

Company Registration No. 196300306G

Hong Leong Asia Ltd. and its subsidiaries

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

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

Hong Leong Asia Ltd. and its subsidiaries

**Condensed Interim Consolidated Balance Sheet
As at 30 June 2022**

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

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

Hong Leong Asia Ltd. and its subsidiaries

**Condensed Interim Consolidated Balance Sheet
As at 30 June 2022**

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

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

NM – Not meaningful

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

Hong Leong Asia Ltd. and its subsidiaries

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

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

NM – Not meaningful

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

Hong Leong Asia Ltd. and its subsidiaries

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

	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus on changes of non- controlling interests \$'000	Reserve attributable to disposal group classified as held for distribution to owners \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
The Group												
At 1 January 2022	467,938	4,351	16,802	19,291	5,360	28,105	62,597	614	351,847	956,905	1,572,100	2,529,005
Profit for the period	-	-	-	-	-	-	-	-	42,579	42,579	21,457	64,036
<u>Other comprehensive income</u>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	(18,853)	-	-	-	(18,853)	(28,461)	(47,314)
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	(9,054)	-	-	-	-	-	(9,054)	(24)	(9,078)
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	2,015	-	-	-	-	-	2,015	3,884	5,899
Other comprehensive income for the period, net of tax	-	-	-	(7,039)	-	(18,853)	-	-	-	(25,892)	(24,601)	(50,493)
Total comprehensive income for the period	-	-	-	(7,039)	-	(18,853)	-	-	42,579	16,687	(3,144)	13,543
Transactions with owners, recorded directly in equity												
<u>Contributions by and distributions to owners</u>												
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(14,958)	(14,958)	-	(14,958)
Dividends paid/payable to non- controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(22,598)	(22,598)
Cost of share-based compensation	-	-	-	-	21	-	-	-	-	21	-	21
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	872	872
<u>Others</u>												
Transfer to statutory reserve	-	-	1,974	-	-	-	-	-	(1,974)	-	-	-
Reserve attributable to disposal group classified as held for distribution to owners	-	-	-	-	-	(92)	-	92	-	-	-	-
At 30 June 2022	467,938	4,351	18,776	12,252	5,381	9,160	62,597	706	377,494	958,655	1,547,230	2,505,885

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

Hong Leong Asia Ltd. and its subsidiaries

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

	Share capital \$'000	Capital reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Surplus on changes of non- controlling interests \$'000	Reserve attributable to disposal group classified as held for distribution to owners \$'000	Accumulated profits \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2021	467,890	4,351	16,371	28,225	5,314	(5,053)	62,597	667	299,611	879,973	1,538,361	2,418,334
Profit for the period	-	-	-	-	-	-	-	-	40,737	40,737	50,134	90,871
<i>Other comprehensive income</i>												
Exchange differences on translation of financial statements of foreign subsidiaries, associates and joint ventures	-	-	-	-	-	17,161	-	-	-	17,161	31,866	49,027
Net fair value changes of equity instruments at fair value through other comprehensive income	-	-	-	(5,195)	-	-	-	-	-	(5,195)	10	(5,185)
Net fair value changes of debt instruments at fair value through other comprehensive income	-	-	-	2,780	-	-	-	-	-	2,780	5,381	8,161
Other comprehensive income for the period, net of tax	-	-	-	(2,415)	-	17,161	-	-	-	14,746	37,257	52,003
Total comprehensive income for the period	-	-	-	(2,415)	-	17,161	-	-	40,737	55,483	87,391	142,874
Transactions with owners, recorded directly in equity												
<i>Contributions by and distributions to owners</i>												
Share issued during the period	48	-	-	-	-	-	-	-	-	48	-	48
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(7,478)	(7,478)	-	(7,478)
Dividends paid/payable to non- controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,170)	(90,170)
Cost of share-based compensation	-	-	-	-	22	-	-	-	-	22	-	22
<i>Others</i>												
Reserve attributable to disposal group classified as held for distribution to owners	-	-	-	-	-	15	-	(15)	-	-	-	-
At 30 June 2021	467,938	4,351	16,371	25,810	5,336	12,123	62,597	652	332,870	928,048	1,535,582	2,463,630

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

Hong Leong Asia Ltd. and its subsidiaries

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

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

1. Corporate information

Hong Leong Asia Ltd. (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on Singapore Exchange Securities Trading Limited (“Singapore Exchange”). The registered office of the Company is located at 16 Raffles Quay, #26-00 Hong Leong Building, Singapore 048581.

