

Company Registration No. 196300306G

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Financial Statements  
For the Half Year Ended 30 June 2023 (Unaudited)

## Hong Leong Asia Ltd. and its subsidiaries

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Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Balance Sheet  
As at 30 June 2023

	Note	Group		Company	
		30 June 2023 \$'000	31 December 2022 \$'000	30 June 2023 \$'000	31 December 2022 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	5	821,622	887,895	1,336	1,567
Intangible assets	6	316,617	323,541	-	-
Investment in subsidiaries		-	-	229,867	229,867
Interests in associates		126,869	126,166	14,605	14,605
Interests in joint ventures		51,211	44,058	-	-
Investment property		809	916	-	-
Other investments		8,624	11,056	-	-
Non-current receivables		52,767	4,560	-	-
Capitalised contract costs		20,046	38,095	-	-
Right-of-use assets		120,681	126,381	30	34
Deferred tax assets		82,724	92,255	-	-
Long-term deposits		-	3,854	-	-
		<u>1,601,970</u>	<u>1,658,777</u>	<u>245,838</u>	<u>246,073</u>
<b>Current assets</b>					
Inventories		992,814	1,028,903	-	-
Development properties		3,110	3,221	-	-
Trade and other receivables		1,908,390	1,609,808	372,181	381,257
Cash and short-term deposits		1,143,786	1,013,614	13,443	9,481
		<u>4,048,100</u>	<u>3,655,546</u>	<u>385,624</u>	<u>390,738</u>
Assets of disposal group classified as held for distribution to owners		1,586	1,736	-	-
		<u>4,049,686</u>	<u>3,657,282</u>	<u>385,624</u>	<u>390,738</u>
<b>Total assets</b>		<u>5,651,656</u>	<u>5,316,059</u>	<u>631,462</u>	<u>636,811</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 2023

	Note	Group		Company	
		30 June 2023 \$'000	31 December 2022 \$'000	30 June 2023 \$'000	31 December 2022 \$'000
<b>Current liabilities</b>					
Trade and other payables		1,999,068	1,678,954	6,842	5,555
Contract liabilities		42,179	119,038	-	-
Lease liabilities	7	13,752	12,260	7	7
Provisions		47,820	45,592	-	-
Loans and borrowings	7	543,235	671,528	142,380	217,713
Current tax payable		18,833	22,737	-	-
Derivatives		-	142	-	-
		<u>2,664,887</u>	<u>2,550,251</u>	<u>149,229</u>	<u>223,275</u>
Liabilities directly associated with disposal group classified as held for distribution to owners		795	1,122	-	-
		<u>2,665,682</u>	<u>2,551,373</u>	<u>149,229</u>	<u>223,275</u>
<b>Net current assets</b>		<u>1,384,004</u>	<u>1,105,909</u>	<u>236,395</u>	<u>167,463</u>
<b>Non-current liabilities</b>					
Loans and borrowings	7	453,394	203,075	250,000	160,000
Deferred tax liabilities		19,139	22,617	2,463	2,463
Deferred grants		90,490	91,799	-	-
Other liabilities		47,583	45,345	-	-
Contract liabilities		14,431	14,903	-	-
Lease liabilities	7	25,070	28,332	23	27
Retirement benefit obligations		3	2	-	-
		<u>650,110</u>	<u>406,073</u>	<u>252,486</u>	<u>162,490</u>
<b>Total liabilities</b>		<u>3,315,792</u>	<u>2,957,446</u>	<u>401,715</u>	<u>385,765</u>
<b>Net assets</b>		<u>2,335,864</u>	<u>2,358,613</u>	<u>229,747</u>	<u>251,046</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	8	467,977	467,977	467,977	467,977
Reserves		422,454	433,782	(238,230)	(216,931)
Reserve attributable to disposal group classified as held for distribution to owners		863	793	-	-
		<u>891,294</u>	<u>902,552</u>	<u>229,747</u>	<u>251,046</u>
<b>Non-controlling interests</b>		<u>1,444,570</u>	<u>1,456,061</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>2,335,864</u>	<u>2,358,613</u>	<u>229,747</u>	<u>251,046</u>
<b>Total equity and liabilities</b>		<u>5,651,656</u>	<u>5,316,059</u>	<u>631,462</u>	<u>636,811</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 2023

	Note	Group		+/- %
		Half year ended 30 June 2023 \$'000	Half year ended 30 June 2022 \$'000	
<b>Continuing operations</b>				
Revenue	9	2,075,085	2,096,577	-1.0%
Cost of sales		(1,702,181)	(1,736,493)	-2.0%
Gross profit		372,904	360,084	3.6%
<b>Other item of income</b>				
Other income		30,618	33,347	-8.2%
<b>Other items of expense</b>				
Selling and distribution expenses		(130,501)	(128,509)	1.6%
Research and development expenses		(77,853)	(85,876)	-9.3%
General and administrative expenses		(96,113)	(82,877)	16.0%
Finance costs		(20,613)	(15,378)	34.0%
Other expenses		(1,429)	(436)	227.8%
Share of results of associates and joint ventures, net of income tax		14,478	589	2358.1%
<b>Profit before income tax from continuing operations</b>	10	<b>91,491</b>	<b>80,944</b>	<b>13.0%</b>
Income tax expense	11	(27,237)	(16,793)	62.2%
<b>Profit from continuing operations, net of tax</b>		<b>64,254</b>	<b>64,151</b>	<b>0.2%</b>
<b>Discontinued operation</b>				
Loss from discontinued operation, net of tax		(133)	(115)	15.7%
<b>Profit for the period</b>		<b>64,121</b>	<b>64,036</b>	<b>0.1%</b>
<b>Attributable to:</b>				
Owners of the Company				
- Profit from continuing operations, net of tax		30,883	42,656	-27.6%
- Loss from discontinued operation, net of tax		(89)	(77)	15.6%
		<b>30,794</b>	<b>42,579</b>	<b>-27.7%</b>
Non-controlling interests				
- Profit from continuing operations, net of tax		33,371	21,495	55.3%
- Loss from discontinued operation, net of tax		(44)	(38)	15.8%
		<b>33,327</b>	<b>21,457</b>	<b>55.3%</b>
<b>Earnings per share from continuing operations attributable to owners of the Company (cents per share)</b>				
- Basic	12	4.13	5.70	
- Diluted	12	4.13	5.70	
<b>Earnings per share (cents per share)</b>				
- Basic	12	4.12	5.69	
- Diluted	12	4.12	5.69	

