared to truck and bus engines (-56.8% YoY)• Continue with significant investments in R&D to develop Tier4 compliant off-road engine units, New Energy powertrains(hydrogen, fuel cell, electric and hybrids)• New large capacity (~16l) hydrogen engine launched (June 2022)• Xin-Lan New Energy Power Co venture with Beijing Xing Shun Da Bus Co (Mar 2022) |
| Building Materials Unit (BMU) | <ul style="list-style-type: none">• Recovery of volumes and pricing for concrete and related products in Singapore. Demand rebounded as the construction sector recovered• Order books for BMU Singapore's Precast and Ready Mix Concrete businesses remain strong. Shortage of construction workers have improved though there remains delays at some projects• Digitalization of business processes and automation continues. HLA's Integrated Construction and Prefabrication Hub with leading-edge automation will be ready later in 2022• BMU Malaysia (Tasek) recorded recovery but the industry's condition remains tough (higher input costs, labour shortage & tight credit environment). Sales volumes and performance were affected in 1H 2022 |



SUSTAINABILITY

At HLA, our vision is to develop and deliver sustainable and innovative urban solutions for cities of the future.

In pursuit of this vision, we are committed to integrating sustainability into our business strategy. Empowering our people and driving innovation in low carbon and circular solutions for the built environment and transport sectors are crucial focus areas of our strategy.

Achieving our vision will not be easy. It will require investment, concerted effort and time, but it is an imperative for HLA given the global and local sustainability contexts facing our businesses.

We are committed to achieving the following focus Sustainable Development Goals throughout our operations and in our strategy:



DRIVING INNOVATION FOR A LOW-CARBON AND CIRCULAR ECONOMY

KEY 2025 COMMITMENTS

- 50% reduction in CO2 emission intensity by 2025 (from 2016 levels)
- 35% substitution of recycled materials in total concrete volume
- 30% substitution of coal with Alternative Fuels

EMPOWERING OUR PEOPLE AND COMMUNITIES

KEY 2025 COMMITMENTS

- 100% of sites to establish and implement stakeholder engagement plans
- Achieve 40 hours of training per employee per year aligned to career development plans
- Develop and roll out diversity and inclusion policy

BUILDING RESILIENCE FOR THE LONG-TERM

KEY 2025 COMMITMENTS

- Maintain Zero fatalities and injuries
- Maintain Zero corruption and fraud incidents across operations.
- Develop and roll out Supplier Code of Conduct to reflect ESG criteria (and all new suppliers to be screened)

Asia-Pacific climate leaders: Which companies cut emissions?



Source:

<https://asia.nikkei.com/Spotlight/Environment/Climate-Change/Asia-Pacific-climate-leaders-Which-companies-cut-emissions2>

Hong Leong Asia is one of 4 Singapore Companies to be recognised as a Climate Leader in Asia Pacific in 2022

Criteria for inclusion in the ranking:

- HLA is headquartered in one of 14 territories in the Asia-Pacific region
- HLA reported its greenhouse gas emissions for the years 2015 and 2020
- HLA had revenues of at least US\$50 million in 2020
- HLA reduced its emissions by at least 3% year-on-year between 2015 and 2020



CONTACT US

HONG LEONG ASIA LTD.

16 Raffles Quay #26-00
Hong Leong Building
Singapore 048581

☎ **+65 6220 8411**

✉ **investor_relations@corp.hla-grp.com**

🌐 **www.hlasia.com.sg**

in Hong Leong Asia Ltd.