The principal activities of the Company have been those relating to investment holding.

The principal activities of the subsidiaries are those relating to the manufacturing and distribution of diesel engines and related products, building materials, rigid packaging products, air-conditioning systems (discontinued operation), and of investment holding and dealing.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the “Group”) and the Group’s interests in associates and joint venture entities.

The immediate and ultimate holding companies are Hong Leong Corporation Holdings Pte Ltd and Hong Leong Investment Holdings Pte. Ltd. respectively. These companies are incorporated in Singapore.

Related corporations relate to companies within the Hong Leong Investment Holdings Pte. Ltd. group.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

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

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

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

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

2.3 Use of judgements and estimates

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

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

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

3. Seasonal operations

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

4. Segment information

For management purpose, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Reportable segments

- (i) Diesel engines: diesel engines and automobile spare parts.
- (ii) Building materials: cement, pre-cast concrete products, ready-mix concrete and quarry products.
- (iii) Rigid packaging: plastic packaging related products and container components.
- (iv) Air-conditioning systems (discontinued operation): commercial and residential air-conditioning products and lifestyle consumer appliances.

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment report is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Hong Leong Asia Ltd. and its subsidiaries

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

4. Segment information (cont'd)

Reportable segments (cont'd)

	Diesel engines \$'000	Building materials \$'000	Rigid packaging \$'000	Corporate and Others* \$'000	Air-conditioning systems (Discontinued operation) \$'000	Adjustments \$'000	Total \$'000
Half year ended 30 June 2022							
Total external revenue	1,798,222	282,015	13,180	3,160	-	-	2,096,577
Reportable segment profit/(loss) before income tax ^A	41,804	33,555	9,861	(4,276)	(115)	115	80,944
Reportable segment profit/(loss) after income tax ^A	29,944	28,656	9,854	(4,303)	(115)	115	64,151
30 June 2022							
Assets and liabilities							
Reportable segment assets	4,720,631	407,156	48,567	1,137,029	1,951	(996,965)	5,318,369
Investment in associates and joint ventures	25,309	142,854	-	925	-	-	169,088
Reportable segment liabilities	2,399,311	159,322	104,419	1,237,013	1,194	(919,687)	2,981,572
Half year ended 30 June 2021							
Total external revenue	2,600,971	222,887	14,255	629	-	-	2,838,742
Reportable segment profit/(loss) before income tax ^A	92,131	13,913	(685)	6,084	533	(533)	111,443
Reportable segment profit/(loss) after income tax ^A	74,405	10,671	(383)	5,645	533	(533)	90,338
31 December 2021							
Assets and liabilities							
Reportable segment assets	5,210,911	308,580	52,904	1,320,213	2,232	(1,074,802)	5,820,038
Investment in associates and joint ventures	31,671	140,529	-	900	-	-	173,100
Reportable segment liabilities	2,858,046	163,351	118,305	1,255,403	1,413	(932,385)	3,464,133

* Others include hospitality and property development.

^A The amounts relating to the discontinued air-conditioning systems segment have been excluded to arrive at amounts shown in profit or loss as they are presented separately in the income statement within one line item, "(loss)/profit from discontinued operation, net of tax".