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 2023

	Group		
	Half year ended 30 June 2023 \$'000	Half year ended 30 June 2022 \$'000	+/- %
Profit for the period	64,121	64,036	0.1%
<b>Other comprehensive income</b>			
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Net fair value changes of equity instruments at fair value through other comprehensive income	1,321	(9,078)	NM
<b>Items that may be subsequently reclassified to profit or loss</b>			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	(72,235)	(47,314)	52.7%
Net fair value changes of debt instruments at fair value through other comprehensive income	5,564	5,899	-5.7%
Realisation of reserves upon liquidation of a subsidiary	(35)	-	NM
<b>Other comprehensive income for the period, net of income tax</b>	<u>(65,385)</u>	<u>(50,493)</u>	<b>29.5%</b>
<b>Total comprehensive income for the period</b>	<u><b>(1,264)</b></u>	<u><b>13,543</b></u>	<b>NM</b>
<b>Attributable to:</b>			
Owners of the Company	4,615	16,687	-72.3%
Non-controlling interests	(5,879)	(3,144)	87.0%
<b>Total comprehensive income for the period</b>	<u><b>(1,264)</b></u>	<u><b>13,543</b></u>	<b>NM</b>
<b>Attributable to:</b>			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax	4,704	16,764	-71.9%
- Total comprehensive income from discontinued operation, net of tax	(89)	(77)	15.6%
	<u><b>4,615</b></u>	<u><b>16,687</b></u>	<b>-72.3%</b>

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 2023

	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
<b>The Group</b>												
At 1 January 2023	467,977	1,167	22,207	7,797	5,394	(51,812)	63,007	793	386,022	902,552	1,456,061	2,358,613
Profit for the period	-	-	-	-	-	-	-	-	30,794	30,794	33,327	64,121
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(29,317)	-	-	-	(29,317)	(42,918)	(72,235)
Realisation of reserve upon disposal of instruments at fair value through other comprehensive income	-	-	-	(938)	-	-	-	-	938	-	-	-
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	1,271	-	-	-	-	-	1,271	50	1,321
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	1,902	-	-	-	-	-	1,902	3,662	5,564
Realisation of reserves upon liquidation of a subsidiary	-	-	(166)	-	-	131	-	-	-	(35)	-	(35)
Other comprehensive income for the period, net of tax	-	-	(166)	2,235	-	(29,186)	-	-	938	(26,179)	(39,206)	(65,385)
Total comprehensive income for the period	-	-	(166)	2,235	-	(29,186)	-	-	31,732	4,615	(5,879)	(1,264)
<b>Transactions with owners, recorded directly in equity</b>												
<u>Contributions by and distributions to owners</u>												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(14,960)	(14,960)	-	(14,960)
Dividends paid/payable to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,845)	(6,845)
Cost of share-based compensation	-	-	-	-	8	-	-	-	-	8	-	8
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	3,835	3,835
<u>Changes in ownership interests in subsidiaries</u>												
Dilution of interest in subsidiary	-	-	-	-	-	-	283	-	-	283	(283)	-
<u>Others</u>												
Transfer to statutory reserve	-	-	3,213	-	-	-	-	-	(3,213)	-	-	-
Reserve attributable to disposal group classified as held for distribution to owners	-	-	-	-	-	(70)	-	70	-	-	-	-
Issuance of put option to non-controlling interests of subsidiary	-	(1,204)	-	-	-	-	-	-	-	(1,204)	(2,319)	(3,523)
At 30 June 2023	467,977	(37)	25,254	10,032	5,402	(81,068)	63,290	863	399,581	891,294	1,444,570	2,335,864

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 2023

	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
<b>The Group</b>												
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
<i>Other comprehensive income</i>												
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
<b>Transactions with owners, recorded directly in equity</b>												
<i>Contributions by and distributions to owners</i>												
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
<i>Others</i>												
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 Statement of Changes in Equity For the Half Year Ended 30 June 2023

Company	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated (losses)/profits \$'000	Total equity \$'000
At 1 January 2023	467,977	9,199	2,618	(228,748)	251,046
Total comprehensive income for the period	-	-	-	(6,347)	(6,347)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends paid to shareholders	-	-	-	(14,960)	(14,960)
Cost of share-based compensation	-	-	8	-	8
At 30 June 2023	<u>467,977</u>	<u>9,199</u>	<u>2,626</u>	<u>(250,055)</u>	<u>229,747</u>
At 1 January 2022	467,938	9,199	2,584	(234,367)	245,354
Total comprehensive income for the period	-	-	-	19,791	19,791
<b>Transactions with owners, recorded directly in equity</b>					
<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>

