

Company Registration No. 196300306G

Hong Leong Asia Ltd. and its subsidiaries

Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2021

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 2021**

	Note	Group		Company	
		30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Non-current assets					
Property, plant and equipment	5	1,005,117	993,781	239	261
Intangible assets	6	295,362	264,800	18	36
Investment in subsidiaries		-	-	201,935	219,876
Interests in associates		42,535	42,954	14,605	14,605
Interests in joint ventures		68,983	61,016	-	-
Investment property		1,117	1,185	-	-
Other investments		43,767	36,359	-	-
Non-current receivables		2,946	2,433	-	-
Capitalised contract costs		27,766	25,962	-	-
Right-of-use assets		121,923	114,376	7	10
Deferred tax assets		83,832	81,561	-	-
Long-term deposits		33,280	28,462	-	-
		<u>1,726,628</u>	<u>1,652,889</u>	<u>216,804</u>	<u>234,788</u>
Current assets					
Inventories		854,974	967,929	-	-
Development properties		3,388	3,438	-	-
Other investments		582	1,268	-	-
Trade and other receivables		2,423,224	1,861,607	320,433	289,470
Cash and short-term deposits		1,230,702	1,346,149	1,214	1,220
		<u>4,512,870</u>	<u>4,180,391</u>	<u>321,647</u>	<u>290,690</u>
Assets of disposal group classified as held for distribution to owners		2,242	23,620	-	-
		<u>4,515,112</u>	<u>4,204,011</u>	<u>321,647</u>	<u>290,690</u>
Total assets		<u>6,241,740</u>	<u>5,856,900</u>	<u>538,451</u>	<u>525,478</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 2021

	Note	Group		Company	
		30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Current liabilities					
Trade and other payables		2,537,922	2,163,413	4,023	4,841
Contract liabilities		88,222	176,504	-	-
Lease liabilities	7	11,255	9,063	6	6
Provisions		64,385	57,499	-	-
Loans and borrowings	7	626,024	495,390	111,086	101,239
Current tax payable		13,880	12,475	28	69
Derivatives		12	99	-	-
		<u>3,341,700</u>	<u>2,914,443</u>	<u>115,143</u>	<u>106,155</u>
Liabilities directly associated with disposal group classified as held for distribution to owners		1,415	3,121	-	-
		<u>3,343,115</u>	<u>2,917,564</u>	<u>115,143</u>	<u>106,155</u>
Net current assets		<u>1,171,997</u>	<u>1,286,447</u>	<u>206,504</u>	<u>184,535</u>
Non-current liabilities					
Loans and borrowings	7	241,110	327,915	200,000	200,000
Deferred tax liabilities		19,461	29,107	2,851	2,851
Deferred grants		106,196	105,338	-	-
Other non-current payables		39,845	38,945	-	-
Contract liabilities		13,469	13,676	-	-
Lease liabilities	7	14,911	6,019	5	8
Retirement benefit obligations		3	2	-	-
		<u>434,995</u>	<u>521,002</u>	<u>202,856</u>	<u>202,859</u>
Total liabilities		<u>3,778,110</u>	<u>3,438,566</u>	<u>317,999</u>	<u>309,014</u>
Net assets		<u>2,463,630</u>	<u>2,418,334</u>	<u>220,452</u>	<u>216,464</u>
Equity attributable to owners of the Company					
Share capital	8	467,938	467,890	467,938	467,890
Reserves		459,458	411,416	(247,486)	(251,426)
Reserve attributable to disposal group classified as held for distribution to owners		652	667	-	-
		<u>928,048</u>	<u>879,973</u>	<u>220,452</u>	<u>216,464</u>
Non-controlling interests		<u>1,535,582</u>	<u>1,538,361</u>	<u>-</u>	<u>-</u>
Total equity		<u>2,463,630</u>	<u>2,418,334</u>	<u>220,452</u>	<u>216,464</u>
Total equity and liabilities		<u>6,241,740</u>	<u>5,856,900</u>	<u>538,451</u>	<u>525,478</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 2021

	Note	Group		+/- %
		Half year ended 30 June 2021 \$'000	Half year ended 30 June 2020 \$'000	
Continuing operations				
Revenue	9	2,838,742	2,137,155	32.8%
Cost of sales		(2,450,461)	(1,813,708)	35.1%
Gross profit		388,281	323,447	20.0%
Other item of income				
Other income		40,382	26,685	51.3%
Other item of expense				
Selling and distribution expenses		(151,858)	(107,444)	41.3%
Research and development expenses		(65,033)	(42,200)	54.1%
General and administrative expenses		(85,353)	(78,069)	9.3%
Finance costs		(17,036)	(16,777)	1.5%
Other expenses		(1,118)	(666)	67.9%
Share of results of associates and joint ventures, net of income tax		3,178	334	851.5%
Profit before income tax from continuing operations	10	111,443	105,310	5.8%
Income tax expense	11	(21,105)	(25,151)	-16.1%
Profit from continuing operations, net of tax		90,338	80,159	12.7%
Discontinued operation				
Profit/(loss) from discontinued operation, net of tax		533	(1,838)	NM
Profit for the period		90,871	78,321	16.0%
Attributable to:				
Owners of the Company				
- Profit from continuing operations, net of tax		40,380	20,596	96.1%
- Profit/(loss) from discontinued operation, net of tax		357	(1,231)	NM
		40,737	19,365	110.4%
Non-controlling interests				
- Profit from continuing operations, net of tax		49,958	59,563	-16.1%
- Profit/(loss) from discontinued operation, net of tax		176	(607)	NM
		50,134	58,956	-15.0%
Earnings per share from continuing operations attributable to owners of the Company (cents per share)				
- Basic	12	5.40	2.75	
- Diluted	12	5.40	2.75	
Earnings per share (cents per share)				
- Basic	12	5.45	2.59	
- Diluted	12	5.45	2.59	

