

## **HONG LEONG INDUSTRIES BERHAD (5486-P)**

Key Pertinent Questions and Answers at the 57<sup>th</sup> Annual General Meeting of HONG LEONG INDUSTRIES BERHAD fully virtual through live streaming from broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 4 November 2020 at 10.30 a.m.

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- 1. What was the source of income for the RM22 million dividend income reported as Other Revenue in Note 23 of the Financial Statements (page 112 of 2020 Annual Report)?**

Response:

The dividend income reported as Other Revenue was derived from investment in tax exempt money market fund.

- 2. Please provide details for the impairment loss of RM12 million as disclosed in Note 24 of the Financial Statements (page 114 of 2020 Annual Report).**

Response:

The impairment loss of RM12 million comprised RM10 million impairment loss related to the closure of specific plants in ceramic tiles business and another RM2 million from the discontinued operations of distribution of building materials business and manufacturing of roofing tiles business. These impairment losses are disclosed in Note 30 of the Financial Statements (page 121 of 2020 Annual Report).

- 3. The number two player in the Malaysian motorcycles market has been closing in on Hong Leong Yamaha Motor Sdn Bhd (“HLYM”). What are HLYM’s competitive advantages to stay ahead of the competition?**

Response:

HLYM will continue to introduce attractive and competitive models to create stronger demand in the market. HLYM will also continue to improve and enhance after sales services to the customers with digitalisation programmes on the after sales services and support, thus making it more convenient and easier to the customer.

- 4. I would like to take the opportunity to congratulate Dato' Jim Khor for being appointed as the Group Managing Director for Hong Leong Industries Berhad ("HLI"). This is seen as a positive move by the Group and sends a strong message to shareholders on the core product of the Group, which is motorcycles. Please can you share in high level, how management plans to grow HLI and perhaps also to do away with some non-performing companies?**

Response:

In view of the uncertainty of the market condition impacted by the COVID-19 pandemic, during the financial year ended 30 June 2020 ("FY2020"), the Group has taken steps to streamline and rationalise some of its operations including closing down some of the non-core and non-profitable operations which include the closure of distribution of building materials business and manufacturing of roofing tiles business, as well as the closure of one unprofitable ceramic tiles factory.

On the management plans to grow HLI, the Group will continue to explore new business expansion in terms of organic and inorganic growth. However, the pandemic outbreak has slowed down the process due the restrictions on business travelling and visits.

- 5. Yamaha Motor Vietnam Co. Ltd ("YMVN") sales dropped from 618,700 units in the previous financial year ended 30 June 2019 to 510,200 units in FY2020. Yamaha's market share in Vietnam declined slightly during FY2020 as there was no launching of new models, coupled with stiff competition from the competitors and importation of new motorcycle models (page 15 of 2020 Annual Report). How does the Group plan to defend its market share in Vietnam and to compete against its competitors?**

Response:

In order to maintain the market share, YMVN plans to launch few new models, focus on branding activities and continue to promote the most fuel efficiency motorcycles in Vietnam.

We are not managing YMVN's operation but we have suggested some ideas to YMVN's management team for improvement. We are optimistic that the performance of YMVN will improve as Vietnam market remains a healthy and growing market.

- 6. This has been a hot topic in Annual General Meetings (“AGMs”), more so in the current economic climate. Dividends in the past have been good and I applaud management for rewarding the shareholders generously well. As a shareholder, I take note that management will need to be conservative in the current economic climate as this is seen in the management’s forewords in the current Annual Report. However, I do hope management can remain positive in the distribution of dividends in the coming months in view of the improving economic recovery and also the cash build up within the Group. It would also enhance shareholders confidence in the company if management can develop a dividend policy as seen in some other listed companies. In the AGMs of the past, management has highlighted that the cash preserved are for working capital and expansion purposes, but over the years, management has not shared with us what these expansion plans are and all that we see are cash built up. If these cash are not channelled for expansion plans, can I suggest this to be distributed to the shareholders as this will enhance the confidence and improve shareholders’ value overtime.**

Response:

In view of the uncertainty of the market condition impacted by the COVID-19 pandemic, dividend pay-out would need to be assessed based on the market recovery and profitability of the Group. The Group is also constantly looking for opportunities to invest our cash and to expand our business. Having said that, based on the business for the past four (4) months in this new financial year ending 30 June 2021, we will be considering an interim dividend in the coming Board meeting scheduled towards end of November 2020.

- 7. What are the Group’s plans in terms of launching of new Yamaha models in Malaysia and Vietnam? How has the COVID-19 pandemic impacted these plans?**

Response:

Yamaha has always strived to keep a leading edge on its product offerings to stay fresh in the marketplace. In that respect, plans for new models to keep abreast with customers’ needs and trends have been drawn up. But with the COVID-19 pandemic at the foreground of the new normal, this has caused delay in the new models launches. Nevertheless, the development teams have put in extra efforts to minimize the delay as much as they could.

In Vietnam, YMVN also plans to launch new models to maintain the competitiveness in the market.

- 8. Guocera Holdings Sdn Bhd (“GHSB”) Group will continue to enhance its manufacturing efficiency, entrench into key export markets and improve its margin by expanding its new products, the InImagine series (page 16 of 2020 Annual Report). What is the current/expected demand for GHSB Group’s new products, the InImagine series?**

Response:

The InImagine products since its launching, have received very encouraging responses and comments from our customers both in Malaysia and overseas. However, the progress has been slowed down by the COVID-19 pandemic and we are still analysing the actual demand.

- 9. What is the Right-of-use assets of RM33 million as disclosed in the Statements of Financial Position (page 55 of 2020 Annual Report)?**

Response:

Right-of-use assets (“ROU”) is the recognition of leases with the adoption of MFRS 16 beginning 1 July 2019. ROU comprises leasehold land of RM19 million and lease rental for offices and warehouse of RM14 million.