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 2023**

	Group	
	Half year ended 30 June 2023 \$'000	Half year ended 30 June 2022 \$'000
<b>Operating activities</b>		
Profit before income tax from continuing operations	91,491	80,944
Loss before income tax from discontinued operation	(133)	(115)
Adjustments for:		
Share of results of associates and joint ventures, net of income tax	(14,478)	(589)
Cost of share-based payments	8	21
Depreciation and amortisation	73,384	77,668
Allowance (written back)/recognised for inventories obsolescence	(444)	2,759
Impairment losses recognised/(written back) for trade and other receivables	173	(365)
Property, plant and equipment written off	43	70
Finance costs	20,613	15,378
Dividend income from other investments	(54)	(54)
Interest income	(16,323)	(13,381)
Gain on disposal of:		
- property, plant and equipment	(89)	(1,367)
- right-of-use assets	-	(804)
- assets classified as held-for-sale	-	(10,598)
- other investments	-	(95)
Gain on liquidation of a subsidiary	(129)	-
Fair value gain on investments	-	(3)
Provision for warranties and other costs, net	36,217	32,840
<b>Operating cash flows before changes in working capital</b>	<b>190,279</b>	<b>182,309</b>
Changes in working capital:		
Inventories and development properties	2,743	234,525
Trade and other receivables and capitalised contract costs	(393,437)	97,317
Trade and other payables and contract liabilities	316,779	(385,912)
Grant received from government	12,550	27,805
Provisions utilised	(32,526)	(33,246)
<b>Cash flows from operations</b>	<b>96,388</b>	<b>122,798</b>
Income tax paid	(21,147)	(13,475)
<b>Net cash flows from operating activities</b>	<b>75,241</b>	<b>109,323</b>

*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 2023**

	Group	
	Half year ended 30 June 2023 \$'000	Half year ended 30 June 2022 \$'000
<b>Investing activities</b>		
Additional investment in associates and joint ventures	(1,246)	(674)
Dividends received from:		
- associates and joint ventures	6,585	4,890
- other investments	54	41
Interest received	16,680	12,485
Net (placement)/release of deposits with banks	(53,774)	13,246
Purchase of:		
- property, plant and equipment	(30,658)	(59,871)
- intangible assets	(10,253)	(12,874)
Net cash inflow on disposal of:		
- associate	192	-
- property, plant and equipment	653	1,930
- right of use assets	-	1,511
- assets classified as held-for-sale	-	11,605
- other investments	3,566	113
<b>Net cash flows used in investing activities</b>	<u>(68,201)</u>	<u>(27,598)</u>
<b>Financing activities</b>		
Contribution by non-controlling interests	3,835	872
Dividends paid to non-controlling interests of subsidiaries	-	(22,598)
Dividends paid to shareholders of the Company	(14,960)	(14,958)
Interest paid	(21,411)	(15,756)
Proceeds from borrowings	573,869	331,167
Repayment in respect of borrowings	(433,591)	(380,101)
Repayment of obligation under lease liabilities	(6,740)	(5,372)
<b>Net cash flows from/(used in) financing activities</b>	<u>101,002</u>	<u>(106,746)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	108,042	(25,021)
Cash and cash equivalents at beginning of the financial period	942,268	1,129,344
Effect of exchange rate changes on balances held in foreign currencies	(31,774)	(21,885)
<b>Cash and cash equivalents at end of the financial period</b>	<u>1,018,536</u>	<u>1,082,438</u>
Comprising:		
Cash and short-term deposits	1,143,786	1,165,709
Less: Short-term deposits and restricted deposits	(126,836)	(85,222)
Add: Cash at bank attributable to discontinued operation	1,586	1,951
	<u>1,018,536</u>	<u>1,082,438</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 2023

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#### 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 powertrain solutions 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 2023 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 2022.

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 2022.

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) Powertrain solutions: engines for on-road and off-road applications.
- (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 2023 or 2022.

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 Executive Officer, who is the 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 2023

4. Segment information (cont'd)

*Reportable segments (cont'd)*

	Powertrain solutions \$'000	Building materials \$'000	Rigid packaging \$'000	Corporate and Others* \$'000	Air-conditioning systems (Discontinued operation) \$'000	Adjustments \$'000	Total \$'000
<b>Half year ended 30 June 2023</b>							
Total external revenue	1,755,713	306,270	10,431	2,671	-	-	2,075,085
Reportable segment profit/(loss) before income tax <sup>^</sup>	69,269	37,018	(1,162)	(13,634)	(133)	133	91,491
Reportable segment profit/(loss) after income tax <sup>^</sup>	48,070	31,032	(1,198)	(13,650)	(133)	133	64,254
<b>30 June 2023</b>							
<b>Assets and liabilities</b>							
Reportable segment assets <sup>@</sup>	4,865,716	438,854	44,261	1,128,144	1,586	(1,004,985)	5,473,576
Interests in associates and joint ventures	35,446	141,745	-	889	-	-	178,080
Reportable segment liabilities	2,711,899	161,954	104,657	1,247,166	795	(910,679)	3,315,792
<b>Half year ended 30 June 2022</b>							
Total external revenue	1,798,222	282,015	13,180	3,160	-	-	2,096,577
Reportable segment profit/(loss) before income tax <sup>^</sup>	41,804	33,555	9,861	(4,276)	(115)	115	80,944
Reportable segment profit/(loss) after income tax <sup>^</sup>	29,944	28,656	9,854	(4,303)	(115)	115	64,151
<b>31 December 2022</b>							
<b>Assets and liabilities</b>							
Reportable segment assets <sup>@</sup>	4,545,355	428,870	45,737	1,089,623	1,736	(965,486)	5,145,835
Interests in associates and joint ventures	28,947	140,363	-	914	-	-	170,224
Reportable segment liabilities	2,368,367	166,170	104,361	1,231,524	1,122	(914,098)	2,957,446

\* Others include hospitality and property development.