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 2021

	Group		+/- %
	Half year ended 30 June 2021 \$'000	Half year ended 30 June 2020 \$'000	
Profit for the period	90,871	78,321	16.0%
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	(5,185)	10,597	NM
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	49,027	39,993	22.6%
Net fair value changes of debt instruments at fair value through other comprehensive income	8,161	9,878	-17.4%
Other comprehensive income for the period, net of income tax	52,003	60,468	-14.0%
Total comprehensive income for the period	142,874	138,789	2.9%
Attributable to:			
Owners of the Company	55,483	44,380	25.0%
Non-controlling interests	87,391	94,409	-7.4%
Total comprehensive income for the period	142,874	138,789	2.9%
Attributable to:			
Owners of the Company			
- Total comprehensive income from continuing operations, net of tax	55,126	45,611	20.9%
- Total comprehensive income from discontinued operation, net of tax	357	(1,231)	NM
	55,483	44,380	25.0%

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 2021

	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 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
<u>Other comprehensive income</u>												
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												
<u>Contributions by and distributions to owners</u>												
Share issued during the period	48	-	-	-	-	-	-	-	-	48	-	48
Cost of share-based compensation	-	-	-	-	22	-	-	-	-	22	-	22
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
Dividends paid/payable to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,170)	(90,170)
<u>Others</u>												
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 Consolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2021

	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 2020	467,890	4,351	15,801	8,378	5,267	(40,812)	43,035	-	260,914	764,824	1,488,340	2,253,164
Profit for the period	-	-	-	-	-	-	-	-	19,365	19,365	58,956	78,321
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	11,162	-	-	-	11,162	28,831	39,993
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	10,717	-	-	-	-	-	10,717	(120)	10,597
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	3,136	-	-	-	-	-	3,136	6,742	9,878
Other comprehensive income for the period, net of tax	-	-	-	13,853	-	11,162	-	-	-	25,015	35,453	60,468
Total comprehensive income for the period	-	-	-	13,853	-	11,162	-	-	19,365	44,380	94,409	138,789
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Dividends paid/payable to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(57,794)	(57,794)
Cost of share-based compensation	-	-	-	-	19	-	-	-	-	19	-	19
<u>Changes in ownership interests in subsidiaries</u>												
Acquisition of non-controlling interests	-	-	-	-	-	-	6,059	-	-	6,059	(33,718)	(27,659)
At 30 June 2020	467,890	4,351	15,801	22,231	5,286	(29,650)	49,094	-	280,279	815,282	1,491,237	2,306,519

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 2021

Company	Share capital \$'000	Capital reserve \$'000	Share option reserve \$'000	Accumulated (losses)/profits \$'000	Total equity \$'000
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
Cost of share-based compensation	-	-	22	-	22
Dividends paid to shareholders	-	-	-	(7,478)	(7,478)
At 30 June 2021	<u>467,938</u>	<u>9,199</u>	<u>2,560</u>	<u>(259,245)</u>	<u>220,452</u>
At 1 January 2020	467,890	9,199	2,491	(264,769)	214,811
Total comprehensive income for the period	-	-	-	(3,544)	(3,544)
Transactions with owners, recorded directly in equity					
<i>Contributions by and distributions to owners</i>					
Cost of share-based compensation	-	-	19	-	19
At 30 June 2020	<u>467,890</u>	<u>9,199</u>	<u>2,510</u>	<u>(268,313)</u>	<u>211,286</u>

