REPL::ANNUAL GENERAL MEETING::VOLUNTARY

Issuer & Securities

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HONG LEONG ASIA LTD.

Security
HONG LEONG ASIA LTD. - SG1F76860344 - H22

Announcement Details

Announcement Title
Annual General Meeting

Date &Time of Broadcast
27-Apr-2021 19:23:20

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Replacement

Announcement Reference
SG210330MEET313B

Submitted By (Co./ Ind. Name)
Ng Siew Ping, Jaslin

Designation
Company Secretary

Financial Year End
31-Dec-2020

Event Narrative

Narrative Type	Narrative Text
Additional Text	Please refer to the attached announcement for responses to substantial and relevant questions received from shareholders in advance of the Company's 60th AGM to be held on 28 April 2021 at 10.00 a.m.

Event Dates

Meeting Date and Time
28-Apr-2021 10:00:00

Response Deadline Date
25-Apr-2021 10:00:00

Event Venue(s)

Place

Venue(s)	Venue details

Meeting Venue	The 60th AGM of the Company will be conducted by way of electronic means. Shareholders will not be able to attend the AGM in person. Please refer to the Announcement relating to the 60th AGM to be held on 28 April 2021 for details on how to participate in the AGM.

Attachments

QnA.pdf

Total size =161K MB

Related Announcements

Related Announcements

30/03/2021 06:41:43

HONG LEONG ASIA LTD.

(Company Registration No. 196300306G)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING ("AGM") TO BE HELD ON 28 APRIL 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

Hong Leong Asia Ltd. ("**HLA**" or the "**Company**") refers to its announcement of 30 March 2021 on the alternative arrangements for the AGM, and in particular to the invitation to shareholders to submit questions in advance of the AGM.

The Company has received some questions from shareholders and the Company's responses to the questions received that are relevant to the AGM resolutions and the business of the Company are set out below.

Q1	**<u>On Tasek Corporation Berhad ("TCB")</u>** **HLA has privatised Tasek Cement (TCB) last year. May I know how HLA has benefited from this transaction?**
A1	TCB was privatized in August 2020 and it is now 98.28% owned by the HLA group (the "**Group**"). Through the privatization, TCB derives savings in listing-related costs and can further leverage on the Group's existing resources and infrastructure to make itself more efficient. We continue to drive down the overhead costs to become more competitive. At the same time, the Group is prepared to invest and strengthen its integrated operations. TCB made a small profit in 2020 versus a loss the previous year. The cement industry continues to be difficult. It faces the challenges from excess capacity and soft demand. But with TCB's long history of operations in Malaysia and a strong brand name in the domestic market, we are confident that TCB will do well by putting the customers first and creating better solutions for their customers.
Q2	**<u>On China Yuchai International Limited ("CYI")</u>** **China is pushing very hard on Electric Vehicles ("EV") for buses and commercial vehicles. Will this affect the Diesel engine business longer term? If so, would it be better to divest the business now?**
A2	The transport electrification process in China is evolving and has mostly impacted the segment of passenger cars and buses with some penetration in the truck segment. These buses and smaller commercial vehicles ply along shorter distance, intra-city routes given ready access to charging points for the batteries. Penetration in vehicles for longer distance inter-city travel remain small given infrastructure and technology limitations. CYI's business remains strong on segments such as heavy duty and medium duty trucks, industrial machineries, agricultural machineries and marine and genset applications. CYI continues to invest in research and development to develop products that meet more stringent emissions standards set by the Chinese Government. In July 2021, the China National VI standard will be implemented which is equivalent to the Euro VI standard. CYI's new engine products meet this new industry emission standard. CYI's continued product innovation has increased its product competitiveness over time. CYI is developing alternative new energy solutions in new generation hybrid power, e-CVT power-split hybrid system, integrated electric bridge and fuel cell system. The

