Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hong Leong Asia Ltd

Stock code: H22

Meeting details:
Date: 27 April 2022
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As shown in the group profile (page 1 of the annual report), the group has grown from a building materials supplier to a diversified Asian multinational known for its market leadership.

The three main divisions are the diesel engine unit, building materials unit and rigid packaging unit.



(Source: company annual report)

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China is by far the largest revenue contributor to the group, accounting for $4.45 billion out of the group's total revenue of $4.93 billion, or 90%.

(i) **Can management help shareholders understand the overall sentiment on the grounds, especially with the recent wave of the Omicron variant in China?**

(ii) **With regard to Yuchai/diesel engine unit, can management explain in greater detail the trading environment as China transitions to National VI engines? How well received are the new National VI engines (10 diesel and 4 natural gas engines) on its S, K & Y platforms?**

(iii) **Will the implementation of the National VI(b) emission standards create another round of demand uncertainty when it is implemented in 2023?**

(iv) **How much will Yuchai be committing to the R&D for new energy solutions in hybrid power and fuel cell development?** As noted in the CEO's review, Yuchai achieved sales of 501 units of new energy engines during the year. **Does Yuchai have market leadership in new energy solutions?**

(v) **Is Yuchai prepared for a future where diesel engines, or internal combustion engines, may be phased out?**

(vi) In addition, China Yuchai International Limited is listed on the New York Stock Exchange. **What is the strategic value of CYI's listing on the NYSE? Are there challenges and/or difficulties faced by CYI in maintaining its listing status in the NYSE?**

Q2. In August last year, the group announced the proposed acquisition of additional shares in Singapore-listed BRC Asia Limited. The transaction was completed in October 2021, making BRC Asia an associated company of the group. The group acquired 46 million additional shares for $68.1 million. Along with previously acquired shares, the group now holds a 20% stake in BRC Asia which it carries at $83.4 million.

BRC is a market leader in providing steel reinforcement solutions in Singapore, offering standard length rebar, cut and bend services, prefabrication services, as well as standard and customised welded wire mesh for the building and construction industry (page 13).

(i) **Are there synergies between BRC and the group's existing operations?**

(ii) **If not, are there opportunities for management to value-add to BRC? Is the group a passive investor in BRC? What is the level of oversight and influence over the day-to-day and strategic matters?**

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(iii) **How aligned is this investment with the group's sustainability framework, especially the key pillar of driving innovation for a low-carbon and circular economy?**

(iv) **Did the board also evaluate how it is balancing improving shareholders' returns (via dividends) and reinvesting in the business?**

In addition, the company considers HL Global Enterprises Limited ("HLGE") as a subsidiary. HLGE reported an unaudited loss of $(1.63) million for FY2021. The accumulated loss was $(65.5) million as at 31 December 2021.

(v) **Would the board/management help shareholders understand the level of oversight of HLGE? Has the board analysed the long-term performance of HLGE? Is the board satisfied with the performance of HLGE? What is management's strategy to maximise the value of HLGE for all shareholders?**

Q3. In the corporate governance report, the company disclosed that, as part of the internal audit program for FY2021, the internal auditor (IA) identified control weaknesses at some of the group's subsidiaries. The external auditor, during the audit of the financial statements of the group, have also identified certain deficiencies in internal controls. Management has assessed and determined that the deficiencies do not have significant financial impact on the financial statements of the group for FY2021.

Management action plans have been initiated to address the deficiencies identified by the IA and EA, especially in the group's China operations. The board highlighted that the majority of the group's businesses are located in China, which is "a challenging control environment to operate in" (page 52).

(i) **What are the control weaknesses and the deficiencies in internal controls identified by the IA and by the external auditors?**

(ii) **Can the board elaborate further on the "challenging control environment" in China? What are the major risks?**

(iii) **What is the length of the internal audit cycle? What is the scope of the internal audit in FY2021 and in FY2022?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)