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 2021

	Group	
	Half year ended 30 June 2021 \$'000	Half year ended 30 June 2020 \$'000
Operating activities		
Profit before income tax from continuing operations	111,443	105,310
Profit/(loss) before income tax from discontinued operation	533	(1,831)
Adjustments for:		
Share of results of associates and joint ventures, net of income tax	(3,178)	(334)
Cost of share-based payments	22	19
Depreciation and amortisation	69,916	59,277
Allowance written back for inventories obsolescence	(120)	-
Inventories written off	2,077	-
Impairment losses written back for trade and other receivables	(1,574)	(540)
Property, plant and equipment written off	66	1,030
Finance costs	17,038	16,884
Dividend income from other investments	(296)	-
Interest income	(15,058)	(17,881)
Gain on disposal of:		
- property, plant and equipment	(494)	(20)
- right-of-use assets	(2,062)	(513)
- other investments	(242)	(2)
Gain from assignment of debt	(9,990)	-
Fair value (gain)/loss on investments	(73)	236
Fair value loss/(gain) on derivatives	12	(435)
Provision for warranties and other costs, net	45,694	28,346
Operating cash flows before changes in working capital	213,714	189,546
Changes in working capital:		
Inventories and development properties	129,460	(246,796)
Trade and other receivables and capitalised contract costs	(493,175)	(216,416)
Trade and other payables and contract liabilities	185,931	362,538
Grant received from government	4,129	4,158
Provisions utilised	(39,916)	(18,493)
Cash flows from operations	143	74,537
Income tax paid	(38,100)	(26,703)
Net cash flows (used in)/from operating activities	(37,957)	47,834

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 2021**

	Group	
	Half year ended 30 June 2021 \$'000	Half year ended 30 June 2020 \$'000
Investing activities		
Additional investment in joint ventures	(3,634)	-
Dividends received from:		
- associates and joint ventures	868	-
- other investments	296	-
Interest received	14,026	17,921
Net release of deposits with banks	879	26,358
Purchase of:		
- property, plant and equipment	(63,979)	(55,343)
- right-of-use assets	-	(442)
- intangible assets	(24,785)	(39,738)
- other investments	(12,651)	-
Net cash inflow on disposal of:		
- property, plant and equipment	1,573	39
- right of use assets	5,924	1,276
- other investments	832	144
Net cash flows used in investing activities	(80,651)	(49,785)
Financing activities		
Acquisition of non-controlling interests	-	(27,659)
Dividends paid to non-controlling interests of subsidiaries	(36,581)	(29,953)
Dividends paid to shareholders of the Company	(7,478)	-
Interest paid	(17,247)	(15,982)
Net proceeds from shares issue	48	-
Proceeds from borrowings	328,311	450,533
Repayment in respect of borrowings	(294,833)	(296,059)
Repayment of obligation under lease liabilities	(5,978)	(4,778)
Net cash flows (used in)/generated from financing activities	(33,758)	76,102
Net (decrease)/increase in cash and cash equivalents	(152,366)	74,151
Cash and cash equivalents at beginning of the financial period	1,274,451	1,204,236
Effect of exchange rate changes on balances held in foreign currencies	26,020	21,751
Cash and cash equivalents at end of the financial period	1,148,105	1,300,138
Comprising:		
Cash and short-term deposits	1,230,702	1,383,094
Less: Short-term deposits and restricted deposits	(84,838)	(82,956)
Add: Cash at bank attributable to discontinued operation	2,241	-
	1,148,105	1,300,138

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 2021

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 2021 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 2020.

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 2020.

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 2021 or 2020.

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 Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2021

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 2021							
Total external revenue	2,600,971	222,887	14,255	629	-	-	2,838,742
Reportable segment profit/(loss) before income tax [^]	92,131	13,913	(685)	6,084	533	(533)	111,443
30 June 2021							
Assets and liabilities							
Reportable segment assets	5,636,992	409,959	51,984	1,163,191	41,442	(1,061,828)	6,241,740
Reportable segment liabilities	3,308,204	138,194	116,978	1,022,182	103,118	(910,566)	3,778,110
Half year ended 30 June 2020							
Total external revenue [^]	1,971,780	152,295	11,664	1,416	4,361	(4,361)	2,137,155
Reportable segment profit/(loss) before income tax [^]	110,627	301	(175)	(5,443)	(1,831)	1,831	105,310
31 December 2020							
Assets and liabilities							
Reportable segment assets	5,263,616	392,105	41,545	1,139,488	23,620	(1,003,474)	5,856,900
Reportable segment liabilities	2,937,237	128,838	106,536	1,127,865	3,121	(865,031)	3,438,566

* Others include hospitality and property development.

[^] 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, "profit/(loss) 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 2021

5. Property, plant and equipment

During the half year ended 30 June 2021, the Group acquired assets with a cost of \$55,946,000 (30 June 2020: \$46,313,000).

Capital commitments

As at 30 June 2021, the Group had capital expenditure contracted for but not recognised in the financial statements amounting to \$92,254,000 (31 December 2020: \$95,645,000).