	strategy is to work closely with our customers to create innovative and sustainable urban solutions for the future. These projects are in early stage of development and will take time to develop their full potential. Longer term, CYI believes that alternative energy solutions can be developed into a viable and profitable business. Together with policy support from the Government to complement its engine business, the Group remains confident in CYI's growth potential.
Q3	**As per CGS-CIMB Research dated April 6, 2021, CYI is seen as grossly undervalued compared to its peers. Since CYI is expected to do well in the next few years, has the Board considered privatising it and re-list in Hong Kong? Alternatively, would you consider a secondary listing in Hong Kong as suggested by CGS-CIMB Research?**
A3	As a matter of corporate policy, the HLA Board does not comment on opinions or speculation in the market. It will continue to focus its attention on best options to increase potential across the Group's assets and maximise returns to the shareholders of the Company.
Q4	**<u>On the HLA Group</u>** **HLA has 3 main businesses - Diesel engines, Building materials and Rigid Packaging. They do not have anything in common and are not synergistic. Has the Board considered restructuring the entire portfolio and list them separately? The value from the sum of the parts may be higher than the whole.**
A4	The Group's Vision is to be a diversified Asian multinational working with its customers to create urban solutions, particularly in the areas of construction and transport that are needed for cities in the future. Its focus is to be amongst the top players in the sectors and the segments that we operate in. Please also see page 11 of the Company's Annual Report 2020 ("**AR**") under Chairman's message on Business Portfolio Optimization for more information.
Q5	**<u>On the Financials</u>** **Referring to page 183 of the AR on "Revenue" particularly "Contract balances". There were "Capitalised contract costs relating to service charges on development of technology know-how" of $25.962 million as at 31 Dec 2020, which are "the costs incurred in fulfilling a contract for the development of technology know-how for heavy-duty engines platforms for a joint venture company of the Group". I suppose this is regarding the said "New Energy on hybrid power and fuel cell systems". Is this referring to EV/batteries technology? How will this investment bring future revenue to the Group?**
A5	It is referring to the development of technology know-how relating to diesel and gas engines (National VI and Tier 4), but not on the new energy solutions.

Q6	**Referring to page 136 of the AR about "Intangible assets", particularly "development expenditure". Here, it was stated that "Development expenditure for the design, construction and testing of new diesel engines amounting to $222,255,000 (2019: $108,596,000) is not amortised as the development has not been completed and is not available for use", which is "for new engines that comply with National VI and Tier 4 emission standards". On page 137, it was stated that "Management assumed no revenue growth from 2026 to 2028 after reaching the commercial deployment of technology". On page 138, it was stated that "If the demand decreases by 25.9% (2019: 4.5%) from management's estimate, it would result in impairment of the development costs." Given the speed of technological change and the possibility of new entrants e.g. EV/batteries technology players may make the demand of diesel engines redundant faster than estimated in future, are we over-investing on this development expenditure?**
A6	These are assumptions made for the impairment test on the development costs on engines that are not available for use and the sensitivity analysis that was performed by varying the assumptions. Based on these assumptions made, no impairment was identified in 2019 and 2020. As for the impact of new entrants and technology change, please see the Company's response to Question 2 above.
Q7	**Referring to page 155 of the AR on "Interests in joint ventures". For the Group's 17.09% interest in JV (Y&C Engine Co., Ltd.), while its revenue has increased by 27% from $474 million in 2019 to $603 million in 2020, this JV went from a profit of $8.782 million in 2019 to a loss of $17.719 million in 2020. What went wrong with the business of "manufacturing of off-road diesel engines"? What have the Board and Management planned to do about it?**
A7	The loss in 2020 was mainly due to higher costs involved in the earlier development phase for the National VI gas engines and increased cost for the rare metals used in the after-treatment system. The joint venture ("**JV**") will continue to improve its cost of production and the design of its engines.
Q8	**Referring to page 180 of the AR on "Revenue". May I know sale of agricultural engines is classified under sale of heavy/medium/light-duty engines? Or how was the allocation like in 2020?**
A8	It is classified by engine capacity, under the respective "heavy/medium/light-duty engines" categories. We are unable to provide specific allocation details as it is commercially sensitive information.
Q9	**Referring to page 180 of the AR on "Revenue". Revenue from "Others" seemed to have shown good performance, growing 32.8% from $722.850 million in 2019 to $959.940 million in 2020. What particularly is driving the growth (e.g. sale of power generator sets, or engine components, or service-type maintenance services, or etc)?**
A9	This mainly relates to the sale of engine spare parts and components, driven by strong sales growth in both the on-road and off-road markets.