<sup>^</sup> 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 from discontinued operation, net of tax".

<sup>@</sup> Exclude interests in associates and joint ventures.

## Hong Leong Asia Ltd. and its subsidiaries

### Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2023

#### 5. Property, plant and equipment

During the half year ended 30 June 2023, the Group acquired assets with a cost of \$18,698,000 (30 June 2022: \$47,203,000).

##### Capital commitments

As at 30 June 2023, the Group had capital expenditure contracted for but not recognised in the financial statements amounting to \$51,922,000 (31 December 2022: \$71,531,000).

#### 6. Intangible assets

Group	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
<b>At 31 December 2022</b>					
Cost	347,327	36,344	313	11,569	395,553
Accumulated amortisation and impairment losses	(57,411)	(3,621)	(313)	(10,667)	(72,012)
Net carrying amount	<u>289,916</u>	<u>32,723</u>	-	902	<u>323,541</u>
<b>Half year ended 30 June 2023</b>					
Opening net carrying amount	289,916	32,723	-	902	323,541
Additions	11,369	-	-	-	11,369
Amortisation charge for the period	(8,031)	-	-	-	(8,031)
Translation differences	(9,226)	(1,036)	-	-	(10,262)
Closing net carrying amount	<u>284,028</u>	<u>31,687</u>	-	902	<u>316,617</u>
<b>At 30 June 2023</b>					
Cost	347,222	35,322	313	11,569	394,426
Accumulated amortisation and impairment losses	(63,194)	(3,635)	(313)	(10,667)	(77,809)
Net carrying amount	<u>284,028</u>	<u>31,687</u>	-	902	<u>316,617</u>

Additions during the half year ended 30 June 2023 were mainly capitalised technology development costs for development of National VI and Tier 4 engines and new energy products.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements  
For the Half Year Ended 30 June 2023

6. Intangible assets (cont'd)

Company	Computer software and related costs \$'000	Club membership \$'000	Total \$'000
<b>At 31 December 2022 and 30 June 2023</b>			
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 2023 \$'000	31 December 2022 \$'000	30 June 2023 \$'000	31 December 2022 \$'000
<b>Amount repayable in one year or less, or on demand</b>				
Unsecured bank loans	532,439	654,120	142,380	217,713
Secured bank loans	10,796	17,408	-	-
	<u>543,235</u>	<u>671,528</u>	<u>142,380</u>	<u>217,713</u>
Unsecured lease liabilities	13,752	12,260	7	7
	<u>13,752</u>	<u>12,260</u>	<u>7</u>	<u>7</u>
<b>Amount repayable after one year</b>				
Unsecured bank loans	453,394	198,540	250,000	160,000
Secured bank loans	-	4,535	-	-
	<u>453,394</u>	<u>203,075</u>	<u>250,000</u>	<u>160,000</u>
Unsecured lease liabilities	25,070	28,332	23	27
	<u>25,070</u>	<u>28,332</u>	<u>23</u>	<u>27</u>

The secured banking facilities of the Group are secured on the assets of certain subsidiaries with a total carrying value as at 30 June 2023 of \$82,232,000 (31 December 2022: \$92,158,000).



## Hong Leong Asia Ltd. and its subsidiaries

### Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2023

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#### 8. Share capital

	Group and Company			
	30 June 2023		31 December 2022	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
<b>Issued and fully paid ordinary shares, with no par value</b>				
Beginning of interim period	747,979	467,977	747,906	467,938
Shares issued under the Hong Leong Asia Share Option Scheme 2000 (the "Scheme")	–	–	73	39
End of interim period	747,979	467,977	747,979	467,977

The total number of issued shares as at 30 June 2023 was 747,978,318 (31 December 2022: 747,978,318). There were no shares held as treasury shares or subsidiary holdings as at 30 June 2023, 31 December 2022 and 30 June 2022.

There was no sale, transfer, disposal, cancellation and/or use of treasury shares/subsidiary holdings during the half year ended 30 June 2023.

#### Share options

During the half year ended 30 June 2023, there was no option exercised pursuant to the terms of the Scheme.

As at 30 June 2023, there were a total of 498,000 (30 June 2022: 711,400) 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	60,000
2020	\$0.54	178,000
2021	\$0.72	200,000
2021	\$0.87	60,000
Total		498,000

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements  
For the Half Year Ended 30 June 2023

9. Revenue

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

Segments	Half year ended 30 June 2023				Consolidated total \$'000
	Powertrain solutions \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
<b>Major product or service lines</b>					
Sale of heavy-duty engines	528,960	-	-	-	528,960
Sale of medium-duty engines	615,548	-	-	-	615,548
Sale of light-duty engines	158,387	-	-	-	158,387
Sale of precast concrete products	-	58,509	-	-	58,509
Sale of ready-mix concrete	-	125,991	-	-	125,991
Sale of cement	-	98,386	-	-	98,386
Sale of other goods	-	23,384	-	-	23,384
Sale of rigid packaging products	-	-	10,431	-	10,431
Hospitality operations	9,166	-	-	2,656	11,822
Others <sup>(1)</sup>	443,652	-	-	15	443,667
	<u>1,755,713</u>	<u>306,270</u>	<u>10,431</u>	<u>2,671</u>	<u>2,075,085</u>