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	Trade- marks with finite useful lives \$'000	Club membership \$'000	Goodwill \$'000	Total \$'000
At 31 December 2020						
Cost	272,270	38,105	-	313	11,569	322,257
Accumulated amortisation and impairment losses	(42,926)	(3,582)	-	(282)	(10,667)	(57,457)
Net carrying amount	<u>229,344</u>	<u>34,523</u>	<u>-</u>	<u>31</u>	<u>902</u>	<u>264,800</u>
Half year ended 30 June 2021						
Opening net carrying amount	229,344	34,523	-	31	902	264,800
Additions	27,743	-	-	-	-	27,743
Amortisation charge for the period	(3,367)	-	-	(15)	-	(3,382)
Translation differences	5,403	798	-	-	-	6,201
Closing net carrying amount	<u>259,123</u>	<u>35,321</u>	<u>-</u>	<u>16</u>	<u>902</u>	<u>295,362</u>
At 30 June 2021						
Cost	305,967	39,002	-	313	11,569	356,851
Accumulated amortisation and impairment losses	(46,844)	(3,681)	-	(297)	(10,667)	(61,489)
Net carrying amount	<u>259,123</u>	<u>35,321</u>	<u>-</u>	<u>16</u>	<u>902</u>	<u>295,362</u>

Additions during the half year ended 30 June 2021 were mainly capitalised technology development costs 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 2021

6. Intangible assets (cont'd)

Company	Computer software and related costs \$'000	Club membership \$'000	Total \$'000
At 31 December 2020			
Cost	1,502	313	1,815
Accumulated amortisation and impairment losses	(1,497)	(282)	(1,779)
Net carrying amount	<u>5</u>	<u>31</u>	<u>36</u>
Half year ended 30 June 2021			
Opening net carrying amount	5	31	36
Amortisation charge for the period	(3)	(15)	(18)
Closing net carrying amount	<u>2</u>	<u>16</u>	<u>18</u>
At 30 June 2021			
Cost	1,502	313	1,815
Accumulated amortisation and impairment losses	(1,500)	(297)	(1,797)
Net carrying amount	<u>2</u>	<u>16</u>	<u>18</u>

7. Loans and borrowings

	Group		Company	
	30 June 2021 \$'000	31 December 2020 \$'000	30 June 2021 \$'000	31 December 2020 \$'000
Amount repayable in one year or less, or on demand				
Unsecured bank loans	613,621	484,921	111,086	101,239
Secured bank loans	12,403	10,469	-	-
	<u>626,024</u>	<u>495,390</u>	<u>111,086</u>	<u>101,239</u>
Unsecured lease liabilities	11,216	9,029	6	6
Secured lease liabilities	39	34	-	-
	<u>11,255</u>	<u>9,063</u>	<u>6</u>	<u>6</u>
Amount repayable after one year				
Unsecured bank loans	220,800	301,650	200,000	200,000
Secured bank loans	20,310	26,265	-	-
	<u>241,110</u>	<u>327,915</u>	<u>200,000</u>	<u>200,000</u>
Unsecured lease liabilities	14,895	5,980	5	8
Secured lease liabilities	16	39	-	-
	<u>14,911</u>	<u>6,019</u>	<u>5</u>	<u>8</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 2021 of \$109,268,000 (31 December 2020: \$108,179,000).

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2021

8. Share capital

	Group and Company			
	30 June 2021		31 December 2020	
	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	747,817	467,890	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	747,817	467,890

The total number of issued shares as at 30 June 2021 was 747,905,718 (31 December 2020: 747,817,118). There were no shares held as treasury shares or subsidiary holdings as at 30 June 2021, 31 December 2020 and 30 June 2020.

There was no sale, transfer, disposal, cancellation and/or use of treasury shares/subsidiary holdings during the half year ended 30 June 2021.

Share options

During the half year ended 30 June 2021, options to 88,600 shares granted in 2020 were exercised at \$0.54 per share pursuant to the terms of the Scheme.

During the half year ended 30 June 2021, options to 380,000 shares granted in 2011 under the Scheme had been cancelled due to the lapse of its exercise period.

As at 30 June 2021, there were a total of 748,400 (30 June 2020: 1,217,000) 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
2019	\$0.53	50,000
2020	\$0.54	308,400
2021	\$0.72	200,000
Total		748,400

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2021

9. Revenue

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

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 2021

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 2021

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 2020				Consolidated total \$'000
	Diesel Engines \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
Major product or service lines					
Sale of heavy-duty engines	671,978	-	-	-	671,978
Sale of medium-duty engines	617,564	-	-	-	617,564
Sale of light-duty engines	201,162	-	-	-	201,162
Sale of precast concrete products	-	17,795	-	-	17,795
Sale of ready-mix concrete	-	65,873	-	-	65,873
Sale of cement	-	62,714	-	-	62,714
Sale of other goods	-	5,913	-	-	5,913
Sale of rigid packaging products	-	-	11,664	-	11,664
Hospitality operations	3,392	-	-	1,416	4,808
Others ⁽¹⁾	477,684	-	-	-	477,684
	<u>1,971,780</u>	<u>152,295</u>	<u>11,664</u>	<u>1,416</u>	<u>2,137,155</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 2021

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 2020				Consolidated total \$'000
	Diesel Engines \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
Geographical markets					
The PRC	1,968,006	-	10,877	-	1,978,883
Singapore	-	89,222	787	-	90,009
Malaysia	-	63,073	-	1,416	64,489
Others	3,774	-	-	-	3,774
	<u>1,971,780</u>	<u>152,295</u>	<u>11,664</u>	<u>1,416</u>	<u>2,137,155</u>
Timing of revenue recognition					
Goods and services transferred at a point in time	1,968,388	152,295	11,664	-	2,132,347
Services transferred over time	3,392	-	-	1,416	4,808
	<u>1,971,780</u>	<u>152,295</u>	<u>11,664</u>	<u>1,416</u>	<u>2,137,155</u>

