

HONG LEONG INDUSTRIES BERHAD (5486-P)

Key Pertinent Questions and Answers at the 61st 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, 6 November 2024 at 10.30 a.m.

- 1. In February 2024, as part of the Group’s ongoing focus on business diversification, a new automotive parts business was launched under the Tekhne brand (page 6 of AR2024). Tekhne Sdn Bhd (“Tekhne”) undertake the trading and distribution of automotive spare parts and components for motorcycles and cars. Tekhne penetrates the replacement parts–aftermarket service demand segment of the automotive sector (page 9 of AR2024).**
 - a) To-date, how is the financial performance of Tekhne? To what extent will Tekhne contribute to the Group for the financial year ending 2025?**
 - b) Moving forward, Tekhne aims to set up a manufacturing facility to further strengthen its market presence and operational capabilities as well as expand to other markets in the region (page 9 of AR2024). When and where does Tekhne plan to set up its manufacturing facility?**

Response:

- a) Tekhne just commenced its operation in February 2024 and it is not expected to contribute significantly to the Group for the financial year ending 2025
 - b) Up to now, Tekhne has not reached the level that requires manufacturing facility yet. Once the business progress to the level where manufacturing facilities are necessary, the Group will study carefully the suitable location to set up the manufacturing facilities.
- 2. The decommissioning of the Group’s Meru plant in January 2024 and consolidating to a single location at Kluang is intended to reduce redundancies and eliminate inefficiencies, better optimise machinery and productive capability, and achieve improved resource deployment. (page 8 of AR2024) What are the Group’s plans for its land at Jalan Meru, going forward?**

Response:

The Group has not decided on the specific plan for the Meru land yet. Likely it will be retained for internal usage.

- 3. The Group's retrenchment costs increased to RM9.0 million (2023:RM3.7 million) (Note 24, page 150 of AR2024), this is in relation to which business segment and how many employees being retrenched in FY2024?**

Response:

The retrenchment is related to the decommissioning of the Meru plant of the tiles business. A total of 221 employees were retrenched during this exercise.

- 4. Climate change causes heavier rainfall, leading to floods that would disrupt production and business operations.**
- a) **The Group received a RM25 million insurance compensation for the disruption caused by flood in the motorcycle business during the third quarter of FY2022 (page 6 of AR2024), is the RM25 million insurance compensation received a full and final sum?**
- b) **Given that the Group had during the third quarter of FY2022 encountered flooding issues in flood-prone areas where the Group's manufacturing facilities reside, how has climate change effect impacted the Group's insurance premiums?**

Response:

- a) The insurance compensation of RM25m was related to the supply disruption as a result of a supplier that was affected by flood. Yes, the amount received is the full and final sum.
- b) The Group has been covered by flood insurance for many years. The RM25 million insurance claim has not affected the Group's insurance premium.
- 5. HLI received one (1) whistleblowing report in FY2024, which was not related to bribery. (page 29 of AR2024) What is the status of the whistleblowing case? How has it impacted the Group?**

Response:

The Whistleblowing case has been investigated and concluded. The case has no significant impact to the Group.

- 6. Currently, there are three (3) women Directors, representing 50% of women participation, on the Board. (page 89 of AR2024)**
- a) **With 50% of the Board comprising women Directors, up from 29% last year, in terms of Board diversity, what benefits has the Board experienced from the increased participation of women directors on board? How has the Board's performance been impacted in relation to these benefits?**

b) Are there noticeable changes in the quality or diversity of perspectives in strategic discussions?

Response:

- a) The selection of directors is based on a range of criteria, inter alia, the candidates' character and integrity, the strategic and effective fit of the candidates for the Board and the overall desired Board composition, including Board diversity and the required mix of skills, expertise, knowledge, and experience in the industry, market and segment to enhance the Board's overall effectiveness. Directors are assessed based on attributes such as qualifications, management, leadership, business experience, independence, potential conflicts of interest, and time commitment, before their appointment (page 91 of AR24).
- b) Although it is valuable to have diversity on the Board, we do not foresee any significant change in Board performance solely due to increased women participation, as recruitment focuses on the quality and suitability of directors bearing in mind the requirement of having woman director.

7. Guocera Group is generating profit despite the revenue from Ceramic Tiles has decreased as compared to prior year. How does Guocera Group make a such turnaround from a loss to profit in FY2024? (Page 8 of AR2024)

Response:

This is mainly attributable to the improved production efficiency, initiatives to sell higher volume of technical porcelain and large format tiles with higher selling prices and the reduction of gas prices.

8. Guocera Group is currently constructing a new plant after decommissioning the Meru plant in January 2024. What is the rationale of decommissioning old plant and what is the progress of the new plant now? (Page 8 of AR2024)

Response:

This decommission of the old plant in Meru was intended to eliminate the inefficiencies of production from old machines. With this, the production has been consolidated into Kluang factory for better utilization and optimization of machines.

The construction of the new plant is in progress now and targeted to be completed in the financial year 2026.

9. A new automotive parts business was launched under the Tekhne brand. (Page 9 of AR2024)

- a) Where are the products being sourced?
- b) Are Tekhne's products solely for Yamaha?

c) How many types of products does Tekhne have?

d) When will Tekhne plan to have a breakeven?

Response:

- a) Tekhne's products are sourced globally in accordance with our own specifications to meet the market's demand.
- b) Tekhne's products are common parts meant for the after sales market.
- c) Tekhne has a total of 7 types of products including lubricant and tyres with over 20 stock keeping units.
- d) As a newly start up business, Tekhne will need to build and establish its brand name within the next few years, achieve meaningful volume base before the business can breakeven.

10. The Group shows decrease in revenue from RM3,416 million in FY2023 to RM3,111 million in FY2024. (page 115 of AR2024)

a) Why is the profit for the year in FY2024 higher than FY2023?

b) What contributed to the other operating income of RM50 million?

Response:

- a) This is mainly attributable to the improved sales mix of premium motorcycles and the improved operational efficiency which contributed to lower production costs.
- b) The other operating income contributed mainly by the RM25 million insurance compensation related to supply disruption from a supplier that was affected by flood in 2022 and a gain on disposal of RM18.7 million from the disposal of fibre cement product business.

11. Does the Group implement any sustainable development plans to identify and manage the mega trend factors?

Response:

The Group maintains a proper sustainability strategy to assess our environmental impact and lay the foundation for future improvements. Looking ahead, the Group endeavours to continuously improve its sustainability to prevent adverse impacts and enhance its business value.

HLI
RE: Q&A (2024 AGM)

12. When will Yamaha be launching e-bike?

Response:

Yamaha has launched its e-bike in Vietnam, Europe and Japan. Moving forward, Yamaha will continue to develop and upgrade its e-bike to improve its competitiveness in the market.