

**IMPLEMENTATION OF AN EQUITY INCENTIVE SCHEME BY SKY CLOUD, A CHINESE
SUBSIDIARY**

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or the “**Directors**”) of Hong Leong Asia Ltd. (the “**Company**”, “**HLA**” and together with its subsidiaries, the “**Group**”) wishes to inform shareholders of the Company (the “**Shareholders**”) that its subsidiaries incorporated in the People’s Republic of China (“**China**”), Guangxi Yuchai Machinery Company Limited (“**GYMCL**”) and Guangxi SKY Cloud Technology Co., Ltd. (formerly known as Guangxi Xing Yun Cloud Technology Co., Ltd. (“**Sky Cloud**”)), have today resolved to implement a share scheme, being the “Incentive Plan of Sky Cloud” - (the “**Scheme**”), pursuant to which the registered capital of Sky Cloud will be increased by an aggregate of RMB1.25 million (equivalent to approximately S\$0.23 million) (the “**Sky Cloud Interest**”) which corresponds to approximately 20% interest of the enlarged registered capital of Sky Cloud.
- 1.2 *Unless otherwise stated, all currency translations of Singapore dollars (“**S\$**”) and Chinese Renminbi (“**RMB**”) used in this announcement are based on the exchange rate of S\$1.00 : RMB5.4348 as at 20 March 2025 as published by the Monetary Authority of Singapore.*
- 1.3 The Sky Cloud Interest will be granted in two (2) phases.
- Phase One:** Participants of the Scheme will contribute an aggregate amount of RMB1,080,002 (equivalent to approximately S\$0.20 million) (the “**Phase One Consideration**”) at a subscription price of RMB1 (equivalent to approximately S\$0.18) per RMB1 (equivalent to approximately S\$0.18) registered capital in consideration for approximately 17.28% of the enlarged registered capital of Sky Cloud, on and subject to the terms and conditions of the respective scheme documents (the “**Scheme Documents**”). This Phase One will be completed as soon as practicable.
- Phase Two:** Participants of the Scheme will contribute an aggregate amount of RMB169,998 (equivalent to approximately S\$0.03 million) at a subscription price equal to 80% of the latest audited net asset value (“**NAV**”) per RMB1 registered capital of Sky Cloud, or RMB1, whichever is higher, (the “**Phase Two Consideration**”) in consideration for approximately 2.72% of the enlarged registered capital of Sky Cloud, on and subject to the terms and conditions of the Scheme Documents. This Phase Two will be completed no later than 30 June 2027.
- The Company will make an announcement on the change in the registered share capital of Sky Cloud pursuant to Rule 706A of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”).
- 1.4 The Sky Cloud Interest will be held by separate partnership vehicles established by the participants of the Scheme in different proportions.
- 1.5 GYMCL is a 76.41%-owned subsidiary of China Yuchai International Limited (“**CYI**”) and Sky Cloud is a wholly-owned subsidiary of GYMCL. CYI is a 48.70%-owned subsidiary of the Company and it is listed on the New York Stock Exchange.

- 1.6 Given that the Sky Cloud Interest will be held by separate partnership vehicles which have rights to participate in distributions from Sky Cloud thereby diluting the Group's interest in Sky Cloud, the Company considers the implementation of the Scheme as a disposal of the Sky Cloud Interest (the "**Disposal**"). As the relative figures in respect of Phase One as computed under Rule 1006 of the Listing Manual do not exceed five per cent. (5%), the Disposal is considered a "non-discloseable transaction" under Chapter 10 of the Listing Manual. Phase Two is also not expected to be material.
- 1.7 The Disposal is a share scheme under Rule 843 of the Listing Manual.

2. INFORMATION TO BE ANNOUNCED UNDER RULES 1010(3) AND 1010(5) OF THE LISTING MANUAL FOR NON-DISCLOSEABLE TRANSACTION

2.1 Sky Cloud

Sky Cloud was incorporated in 2023 and its principal activity is the development of proprietary operating systems to enable data analytics for smart and connected solutions for both on-and off-road vehicles as well as machineries.

2.2 Information on the Disposal and Rationale

As at the date of this announcement, the registered capital of Sky Cloud is RMB5 million¹ representing 100% interest in Sky Cloud held by GYMCL.

The Disposal is in line with GYMCL's intent to create a long-term share incentive scheme to better align the interest of employees to that of GYMCL by allowing selected employees whose contributions are important to the long-term growth of the GYMCL group to have a personal stake by way of equity participation.

2.3 Independent Valuation

As Sky Cloud is not publicly listed on any stock exchange, there is no available open market valuation on Sky Cloud. As such, in connection with the Disposal, Sky Cloud has commissioned Zhonglian Asset Valuation Group Guangxi Co., Ltd, ("**Zhonglian Valuer**") for a valuation on the Sky Cloud Interest under Phase One. The Company has been informed that Zhonglian Valuer will issue its report (the "**Final Valuation Report**") after GYMCL's shareholders' meeting which was held earlier today.

Pursuant to the latest draft valuation report by Zhonglian Valuer, the fair value of the Sky Cloud Interest under Phase One as at 31 December 2024 was assessed using the income approach taking into account various influencing factors including lack of marketability of shares and it was estimated to be approximately RMB7.70 million (approximately S\$1.42 million).

¹ The initial registered capital of Sky Cloud was RMB10 million. To reduce the capital structure, Sky Cloud decreased its registered capital to RMB5 million (being the paid up amount) prior to implementation of Phase One of the Scheme.