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2021

10. Profit before income tax from continuing operations

Profit before income tax from continuing operations includes the following:

	Group		+/- %
	Half year ended 30 June 2021	Half year ended 30 June 2020	
	\$'000	\$'000	
Gain on disposal of property, plant and equipment, net	494	20	2370.0%
Gain on disposal of right-of-use assets, net	2,062	513	301.9%
Impairment losses written back for trade and other receivables, net	1,245	540	130.6%
Allowance written back for inventories obsolescence	77	-	NM
Inventories written off	(2,077)	-	NM
Depreciation and amortisation	(69,916)	(59,012)	18.5%
Foreign exchange gain, net	1,364	1,274	7.1%
Fair value (loss)/gain on derivatives, net	(12)	435	NM
Interest expense	(16,338)	(16,386)	-0.3%
Interest income	15,032	17,872	-15.9%
Write-off of property, plant & equipment	(66)	(1,030)	-93.6%
Gain from assignment of debt	9,990	-	NM

11. Taxation

For the half year ended 30 June 2021, the Group's tax charge included additional provision of \$23,000 for prior years (30 June 2020: additional provision of \$1,000 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 2021	Half year ended 30 June 2020
	No. of shares	No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	747,826,419	747,817,118
Dilutive effect of share options	196,173	-
Weighted average number of ordinary shares (diluted)	748,022,592	747,817,118

190,000 (30 June 2020: 1,217,000) 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 2021

13. Related party transactions

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

During the half year ended 30 June 2021, the Group made payments to a firm, in which a director has an interest, in respect of professional services rendered. This amounted to \$48,802 (30 June 2020: \$247,859). No balance was outstanding at the balance sheet date (31 December 2020: 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 2021	Half year ended 30 June 2020
	\$'000	\$'000
Sale of engines and materials		
- associates and joint ventures	59,015	152,793
- related corporations	478,711	237,182
Purchase of materials, supplies and engines		
- associates and joint ventures	315,475	312,024
- related corporations	148,477	130,815
Management services income		
- an associate	222	222
Management services paid and payable		
- related corporations	721	104
Rental paid and payable (include general expenses)		
- immediate holding company	235	169
General and administrative expenses		
- joint ventures	114	57
- related corporations	4,735	3,767
Delivery, storage, distribution and handling expenses		
- related corporations	30,389	23,925
Hospitality, restaurant and consultancy service income		
- a joint venture	82	116
- related corporations	557	552
Rental income		
- joint ventures	192	75
- related corporations	56	484
Purchase of vehicles and machineries		
- related corporations	-	299

(b) *Outstanding balances with a related party*

As at 30 June 2021, fixed deposits held with a related party amounted to \$30,336,000 (31 December 2020: \$27,304,000).

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements For the Half Year Ended 30 June 2021

14. Dividends

	Group	
	Half year ended 30 June 2021 \$'000	Half year ended 30 June 2020 \$'000
Declared and paid during the financial period		
<i>Dividends on ordinary shares:</i>		
First and final tax exempt dividend paid of 1 cent per share in respect of year 2020 (30 June 2020: Nil in respect of year 2019)	7,478	–

15. Net Asset Value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per ordinary share (cents)	124.09	117.67	29.48	28.95

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.

Hong Leong Asia Ltd. and its subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements
For the Half Year Ended 30 June 2021

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 2021			
Financial assets			
Other investments	44,349	-	44,349
Bill receivables	-	1,151,330	1,151,330
As at 30 June 2021	<u>44,349</u>	<u>1,151,330</u>	<u>1,195,679</u>
Financial liabilities			
Derivatives	-	12	12
As at 30 June 2021	<u>-</u>	<u>12</u>	<u>12</u>
31 December 2020			
Financial assets			
Other investments	37,627	-	37,627
Bill receivables	-	1,584,523	1,584,523
As at 31 December 2020	<u>37,627</u>	<u>1,584,523</u>	<u>1,622,150</u>
Financial liabilities			
Derivatives	-	99	99
As at 31 December 2020	<u>-</u>	<u>99</u>	<u>99</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 2021