<sup>(1)</sup> 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 2023

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 2023				Consolidated total \$'000
	Powertrain solutions \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
<b>Geographical markets</b>					
The PRC	1,745,088	-	9,395	-	1,754,483
Singapore	470	204,319	1,036	-	205,825
Malaysia	409	101,951	-	2,671	105,031
Others	9,746	-	-	-	9,746
	<u>1,755,713</u>	<u>306,270</u>	<u>10,431</u>	<u>2,671</u>	<u>2,075,085</u>
<b>Timing of revenue recognition</b>					
Goods and services transferred at a point in time	1,751,419	306,270	10,431	839	2,068,959
Services transferred over time	4,294	-	-	1,832	6,126
	<u>1,755,713</u>	<u>306,270</u>	<u>10,431</u>	<u>2,671</u>	<u>2,075,085</u>

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements  
For the Half Year Ended 30 June 2023

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
	Powertrain solutions \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
<b>Major product or service lines</b>					
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 <sup>(1)</sup>	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>

<sup>(1)</sup> 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 2023

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
	Powertrain solutions \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
<b>Geographical markets</b>					
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>
<b>Timing of revenue recognition</b>					
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 2023

#### 10. Profit before income tax from continuing operations

Profit before income tax from continuing operations includes the following:

	Half year ended 30 June 2023 \$'000	Group Half year ended 30 June 2022 \$'000	+/- %
Gain on disposal of property, plant and equipment, net	89	1,367	-93.5%
Gain on disposal of right-of-use assets, net	-	804	NM
Gain on disposal of assets classified as held-for-sale	-	10,598	NM
Impairment losses (recognised)/written back for trade and other receivables, net	(173)	365	NM
Allowance written back/(recognised) for inventories obsolescence	444	(2,759)	NM
Depreciation and amortisation	(73,384)	(77,668)	-5.5%
Foreign exchange (loss)/gain, net	(1,366)	531	NM
Interest expense	(20,145)	(14,877)	35.4%
Interest income	16,319	13,375	22.0%
Write-off of property, plant & equipment	(43)	(70)	-38.6%

NM – Not meaningful

#### 11. Taxation

For the half year ended 30 June 2023, the Group's tax expenses included additional provision of \$7,314,000 for prior years (30 June 2022: additional provision of \$2,000 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 2023 No. of shares	Group Half year ended 30 June 2022 No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	747,978,318	747,905,718
Dilutive effect of share options	35,473	118,964
Weighted average number of ordinary shares (diluted)	748,013,791	748,024,682

320,000 (30 June 2022: 250,000) 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 2023

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#### 13. Related party transactions

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

During the half year ended 30 June 2023, the Group made payments to firms, in which a director has an interest, in respect of professional services rendered. This amounted to \$36,310 (30 June 2022: \$101,099). No balance was outstanding at the balance sheet date (31 December 2022: \$18,369).

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 2023	Half year ended 30 June 2022
	\$'000	\$'000
Sale of engines and materials		
- associates and joint ventures	76,074	28,459
- related corporations	208,642	294,784
Purchase of materials, supplies and engines		
- associates and joint ventures	157,904	176,188
- related corporations	173,735	101,039
Management services income		
- an associate	222	222
Management services paid and payable		
- related corporations	71	113
Rental paid and payable (include general expenses)		
- immediate holding company	318	336
- a joint venture	2,916	-
General and administrative expenses		
- related corporations	8,085	7,504
Delivery, storage, distribution and handling expenses		
- related corporations	14,710	21,053
Hospitality, restaurant and consultancy service income		
- A joint venture	779	455
- related corporations	931	82
Rental income		
- associates and joint ventures	191	454
- related corporations	61	91
Purchase of vehicles and machineries		
- related corporations	-	483

## Hong Leong Asia Ltd. and its subsidiaries

### Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2023

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#### 13. Related party transactions (cont'd)

##### (b) *Outstanding balances with a related party*

As at 30 June 2023, fixed deposits held with a related party amounted to \$14,545,000 (31 December 2022: \$7,045,000).

##### (c) *Commitments with related parties*

As at 30 June 2023, the Group has commitments to purchase raw materials from related parties amounting to approximately \$67,468,000 between 2023 and 2027 (31 December 2022: \$29,804,000 between 2023 and 2024).

#### 14. Dividends

	<b>Group</b>	
	<b>Half year ended 30 June 2023</b>	<b>Half year ended 30 June 2022</b>
	\$'000	\$'000
<b>Declared and paid during the financial period</b>		
<i>Dividends on ordinary shares:</i>		
First and final tax exempt dividend paid of 2 cents per share in respect of year 2022 (30 June 2022: 2 cent per share in respect of year 2021)	14,960	14,958

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#### 15. Net Asset Value

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2023</b>	<b>31 December 2022</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
Net asset value per ordinary share (cents)	119.16	120.67	30.72	33.56

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#### 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 2023

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
<b>30 June 2023</b>			
<b>Financial assets</b>			
Other investments	8,624	-	8,624
Bill receivables	-	482,546	482,546
As at 30 June 2023	<u>8,624</u>	<u>482,546</u>	<u>491,170</u>
<b>31 December 2022</b>			
<b>Financial assets</b>			
Other investments	11,056	-	11,056
Bill receivables	-	957,930	957,930
As at 31 December 2022	<u>11,056</u>	<u>957,930</u>	<u>968,986</u>
<b>Financial liabilities</b>			
Derivatives	-	142	142
As at 31 December 2022	<u>-</u>	<u>142</u>	<u>142</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 liabilities 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 2023