3. INFORMATION TO BE ANNOUNCED UNDER RULE 843(4) OF THE LISTING MANUAL PRINCIPAL TERMS OF THE SCHEME DOCUMENTS

3.1 Identities of Participants

The participants of the Scheme are employees (who may also be directors) and senior officers of Sky Cloud. Save for the aforementioned, none of the participants of the Scheme are directors or employees of the Company, the Company's parent company, its subsidiaries or associates.

3.2 Principal Terms of the Scheme

The Scheme Documents comprising the terms and conditions of the Scheme and partnership agreements for each of the separate partnership vehicles are executed in Chinese. The following principal terms of the Scheme Documents are based on English translations by Chinese counsels.

Separate Partnership Vehicles	The participants of the Scheme would hold interests in newly established separate partnership vehicles as general partners or limited partners (to be known as "Partnership Interest"). GYMCL would also hold a nominal interest in each of these partnership vehicles as a limited partner so that it may undertake certain matters in the partnership vehicles under the respective Scheme Documents. The list of participants for Phase One and their allocations have been finalised and approved by the remuneration committee² of GYMCL ("GYMCL RC"). Participants for Phase Two (who will be granted Sky Cloud Interest no later than 30 June 2027) will also have to be finalised and approved by the GYMCL RC.
Consideration	The subscription price was based on the fair value of Phase One of the Sky Cloud Interest as at 31 December 2024 with a discount given by GYMCL after taking into consideration that Sky Cloud is a new business initiative with a low start-up capital and the need to attract and retain talent. The Consideration would be satisfied by payment in cash by the participants into the separate partnership vehicles which will in turn pay Sky Cloud to increase its registered capital. Each of the Phase One Consideration and Phase Two Consideration will be paid only upon the registration of the respective increases in capital of Sky Cloud under Phase One and Phase Two.

² As at the date of this announcement, the GYMCL RC members are Mr. Kwek Leng Peck (chairman of HLA and a director of CYI and GYMCL) as chair of the GYMCL RC, Mr. Li Hanyang (a director of CYI and chairman of GYMCL) and Mr. Neo Poh Kiat (an independent director of CYI and GYMCL).

Lock Up Period		(i) All Partnership Interests will be subject to a lock-up period commencing on the date of issuance of each tranche of Sky Cloud Interest and a moratorium period ending (aa) in the event that Sky Cloud undertakes a public listing, three (3) years after such listing or (bb) in the event that Sky Cloud does not undertake a public listing, ten (10) years after the date of issuance (the “Lock Up Period”). (ii) During the Lock Up Period, (aa) the partnership vehicles are to vote on all matters proposed at shareholders’ meetings of Sky Cloud in the same manner as GYMCL; (bb) Partnership Interests cannot be transferred/sold/mortgaged/gifted; and (cc) Partnership Interests must be or can only be, as the case may be, transferred³ in accordance with agreed terms and to approved persons under the special scenarios⁴ (the “Special Scenarios”). However, 1 key employee may continue to hold his Partnership Interest upon retirement provided that he shall be converted into a limited partner.
Distributions		The partnership vehicles have the right to distributions declared and made by Sky Cloud upon the issuance of each tranche of Sky Cloud Interest.
Administration of the Scheme		GYMCL RC

³ All partners in each of the partnership vehicles including GYMCL have the right (but not the obligation) to buy Partnership Interests in that partnership vehicle under the Special Scenarios. Should GYMCL buy Partnership Interests in any partnership vehicle, it has to transfer to newly identified employees approved by the GYMCL RC within six (6) months.

⁴

Special Scenario	Exit Price (to be determined by the GYMCL RC)
Retirement	If the retirement date falls before the listing of Sky Cloud, it will be based on the latest audited NAV per RMB1 registered capital of Sky Cloud. If the retirement date falls after the listing of Sky Cloud, a participant may continue to hold the Partnership Interest and dispose it after the expiry of the Lock Up Period.
Death of a participant	If the date of death falls before the listing of Sky Cloud, it will be based on the latest audited NAV per RMB1 registered capital of Sky Cloud. If the date of death falls after the listing of Sky Cloud, the heir (as approved by the GYMCL RC) may continue to hold the Partnership Interest and dispose it after the expiry of the Lock Up Period.
Termination/Resignation/Divorce	If the date of such an event falls before the listing of Sky Cloud, it will be based on 80% of the latest audited NAV per RMB1 registered capital of Sky Cloud. If the date of such an event falls after the listing of Sky Cloud, a participant may continue to hold the Partnership Interest and dispose it after the expiry of the lock up period.
Punishment from state administrative department/ Criminal conviction/ Dismissal/Violation of terms of Scheme Documents.	Based on the lower of (a) 80% of the latest audited NAV per RMB1 registered capital of Sky Cloud; and (b) original subscription price.

Governing Law		The execution, validity, implementation of the Scheme Documents and settlement of disputes in respect of the Scheme Documents shall be governed by and construed in accordance with the laws of the People's Republic of China. Any party shall have the right to submit a dispute to arbitration at the Shenzhen International Arbitration Court.
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The Company will provide the necessary disclosures (or the appropriate negative statements) in relation to the Scheme as required pursuant to Rule 852 of the Listing Manual, in the Company's annual report.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in Foot Note 2 above in relation to Mr. Kwek Leng Peck (who is Chairman of the Board of the Company) being the chairman of the GYMCL RC, none of the other Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Disposal, other than through their respective directorships and/or shareholdings in the Company.

**BY ORDER OF THE BOARD
HONG LEONG ASIA LTD.**

Stephen Ho Kiam Kong
Executive Director and Chief Executive Officer
21 March 2025