

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

Key Pertinent Questions and Answers at the 60<sup>th</sup> Annual General Meeting of HONG LEONG INDUSTRIES BERHAD held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 1 November 2023 at 10.30 a.m.

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**1. Malaysia was one of six regions and countries selected for the testing of the Yamaha E01 electric scooter with fixed battery, Hong Leong Yamaha Motor Sdn Bhd launched the proof-of-concept electric scooter in Malaysia in August 2022. Real-world testing of the scooter is ongoing. (page 26 of AR2023)**

**(a) How many Yamaha E01 electric scooter are in Malaysia currently under the proof-of-concept testing scheme? When will the Group fully launch the sale of Yamaha E01 electric scooter?**

**(b) Several models of electric scooters have been launched such as Yadea E8S Pro electric scooter, Blueshark R1 and R1 Lite fully electric scooters now on sale in Malaysia as well as Yinson GreenTech RydeEV's two-wheel electric vehicle leasing and battery swapping in the Klang Valley. The Prime Minister Dato' Seri Anwar bin Ibrahim's has also announced a RM2,400 rebate under the Electric Motorcycle Usage Incentive Scheme to be given under the 2024 Budget.**

**What are the Group's strategy and plans for the sale of electric scooter/motorcycles for the Malaysian market given the Electric Motorcycle Usage Incentive Scheme under the Budget 2024?**

Response:

a) We have conducted tests on eleven ("11") units of Yamaha E01 electric scooter under the proof-of-concept testing scheme. These tests are still on going. We will launch when we believe we have a quality model.

b) Electric scooters available in the market now are generally having lower engine displacement ("cc"). There are also concerns about the short battery life, long charging hours, after-sales service and its resale value.

Hong Leong Yamaha Motor Sdn Bhd's strength is mainly in the premium and higher cc segments of bikes, where the available e-bikes in the market are not the direct competition.

In view of this, we do not expect a significant threat from electric scooters within the next 2- 3 years. Nevertheless, we will collaborate closely with Yamaha Motor Co., Ltd (“YMC Japan”) on the development of better performance e-bike models to position ourselves competitively in the e-bike segment.

- 2. The Group had a provision for slow moving inventories of RM6.1 million for FYE2023 as opposed to a reversal of provision of slow-moving inventories of RM9.3 million in FYE2022. (Note 24, page 164 of AR2023)**

**How much of these slow-moving inventories are attributed to motorcycles and tiles? What has caused these inventories to be slow moving? What are the measures to be taken by the Group to deal with these slow-moving inventories?**

Response:

The slow-moving inventories attributed to motorcycles is RM3 million and tiles is RM2.1 million.

The slow-moving inventories for motorcycles business comprise mainly the incomplete set of parts that are affected by supply chain disruptions. Management is working closely with the relevant supply sources to expedite the deliveries of the pending parts. The situation has continued to improve.

The slow-moving tiles inventory is within the normal range of the business. There are no special measures required to deal with them except the usual management actions.

- 3. In relation to the Group’s retrenchment costs of RM3.7 million (2022: Nil) (Note 24, page 164 of AR2023), how many employees were retrenched in financial year 2023? Will there be any further retrenchment of employees for financial year ending 2024?**

Response:

The RM3.7 million retrenchment cost was in relation to the retrenchment of a total of 101 employees of Hume Cemboard Industries Sdn Bhd (“HCB”).

Following the Group’s decision to streamline the non-core businesses and to focus the efforts to grow the core businesses, the Group has entered into a definitive agreement to sell 100% of HCB’s shares to Saint-Gobain Malaysia Sdn Bhd (“SGM”) in FY2023. The retrenchment of the 101 employees formed part of the restructuring exercise to facilitate the share sale transaction to SGM.

- 4. When will Hong Leong Yamaha Motor Sdn Bhd's ("Yamaha Malaysia") be launching e-bikes, and how competitive is the e-bike in the overall market in Malaysia?**

Response:

Yamaha Malaysia is working with YMC Japan to make sure the e-bikes that to be launched in Malaysia are competitive and attractive against other e-bikes in the market. Yamaha Malaysia will make the necessary announcement to the market when the e-bikes are ready for launching. The introduction of e-bikes in Malaysia might take some time.

- 5. Is the demand for conventional bikes on an upward trend? What is Yamaha Malaysia market share in Malaysia?**

Response:

The demand for the conventional bikes is expected to grow in the long term. Yamaha Malaysia has been the market leader for years and we will work to sustain the leading position.

- 6. Why is Yamaha Vietnam able to launch e-bikes while Yamaha Malaysia is not feasible?**

Response:

While complying with Malaysia's e-bike requirements, we must ensure a successful launch to uphold Yamaha's brand reputation. The models launched in Vietnam do not meet the requirements in Malaysia and the cost to modify them to meet Malaysia's requirement is very high.

We will launch the e-bike when there are good and competitive models.

- 7. The Group has cash of RM1.5 billion as of 30 June 2023. What is the outlook or any business plan for the Group?**

Response:

The Group will continue to look for new business opportunities that create value for shareholders.

- 8. With reference to Page 7 of the Annual Report 2023 on Management Discussion and Analysis on ceramic tiles, concerning the increase in both natural gas prices and electricity rates, how much does the Group need to invest to reduce the energy cost?**

Response:

The Group's upcoming investment in the new tiles machines with latest technologies will substantially reduce gas and electricity consumption.

- 9. How does Guocera Group's positioning compare to tiles from China and Italy?**

Response:

The new plant will help Guocera Group move away from standard products to more innovative offerings, enabling us to compete more effectively in the market. This will help Guocera Group to bring our products to another level and enhance our presence in the export market.

- 10. With regards to Note 24 on Profit Before Taxation on Page 164 of the Annual Report 2023, what is the RM13.2 million impairment loss on property, plant, and equipment?**

Response:

This was the impairment loss primarily made in relation to the demolition of a portion of its existing factory building in preparation for a new plant in Kluang.