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Q10	**Referring to page 133 of the AR on "Property, plant and equipment". Noted that there were transfers of $155.140 million into "Plant and machinery" in 2020. What were these transfers pertaining to?**
A10	These mainly relate to production plant and machinery for National VI engines that were transferred from Construction in progress ("**CIP**") category under "Property, plant and equipment". Plant and machinery that are partially installed and/or still in the test-run stages are first classified under CIP category, and subsequently transferred to "Plant and Machinery" category when the assets are ready for production or other business use.
Q11	**Referring to page 164 of the AR about "Trade and other receivables". In the 4th paragraph, it was stated that "As at 31 December 2020, other receivables included an amount of approximately $229,664,000 (2019: $219,414,000) due from former subsidiaries. The balance had been fully provided for in prior years, pending the outcome of the liquidation process in China." What are these subsidiaries? Is the liquidation process in China coming to the tail-end? If not, how is the progress? How much of the $229.664 million is expected to be collected back?**
A11	Please refer to the Company's announcement made on 26 March 2021 on the update on the de-consolidation of the Consumer Products Unit for information.
Q12	**Referring to page 194 of the AR on "Commitments". How will the "capital commitments" trend be like over the next 2-3 years? How will they be funded?**
A12	The Group expects to continue to invest in the growth of its key businesses. The Group has sufficient liquidity with its net cash position of $213 million and unused bank lines to meet the capital commitments over the next 2 to 3 years. Furthermore, the Group is generating positive net cash flow from operating activities to fund the capital commitments in future years.
Q13	**Referring to page 70 of the AR on "Corporate governance". The total remuneration of Executive Chairman Kwek Leng Peck has increased by 7.1% from $1.162 million in 2019 to $1.245 million in 2020. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?**
A13	The Company had performed well for the year ended 31 December 2020 with net profits attributable to the shareholders of the Company of $46.7 million, an increase of 35.7% despite the challenging operating environment caused by the global health crisis. The Board has rewarded the Executive Chairman, Mr Kwek Leng Peck an increase in remuneration that reflects his stewardship, his vision and strategy setting during these difficult times.

HONG LEONG ASIA LTD.

Company Registration No. 196300306G

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<table>
<tr><td>Q14</td><td>Referring to page 185 of the AR on "Employee benefits". Why had "Wages and salaries" increased by 12.2% from $293.333 million in 2019 to $329.306 million in 2020? How have the Remuneration Committee planned to manage it?</td></tr>
<tr><td>A14</td><td>The increase in wages and salaries reflects the better performance of the Group in 2020 with net profits attributable to the shareholders increasing by 35.7%.

The Company has in place a remuneration framework for its Group's employees which advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees.

Information on the remuneration policy and framework for Directors and key management personnel which are applicable to the Group's employees can be found on pages 68 and 69 of the AR. The compensation structure of an employee is directly linked to corporate and individual performance, both in terms of financial and non-financial metrics and the creation of shareholder value. Employees, who have a greater ability to influence the Group's outcomes, would have a greater proportion of their remuneration comprising the variable component that is directly linked to corporate and individual performance.</td></tr>
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By Order of the Board
HONG LEONG ASIA LTD.

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

27 April 2021