Hong Leong Asia Ltd. and its subsidiaries

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

5. Property, plant and equipment

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

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

Capital commitments

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

6. Intangible assets

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

6. Intangible assets (cont'd)

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

7. Loans and borrowings

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

8. Share capital

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

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

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

Share options

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

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

9. Revenue

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

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

9. Revenue (cont'd)

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

9. Revenue (cont'd)

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

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

9. Revenue (cont'd)

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

Segments	Half year ended 30 June 2021				Consolidated total \$'000
	Diesel Engines \$'000	Building materials \$'000	Rigid packaging \$'000	Others \$'000	
Geographical markets					
The PRC	2,596,086	-	13,423	-	2,609,509
Singapore	-	151,941	832	-	152,773
Malaysia	-	69,755	-	629	70,384
Others	4,885	1,191	-	-	6,076
	2,600,971	222,887	14,255	629	2,838,742
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
	2,600,971	222,887	14,255	629	2,838,742

Hong Leong Asia Ltd. and its subsidiaries

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

10. Profit before income tax from continuing operations

Profit before income tax from continuing operations includes the following:

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

NM – Not meaningful

11. Taxation

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

12. Earnings per share

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

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

250,000 (30 June 2021: 190,000) share options granted to Group Employees (as defined in the Scheme) under the Scheme have not been included in the calculation of diluted earnings per share because they are anti-dilutive as the options are out-of-the-money.

Hong Leong Asia Ltd. and its subsidiaries

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

13. Related party transactions

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

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

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

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

(b) *Outstanding balances with a related party*

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

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

13. Related party transactions (cont'd)

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

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

14. Dividends

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

15. Net Asset Value

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

16. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the assets or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

(b) Assets and liabilities measured at fair value

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

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

(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.

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

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

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)***

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

Classification of financial instruments

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

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

^ Excludes deferred grants.

1. Review

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

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

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

Group

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

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

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

Company

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

2.2 Notes to the consolidated income statement

Items included in profit before income tax from continuing operations:

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

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

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

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

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

3. Review of performance of the Group

The Group operates mainly in China, Singapore and Malaysia.

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

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

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

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

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

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

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

1H 2022 versus 1H 2021

Note:

- (a) Approximately 86% of the Group's total revenue is generated from its businesses in China. For the half year ended 30 June, translation of income statements from RMB to SGD has been made at the average exchange rates of RMB4.7566 = SGD1.00 for 1H 2022 and RMB4.8543 = SGD1.00 for 1H 2021. For 1H 2022, RMB has appreciated by about 2.0% as compared to 1H 2021.
- (b) Discontinued operation – Airwell Air-conditioning Technology (China) Co., Ltd. and its subsidiary, Airwell Air-conditioning (Hong Kong) Company Limited (collectively, “Airwell”) had ceased business operations in 2020. Accordingly, the operating performance of Airwell had been presented separately under “discontinued operation” in the income statement for 1H 2022 and 1H 2021.

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

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

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

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

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

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

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

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

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

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

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

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

Working Capital and Cash Flow

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

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

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

The net cash outflow from financing activities of \$106.7 million was mainly due to net repayment of borrowings of \$48.9 million, dividends paid to non-controlling interests of subsidiaries and shareholders of the Company of \$37.6 million and interest payment of \$15.8 million.

As reported in the Group’s results announcement for the third quarter of 2018 dated 14 November 2018, the Company had raised net proceeds of \$201.1 million from the rights issue exercise in October 2018. On 21 June 2022, the Group had announced that \$169.6 million of the net proceeds had been utilised. Since then, a further \$5.4 million of the net proceeds have been utilised as follows:

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

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

Working Capital and Cash Flow (cont'd)

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

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

None.

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

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

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

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

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

6. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Record date

Not applicable.

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

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

Hong Leong Asia Ltd. and its subsidiaries

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

8. Interested person transactions

Name of Interested Person ("IP")	Nature of Relationship	Aggregate value of all interested person transactions for 1H 2022 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hume Cemboard Industries Sdn Bhd ("HCI")	Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is a controlling shareholder of the Company. HCI and KS, being associates of HLIH, are IPs.	Construction-related Transaction - Sale of raw materials to IP: \$1,600,976
Kimsik Sdn Bhd ("KS")		Construction-related Transaction - Sale of raw materials to IP: \$1,156,792
		Total: \$2,757,768

9. Confirmation pursuant to Rule 720(1) of the Listing Manual

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

BY ORDER OF THE BOARD

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

11 August 2022

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

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

On behalf of the Board

Kwek Leng Peck

Executive Chairman

11 August 2022

Stephen Ho Kiam Kong

Director and Chief Executive Officer