

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

Key Pertinent Questions and Answers at the 53<sup>rd</sup> Annual General Meeting of HONG LEONG INDUSTRIES BERHAD held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 24 October 2016 at 11.00 a.m.

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- 1. Despite the decline of 11% in Total Industry Volume (“TIV”), Hong Leong Yamaha Motor Sdn Bhd (“HLYM”) gained in market shares. To what extent the company would continue to maintain this position?**

HLYM has gained in market share basically because the company declined less than the total industry decline. With our models line up, we are confident to sustain our level of sales.

On Yamaha Vietnam, we are positive of the market and the economy which had recovered in the last few years. The market is shared by Honda, Yamaha and China bikes. In terms of performance, Yamaha Vietnam ranked second in market share. We hope to enhance our market share with better models line up.

- 2. Will the Company continue to have the same dividend payout ratio or more?**

We are pleased that HLI was able to declare and pay good dividends in the past years. The Company always has the objective of enhancing shareholder value as one of its top priorities. Optimal dividend payout is one of the elements.

- 3. Noticed that the Group has reserves of RM 1.2 billion (Page 48 of Annual Report). Is there any plan to utilise the reserves to benefit the shareholders by paying dividend?**

We do not have any plans at the moment other than our usual dividend consideration.

- 4. Noticed that the Group has a lot of exports. With the USD strengthening, what is the impact to the bottom line?**

We have been exporting our building products and it is an important market sector. It is better if we have a stable exchange rate than a continuous strengthening or weakening of RM. With a stable exchange rate, it is easier for us to plan ahead. Generally, the weaker Ringgit helps for now but not necessarily in the future as the competition in the market may force the downward price adjustment, which will reduce the favourable impact of the weak Ringgit.

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- 5. In page 112 note 30 Financial Instruments – currency risk, the Group has hedged its sales and purchases with forward foreign exchange contracts in USD. Will the Group enter into more hedging transactions?**

The Group will continue to monitor, form a view and enter into appropriate forward foreign exchange contracts for our receivables and payables in foreign currency.

- 6. The Chairman’s Statement reported that the industry products segment continued to operate under a difficult environment. However, the Group pre-tax profit increased by 14% to RM343 million with the Group revenue of RM2,190.6 million, up from RM2,138.9 million in the previous year. From this increased pre-tax profit, the Yamaha Motor motorcycles franchise in Malaysia and Vietnam contributed up to 60% of the Group’s earnings. Given that the total industry volume (“TIV”) for motorcycles locally declined in the last consecutive years, how sustainable are the Group’s performance and earnings for its 24% stake in Yamaha Motor Vietnam Co. Ltd?**

Despite Malaysia’s motorcycles TIV dropped by 11% in the financial year, HLYM declined less in its sales volume. HLYM continued to develop and introduce new products into the market and strengthen its “after sales service” to sustain its sales volume. Concurrently, HLYM is undertaking various cost down and productivity improvement activities to sustain the earning contribution to the Group.

Vietnam economy is stable and growing over the last two years and its motorcycle industry has also recovered and has been growing at about 5% in the last two years as well. As Vietnam is still a developing country and the expected growth is sustainable, YMVN is well in a position to grow with the country. YMVN is expected to have a sustainable business in this country.