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

	Loans and receivables at amortised cost \$'000	Fair value through profit or loss \$'000	Fair value through other comprehensive income \$'000	Liabilities at amortised cost \$'000	Total \$'000
30 June 2021					
Assets					
Other investments	-	582	43,767	-	44,349
Trade and other receivables*	1,207,004	-	-	-	1,207,004
Bills receivables	-	-	1,151,330	-	1,151,330
Cash and bank balances	1,263,982	-	-	-	1,263,982
	<u>2,470,986</u>	<u>582</u>	<u>1,195,097</u>	<u>-</u>	<u>3,666,665</u>
Liabilities					
Trade and other payables^	-	-	-	2,573,001	2,573,001
Loans and borrowings	-	-	-	867,134	867,134
Lease liabilities	-	-	-	26,166	26,166
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,466,301</u>	<u>3,466,301</u>
31 December 2020					
Assets					
Other investments	-	1,268	36,359	-	37,627
Trade and other receivables*	214,480	-	-	-	214,480
Bills receivables	-	-	1,584,523	-	1,584,523
Cash and bank balances	1,374,611	-	-	-	1,374,611
	<u>1,589,091</u>	<u>1,268</u>	<u>1,620,882</u>	<u>-</u>	<u>3,211,241</u>
Liabilities					
Trade and other payables^	-	-	-	2,197,492	2,197,492
Loans and borrowings	-	-	-	823,305	823,305
Lease liabilities	-	-	-	15,082	15,082
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,035,879</u>	<u>3,035,879</u>

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

^ Excludes deferred grants.

1. **Review**

The condensed interim consolidated balance sheets of Hong Leong Asia Ltd. and its subsidiaries as at 30 June 2021 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 2021**

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

Group

- **Non-current assets:** The increase in non-current assets was mainly due to (a) purchase of property, plant and equipment, (b) capitalisation of development costs for National VI and Tier 4 engines as intangible assets, (c) additional investment and recognition of higher share of profits in joint ventures (d) acquisition of equity investments and recognition of higher fair value changes of other investments, (e) recognition of additional right-of-use assets and (f) increase in long-term deposits placement.
- **Current assets:** The increase in current assets was mainly due to higher trade and other receivables which resulted largely from higher sales towards period-end. This was partially offset by lower inventory level maintained and lower cash and cash equivalents held as at 30 June 2021.
- **Current liabilities:** The increase in current liabilities was mainly due to higher trade and other payables and loans and borrowings as at 30 June 2021. This was partially offset by lower contract liabilities. In particular:
 - The increase in trade and other payables was mainly caused by higher purchases made towards period-end.
 - The increase in loans and borrowings was mainly due to additional short-term borrowings and reclassification of loans (maturing within the next 12 months) from non-current liabilities.
 - The decrease in contract liabilities was mainly due to decrease in advance payment from customers as at 30 June 2021.
- **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 decrease in deferred tax liabilities. This was partially offset by additional lease liabilities taken up during the half year ended 30 June (“1H”) 2021.
- **Assets of disposal group classified as held for distribution to owners (Airwell):** The decrease in assets of disposal group was mainly due to repayment of amounts due to inter-companies and other creditors. The remaining sale consideration for the sale of assets in 2020 was received upon the completion of asset transfer during 1H 2021.

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2021

2. Notes to the financial statements for the half year ended 30 June 2021 (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 repayment of amounts due from subsidiaries.
- **Current assets:** The increase in current assets was mainly due to additional inter-company loans extended to subsidiaries during 1H 2021 and reversal of impairment for receivables.
- **Current liabilities:** The increase in current liabilities was mainly due to additional loans and borrowings taken up as at 30 June 2021.
- **Non-current liabilities:** There was no significant fluctuation in non-current liabilities as at 30 June 2021, as compared to 31 December 2020.

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 2021 was attributed mainly to the Group's Diesel Engines Unit ("**Yuchai**") and the Group's Rigid Packaging Unit ("**Rex**").
- Net gain on disposal of right-of-use assets in 1H 2021 and 1H 2020 were attributed mainly to Yuchai.
- Net impairment losses written back for trade and other receivables in 1H 2021 and 1H 2020 were attributed mainly to Yuchai.
- Allowance written back for inventories obsolescence in 1H 2021 was attributed mainly to Rex.
- Inventories written off in 1H 2021 was attributed mainly to Yuchai.
- The higher depreciation and amortisation recorded in 1H 2021 were mainly due to additional capital expenditure.
- Net foreign exchange gains recorded in 1H 2021 and 1H 2020 were mainly due to foreign exchange gain on revaluation of United States dollar ("**USD**") assets, as a result of the weakening of the Singapore dollar ("**SGD**") against the USD.
- Net fair value (loss)/gain on derivatives (for hedging against foreign currency risk) arose largely from forward foreign exchange contracts in the Group's Building Materials Unit ("**BMU**") for 1H 2021 and Yuchai for 1H 2020.
- Interest expense recorded in 1H 2021 was comparable to 1H 2020.
- The decrease in interest income in 1H 2021 was due mainly to lower deposit interest rates and lower deposits placement.
- The write-offs of property, plant and equipment in 1H 2021 and 1H 2020 were recorded mainly by Yuchai.
- Gain from 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 the Diesel Engines Unit (“**Yuchai**”) and the Building Materials Unit (“**BMU**”). The other business units of the Group include the Rigid Packaging Unit (“**Rex**”) and the Air-conditioning Systems Unit (“**Airwell**”) – in which the latter is classified as discontinued operation.