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 other comprehensive income \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
<b>30 June 2023</b>				
<b>Assets</b>				
Other investments	-	8,624	-	8,624
Trade and other receivables*	1,450,190	-	-	1,450,190
Bills receivables	-	482,546	-	482,546
Cash and bank balances	1,143,786	-	-	1,143,786
	<u>2,593,976</u>	<u>491,170</u>	<u>-</u>	<u>3,085,146</u>
<b>Liabilities</b>				
Trade and other payables^	-	-	1,999,068	1,999,068
Other non-current liabilities	-	-	47,583	47,583
Loans and borrowings	-	-	996,629	996,629
Lease liabilities	-	-	38,822	38,822
	<u>-</u>	<u>-</u>	<u>3,082,102</u>	<u>3,082,102</u>
<b>31 December 2022</b>				
<b>Assets</b>				
Other investments	-	11,056	-	11,056
Trade and other receivables*	580,955	-	-	580,955
Bills receivables	-	957,930	-	957,930
Cash and bank balances	1,017,468	-	-	1,017,468
	<u>1,598,423</u>	<u>968,986</u>	<u>-</u>	<u>2,567,409</u>
<b>Liabilities</b>				
Trade and other payables^	-	-	1,676,371	1,676,371
Other non-current liabilities	-	-	45,345	45,345
Loans and borrowings	-	-	874,603	874,603
Lease liabilities	-	-	40,592	40,592
	<u>-</u>	<u>-</u>	<u>2,636,911</u>	<u>2,636,911</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 2023

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#### 1. Review

The condensed interim consolidated balance sheets of Hong Leong Asia Ltd. and its subsidiaries as at 30 June 2023 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 2023

##### 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**”) 2023, (b) recognition of capitalised contract costs in income statement upon contract performance, (c) decrease in deferred tax assets, and (d) amortisation of intangible and RMB translation effect, partially offset by capitalisation of development costs for National VI and Tier 4 engines and new energy products. This was partially offset by (e) reclassification of amounts due from related corporations (with longer tenure) to non-current assets, and (f) recognition of share of profits (net) of joint ventures.
- **Current assets:** The increase in current assets was mainly due to (a) higher trade and other receivables which resulted largely from timing of collections, partially offset by RMB translation effect, and (b) higher cash and cash equivalents held as at 30 June 2023. This was partially offset by lower inventory mainly due to RMB translation effect.
- **Current liabilities:** The increase in current liabilities was mainly due to higher trade and other payables. This was partially offset by lower loans and borrowings as at 30 June 2023 and lower contract liabilities. In particular:
  - The increase in trade and other payables was mainly due to timing of settlement of amounts owed to suppliers.
  - The decrease in loans and borrowings was mainly due to refinancing of loans and borrowings as long-term liabilities, partially offset by additional short-term borrowings (net).
  - The decrease in contract liabilities was mainly due to decrease in advance payment from customers as at 30 June 2023.
- **Non-current liabilities:** The increase in non-current liabilities was mainly due to additional long-term borrowings and refinancing of loans and borrowings as long-term liabilities. This was partially offset by lower lease liabilities and deferred tax liabilities recognised.
- **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 2023.

## Hong Leong Asia Ltd. and its subsidiaries

### Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2023

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#### 2. Notes to the financial statements for the half year ended 30 June 2023 (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 depreciation of property, plant and equipment.
- **Current assets:** The decrease in current assets was mainly due to net repayment of intercompany loans from subsidiaries during 1H 2023, which was partially offset by higher cash and cash equivalents held as at 30 June 2023.
- **Current liabilities:** The decrease in current liabilities was mainly due to refinancing of loans and borrowings with longer tenures, partially offset by additional loans and borrowings (net) taken up as at 30 June 2023 and higher interest payable.
- **Non-current liabilities:** The increase in non-current liabilities was mainly due to refinancing of loans and borrowings with longer tenures during 1H 2023.

##### 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 2023 was attributed mainly to the Group's Building Materials Unit ("**BMU**"). Net gain on disposal of property, plant and equipment in 1H 2022 was attributed mainly to the Group's Powertrain Solutions Unit ("**Yuchai**").
- Net gains on disposal of right-of-use assets in 1H 2022 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 (recognised)/written back for trade and other receivables in 1H 2023 and 1H 2022 were attributed mainly to investment holding entities of the Group.
- Allowances written back/(recognised) for inventories obsolescence in 1H 2023 and 1H 2022 were attributed mainly to Yuchai.
- The lower depreciation and amortisation recorded in 1H 2023 as compared to 1H 2022 were mainly due to RMB translation effect, partially offset by the commencement of amortisation of technology know-how transferred from capitalised development expenditure upon completion and ready for use.
- Net foreign exchange loss recorded in 1H 2023 was mainly due to (a) foreign exchange loss on revaluation of Singapore Dollars ("**SGD**") liabilities in subsidiaries with functional currency in Malaysia Ringgit ("**RM**"), as a result of the weakening of RM against SGD, and (b) foreign exchange loss on revaluation of RMB assets in China Yuchai International Limited's subsidiaries (with functional currency in United States dollar ("**USD**")), as a result of the weakening of RMB against USD. This was partially offset by foreign exchange gains on revaluation of USD assets. The net foreign exchange gain recorded in 1H 2022 was mainly due to foreign exchange gains on revaluation of USD assets, as a result of the weakening of SGD against USD.

## Hong Leong Asia Ltd. and its subsidiaries

### Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2023

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#### 2. Notes to the financial statements for the half year ended 30 June 2023 (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 increase in interest expense in 1H 2023 was due mainly to higher interest rates.
- The increase in interest income in 1H 2023 was due mainly to higher deposits placement.
- The write-offs of property, plant and equipment in 1H 2023 and 1H 2022 were recorded mainly by Yuchai.

#### 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.

In 1H 2023, the Group’s revenue declined by 1.0%, affected by translation effect of a weaker RMB against SGD, but partially mitigated by revenue growth from BMU in Malaysia (“**Tasek**”). Higher gross profit and margin were achieved for the Group. However, the absence of one-off gain on disposal of assets held-for-sale in 1H 2022 affected overall profitability.

In China, National Bureau of Statistics reported that GDP grew by just 0.8% quarter-on-quarter (“**QoQ**”) in the second quarter (“**2Q**”) of 2023 from the previous quarter, compared with a 2.2% expansion in the first quarter of 2023<sup>1</sup>. The slower pace of growth and competitive market led to a decline in sales volume for Yuchai in 1H 2023. Margin improvement and better results from joint ventures contributed to higher profits for Yuchai in 1H 2023, despite negative effect of a weaker RMB against SGD upon translation.

In Singapore, the Ministry of Trade and Industry announced that the construction sector grew by 6.8% year-on-year (“**YoY**”) in 2Q 2023, similar to the 6.9% YoY figure recorded in the preceding quarter. Both public and private sector construction output rose during the quarter<sup>2</sup>. BMU in Singapore (“**BMU Singapore**”) continued to record profits in 1H 2023 amid market competition, high input costs and tight credit conditions.

In Malaysia, the Department of Statistics Malaysia announced that the construction sector sustained its positive momentum and registered a growth of 9.4% YoY for the first quarter of 2023<sup>3</sup>. Tasek continued to ride on the recovery of volumes and pricing in 1H 2023.

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<sup>1</sup> <https://www.reuters.com/world/china/chinas-q2-gdp-growth-slows-08-qq-just-above-expectations-2023-07-17/>

<sup>2</sup> <https://www.mti.gov.sg/Resources/Economic-Survey-of-Singapore/2023/Economic-Survey-of-Singapore-Second-Quarter-2023>

<sup>3</sup> <https://www.dosm.gov.my/portal-main/release-content/c4a9dbc1-8b79-11ed-96a6-1866daa77ef9>

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

**1H 2023 versus 1H 2022**

Note:

- (a) *Approximately 85% 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 RMB5.2156 = SGD1.00 for 1H 2023 and RMB4.7566 = SGD1.00 for 1H 2022. For 1H 2023, RMB depreciated by about 9.6% as compared to 1H 2022.*
- (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 2023 and 1H 2022.*

Revenue for the Group was \$2.075 billion in 1H 2023, a decrease of \$21.5 million or 1.0%, from \$2.097 billion in 1H 2022. 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 \$42.5 million or 2.4% as compared to 1H 2022, affected in part by the weakening of RMB against SGD. The total number of engines sold by Yuchai in 1H 2023 was 165,793 units, a 8.4% decrease as compared to 180,911 units sold in 1H 2022. The decrease was mainly due to lower engine sales in the truck and agriculture application markets, partially offset by higher engine sales in the bus, industrial, and marine and power generation markets.
- BMU's revenue increased by \$24.3 million or 8.6% as compared to 1H 2022, largely due to recovery of sales volumes and improved average selling prices for Tasek.

The Group's gross profit was \$372.9 million in 1H 2023, an increase of \$12.8 million from \$360.1 million in 1H 2022. This was mainly due to increase in gross profit recorded for Yuchai and BMU. The Group's gross margin increased to 18.0% in 1H 2023 as compared to 17.2% in 1H 2022, mainly attributable to margin improvement across most market segments with greater sales of larger capacity engines, and contributions from ongoing cost reduction efforts for Yuchai.

Other income, which comprised mainly interest income and government grants, was \$30.6 million in 1H 2023, a decrease of \$2.7 million from \$33.3 million in 1H 2022. The decrease was largely due to absence of gain on disposal of assets held-for-sale in 1H 2022, partially offset by higher government grants and interest income recognised in 1H 2023.

Selling and distribution expenses were \$130.5 million in 1H 2023, an increase of \$2.0 million or 1.6% as compared to \$128.5 million in 1H 2022, largely due to higher warranty expenses and other selling related expenses.

Research and development ("R&D") expenses were \$77.9 million in 1H 2023, a decrease of \$8.0 million or 9.3% as compared to \$85.9 million in 1H 2022, mainly due to RMB translation effect. Yuchai continues to invest in research and development for on-road engines in the commercial vehicles markets and off-road engines as well as new energy products.

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

**1H 2023 versus 1H 2022 (cont'd)**

General and administrative expenses were \$96.1 million in 1H 2023, an increase of \$13.2 million or 16.0% as compared to \$82.9 million in 1H 2022. The increase was mainly due to higher staff costs.

Finance costs were \$20.6 million in 1H 2023, an increase of \$5.2 million or 34.0% as compared to \$15.4 million in 1H 2022. This was mainly due to higher loan interest rates.