The Group’s key businesses recorded higher sales volume and higher revenues in 1H 2021.

Yuchai benefited from strong pre-buying effect as China transitioned to National VI engines on 1 July 2021. The business chalked up double-digit volume growth across all segments it is present in.

Demand for the Group’s Precast products under BMU in Singapore (“**BMG Singapore**”) was strong as government tenders for dwelling units increased substantially. The Group’s Ready Mix concrete business also performed satisfactorily in 1H 2021 although the shortage of workers in most construction companies had caused delay to many projects.

Sales volume of BMU in Malaysia (“**Tasek**”) grew by double-digit in 1H 2021 despite the challenging operating environment. Tasek recorded a loss at half time. The rising infection cases and re-imposition of the Malaysian government’s Full Movement Control Order (“**MCO**”) since 1 June 2021 have reduced all activities in the local construction industry and is likely to delay its recovery to pre-COVID level.

The Group’s businesses were faced with labour shortages and rising cost pressures amid measures put in place to control the pandemic. Input costs in raw material prices, packaging materials and transportation costs had all risen in 1H 2021. The Group has responded with measures to improve its operational efficiencies further to absorb these costs pressures.

The overall economic recovery is showing signs of slowing down as countries continue to battle the spread of the Delta variant even as they are preparing to open their economies safely. Throughout the pandemic, the Group has responded to the crisis by putting the safety of its employees first and ensured that it continues to manage the business risks effectively.

As previously announced by the Company on 26 March 2021, the Group in managing the business risks, had completed the assignment of the debt outstanding from the Xinfei Companies and realised a pre-tax gain of approximately Renminbi 48.7 million (equivalent to approximately \$10.0 million) in 1H 2021.

Despite the difficult operating environment, the Group’s profit for the period increased from \$78.3 million in 1H 2020 to \$90.9 million in 1H 2021. Profit attributable to the owners of the Company (“**PATMI**”) for 1H 2021 increased by \$21.3 million to \$40.7 million, as compared to \$19.4 million in 1H 2020.

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

1H 2021 versus 1H 2020

Note:

- (a) *Approximately 90% of the Group's total revenue is generated from its businesses in China. For the half year ended 30 June, translation of income statements from Renminbi ("RMB") to Singapore dollar ("SGD") has been made at the average exchange rates of RMB4.8543 = SGD1.00 for 1H 2021 and RMB5.0471 = SGD1.00 for 1H 2020. For 1H 2021, RMB has appreciated by about 3.8% as compared to 1H 2020.*
- (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 the half year ended 30 June 2021. Comparative figures for prior year have been restated to conform to current period's presentation.*

Revenue for the Group was \$2.839 billion in 1H 2021, an increase of \$701.5 million or 32.8%, from \$2.137 billion in 1H 2020. The increase in revenue was mainly due to higher revenue recorded by Yuchai and BMU.

- Yuchai's revenue increased by \$629.2 million or 31.9% as compared to 1H 2020. Yuchai sold 285,342 engines in 1H 2021 as compared to 213,182 units sold in 1H 2020. The increase was mainly due to higher engine sales in the heavy-duty truck and off-road segments, particularly power generator sets, and agricultural and industrial engines.
- BMU's revenue increased by \$70.6 million or 46.4% as compared to 1H 2020, with the recovery of sales volumes as construction activities gradually picked up in 2021. Both its operations in Singapore and Malaysia were affected by disruption to business activities due to the COVID-19 pandemic outbreak in 2020, particularly during 2Q 2020.

The Group's gross profit was \$388.3 million in 1H 2021, an increase of \$64.9 million from \$323.4 million in 1H 2020. This was mainly due to increase in gross profit recorded for Yuchai and BMU, with higher sales volumes achieved in 1H 2021. However, the Group's gross margin declined mainly due to a change in the revenue mix and higher material costs for Yuchai.

Other income, which comprised mainly interest income, gain from debt assignment and government grants, was \$40.4 million in 1H 2021, an increase of \$13.7 million from \$26.7 million in 1H 2020. The increase was largely due to gain from debt assignment, partially offset by lower interest income and government grants.

Selling and distribution ("**S&D**") expenses were \$151.9 million in 1H 2021, an increase of \$44.5 million or 41.3% as compared to \$107.4 million in 1H 2020, largely due to higher warranty expenses and delivery costs, and an increase in activity level compared with 1H 2020.

Research and development ("**R&D**") expenses were \$65.0 million in 1H 2021, an increase of \$22.8 million or 54.1% as compared to \$42.2 million in 1H 2020. This increase was mainly due to an increase in Yuchai's R&D activities (including the rectification cost largely for one engine model), hence higher testing and experimental costs, and consultancy fees for National VI and Tier 4 engines. In addition, products under development for strategic partners as well as new energy products, contributed to higher R&D expenses in 1H 2021 compared with 1H 2020.