Other expenses, which comprised mainly net foreign exchange loss, were \$1.4 million in 1H 2023, an increase of \$1.0 million from \$0.4 million in 1H 2022.

Share of results of associates and joint ventures was a profit of \$14.5 million in 1H 2023 as compared to \$0.6 million in 1H 2022. This was mainly due to improved results from joint ventures of Yuchai and associates of BMU.

Income tax expense was \$27.2 million in 1H 2023 as compared to \$16.8 million in 1H 2022. The increase was mainly due to higher taxable income in 1H 2023 and adjustment for under provision of tax in prior years.

In conclusion, profit from continuing operations was \$64.3 million in 1H 2023, a slight increase of \$0.1 million as compared to 1H 2022. Profit from continuing operations attributable to the owners of the Company was \$30.9 million in 1H 2023 as compared to \$42.7 million in 1H 2022. Adjusting for the \$10.6 million one-off gain on disposal of assets held-for-sale in 1H 2022, profit from continuing operations attributable to the owners for 1H 2023 would have declined 3.7% YoY.

**Working Capital and Cash Flow**

The Group had cash and short-term deposits of \$1.144 billion as at 30 June 2023 compared with \$1.014 billion as at 31 December 2022.

During the period under review, the Group generated operating cash inflow before changes in working capital of \$190.3 million and net cash inflow from operating activities of \$75.2 million. This was mainly due to higher trade and other payables, partially offset by higher trade and other receivables as compared to 31 December 2022.

The net cash outflow from investing activities of \$68.2 million was mainly due to net placement of bank deposits and purchase of property, plant and equipment and intangible assets, partially offset by interest received and dividends received from associates and joint ventures.

The net cash inflow from financing activities of \$101.0 million was mainly due to net proceeds from borrowings of \$140.3 million, partially offset by interest payment of \$21.4 million and dividends paid to shareholders of the Company of \$15.0 million.

As reported in the Group's results announcement for the third quarter of 2018 dated 14 November 2018, the Company had raised net proceeds of \$201.1 million from the rights issue exercise in October 2018. On 24 February 2023, the Group had announced that \$186.2 million of the net proceeds had been utilised. Since then, a further \$1.8 million of the net proceeds have been utilised 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.

**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.**

While China's economic growth was stronger in early 2023, growth momentum has since slowed, with major banks indicating a fragile economic recovery, and is dependent on policy support<sup>4</sup>.

Yuchai is working to improve volumes, working capital efficiency as well as continued R&D programs for its powertrains, and to further develop its New Energy solutions such as e-CVT power-split hybrids, integrated electric drive axles, hydrogen fuel cell systems and hydrogen engines.

In Singapore, BMU's order books in the Precast and Ready Mix Concrete segments continue to be strong. The Group expects construction tenders to increase in 2023 and 2024 given strong launches of Housing and Development Board (HDB) flats. The Building and Construction Authority (BCA) has projected that the total value of local construction contracts awarded in 2023 would be between \$27 billion and \$32 billion<sup>5</sup>. Amidst this strong backdrop, the industry continues to tackle challenges such as high labour and energy costs as well as tighter credit conditions. Heightened worksite safety measures have also in instances slowed-down site progress. The Group's investments to improve productivity through the new Integrated Construction and Prefabrication Hub (ICPH) in Punggol Barat, Singapore started commercial operations in 1H 2023. The Group's RMC Ecosystem Batching Plant operations at Jurong Port received Temporary Occupation Permit (TOP) in 1H 2023 and will soon begin commercial operations. These initiatives position the Group for future growth and are in line with the Singapore Government's plan to improve construction productivity with the adoption of Design for Manufacturing and Assembly (DfMA) technologies.

In Malaysia, Tasek, with its integrated cement plant and Ready Mix Concrete products, expects demand to pick up as Malaysia's economy recovers. Input costs remain elevated but have eased from their peaks. While improved economic activities have allowed for better pricing condition, we remain watchful of tight credit conditions in the industry.

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<sup>4</sup> <https://www.reuters.com/markets/major-banks-cut-china-2023-gdp-forecasts-recovery-falters-2023-06-16/>

<sup>5</sup> <https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2023/01/12/singapore-s-construction-demand-to-remain-strong-in-2023>



## Hong Leong Asia Ltd. and its subsidiaries

### Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2023

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The Group is focused on strengthening its capabilities to execute new growth strategies, improving supply chain resilience and strengthening market position. It is also working closely with partners to develop solutions and increase innovation efforts with customers to address climate-change issues. The Group is cautiously optimistic that its businesses should perform satisfactorily in 2023. The Group will continue to improve its operational resilience, remain a reliable partner to customers and be responsible to all stakeholders.

#### 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, as the Group intends to conserve cash for its operational needs.

## Hong Leong Asia Ltd. and its subsidiaries

### Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2023

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#### 8. Interested person transactions

Name of Interested Person ("IP")	Nature of Relationship	Aggregate value of all interested person transactions for 1H 2023 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.	<b>Construction-related Transaction</b> - Sale of raw materials to IP: \$1,713,665
Kimsik Sdn Bhd ("KS")		<b>Construction-related Transaction</b> - Sale of raw materials to IP: \$472,919
		<b>Total: \$2,186,584</b>

#### 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 2023

#### 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 condensed interim consolidated financial statements of the Group for the half year ended 30 June 2023 to be false or misleading in any material respect.

On behalf of the Board

**Kwek Leng Peck**

Executive Chairman

11 August 2023

**Stephen Ho Kiam Kong**

Director and Chief Executive Officer