**Other Information Required by Listing Rule Appendix 7.2
For the Half Year Ended 30 June 2021**

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

1H 2021 versus 1H 2020 (cont'd)

General and administrative (“G&A”) expenses were \$85.4 million in 1H 2021, an increase of \$7.3 million or 9.3% as compared to \$78.1 million in 1H 2020. The increase was mainly due to higher staff costs and depreciation.

Finance costs were \$17.0 million in 1H 2021, comparable to \$16.8 million in 1H 2020.

Share of results of associates and joint ventures was a profit of \$3.2 million in 1H 2021 as compared to \$0.3 million in 1H 2020. This was mainly due to higher profits from joint ventures of Yuchai and associates of BMU.

In conclusion, profit from continuing operation increased from \$80.2 million in 1H 2020 to \$90.3 million in 1H 2021. Profit from continuing operations attributable to the owners of the Company was \$40.4 million in 1H 2021 as compared to \$20.6 million in 1H 2020.

Working Capital and Cash Flow

The Group had cash and short-term deposits of \$1.231 billion as at 30 June 2021 compared with \$1.346 billion as at 31 December 2020.

During the period under review, the Group generated operating cash inflow before changes in working capital of \$213.7 million and net cash outflow from operating activities of \$38.0 million. This was mainly due to higher trade and other receivables, partially offset by higher trade and other payables and lower inventories holdings as compared to 31 December 2020.

The net cash outflow from investing activities of \$80.7 million was mainly due to purchase of property, plant and equipment, intangible assets and other investments, partially offset by interest received.

The Group had net cash outflow from financing activities of \$33.8 million. It was mainly due to dividends paid to non-controlling interests of subsidiaries and shareholders of the Company of \$44.1 million and interest payment of \$17.2 million, partially offset by net proceeds from borrowings of \$33.5 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 25 February 2021, the Group had announced that \$115.7 million of the net proceeds had been utilised. Since then, a further \$20.9 million of the net proceeds have been utilised as follows:

- (a) \$14.0 million being partial repayment of a loan for the acquisition of a 51% stake in a piece of land at Pulau Punggol Barat, Singapore with a 30-year lease; and
- (b) \$6.9 million for the acquisition of investment securities (being general corporate purposes or making strategic investments and/or acquisitions).

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

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2021

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.**

In China, Yuchai has in place a complete portfolio of National VI diesel and natural gas engines to meet the needs of its customers. However, Yuchai expects the market of commercial vehicle engines to slow after a strong pre-buying in 1H 2021. Its off-road engine sales in agricultural machineries, industrial engines and power generator sets should continue to do well as China continues to modernize farming and raising production output. Yuchai is committed to its R&D programmes to further develop its engine portfolio to be compliant with China's higher emission standards (Tier 4) for off-road applications.

In Singapore, BMU's order books in the Precast and Ready Mix Concrete businesses remain healthy and demand is strong. Nonetheless, BMU is subject to risk of supply disruptions from the supply base outside of Singapore and also labour shortage as a result of the COVID-19 situation. Barring any unforeseen circumstances, BMG Singapore will continue to perform satisfactorily. The operations has embarked on digitalising its workflows and continues with its strategic move towards higher automation and improved productivity, in line with Singapore's transformation plan for the Building and Construction industry. The construction of the Group's Integrated Construction and Prefabrication Hub ("ICPH") manufacturing facility, when ready in the second half of 2022, will enable the Precast division to be automated and continue to position itself as a leading player in Singapore.

In Malaysia, Tasek with its integrated cement plant and ready-mix batching plants, continues to work on operational improvements and reducing overheads to counter the raising costs. Industry conditions remain challenging as local construction projects are facing delays across the board during the period of the MCO.

In optimising its business portfolio, as previously announced, following the disposal of the Group's non-core assets of Airwell Air-Conditioning Technology (China) Co., Ltd, ("**Airwell China**"), a liquidating committee will be appointed to manage the voluntary winding up and dissolution of Airwell China and its sole wholly-owned subsidiary.

The Group will continue to exercise discipline in cost control and look 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.

Hong Leong Asia Ltd. and its subsidiaries

Other Information Required by Listing Rule Appendix 7.2 For the Half Year Ended 30 June 2021

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 disruptions presented by the COVID-19 situation, the directors consider it prudent to conserve cash.

8. Interested person transactions

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions for 1H 2021 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Associates of Hong Leong Investment Holdings Pte. Ltd. ("HLIH")	HLIH is a controlling shareholder of the Company. Its associates are Interested Persons being associates of a controlling shareholder.	Construction-related Transaction - Sale of raw materials to Interested Persons: \$1,144,549 General Transaction - Renewal of sub-lease of office premises by the Company for a lease tenure of three years: \$1,355,256 Total: \$2,499,805

Hong Leong Asia Ltd. and its subsidiaries

**Other Information Required by Listing Rule Appendix 7.2
For the Half Year Ended 30 June 2021**

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

12 August 2021

**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 2021 to be false or misleading in any material respect.

On behalf of the Board

Kwek Leng Peck

Executive Chairman

Stephen Ho Kiam Kong

Director and Chief Executive Officer

12 August 2021