



HONG LEONG ASIA LTD

59th Annual General Meeting

18 June 2020 | Mr Tan Eng Kwee - CEO

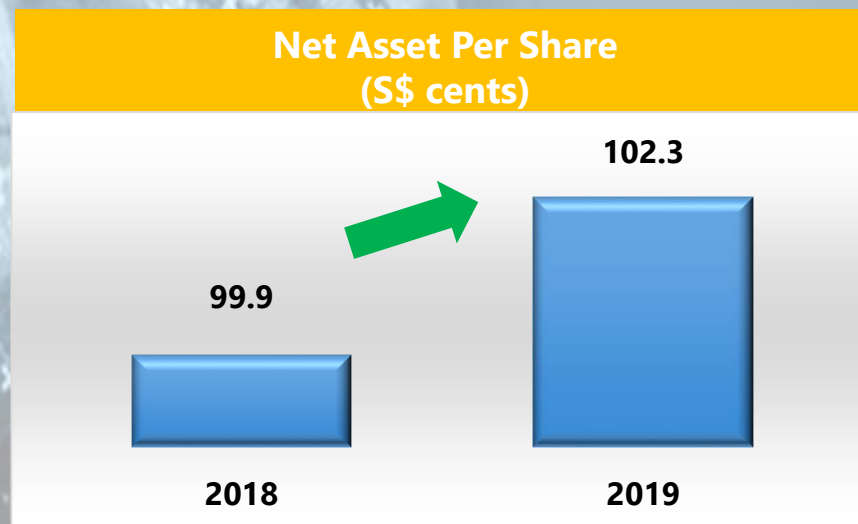
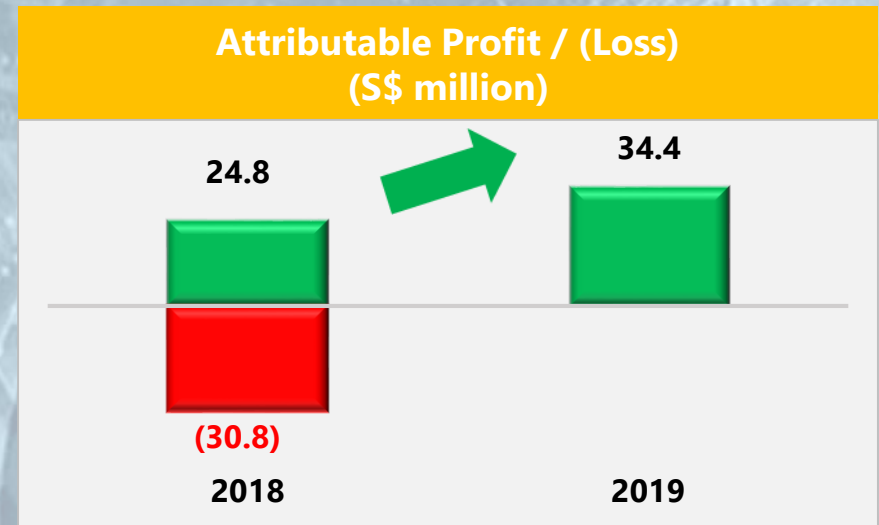
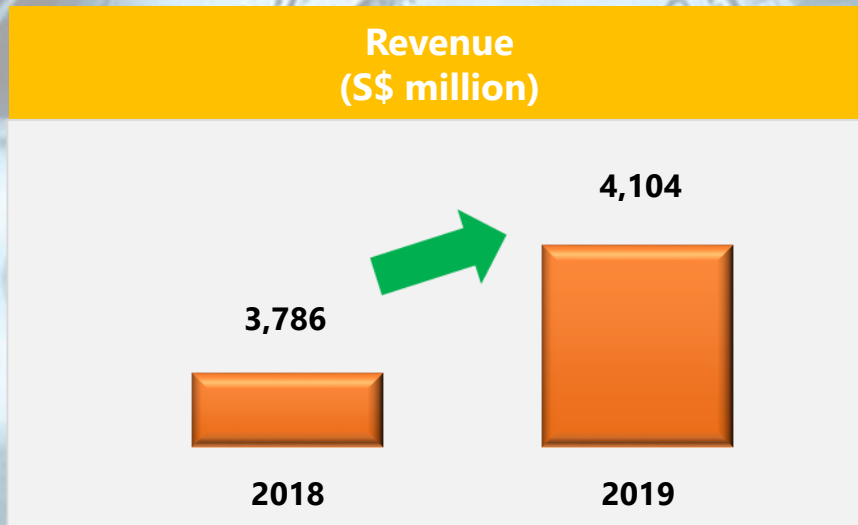


HLA Group Financials



PATMI rose 39% YoY to S\$34.4m

(continuing business only)





Macroeconomic Factors and Business Environment

Microeconomic Factors & Business Environment

The business environment across all sectors of the Group's businesses were challenging, affected by several macroeconomic factors

R

Regulatory – permits, licences, emission standard, labour, taxes, subsidies

O

Oil - Saudi–Russia spat, shale oil boom, economic slowdown *

S

Supply Chain – trade tension, global trade decoupling

F

Foreign Exchange – weaknesses of regional currencies *

E

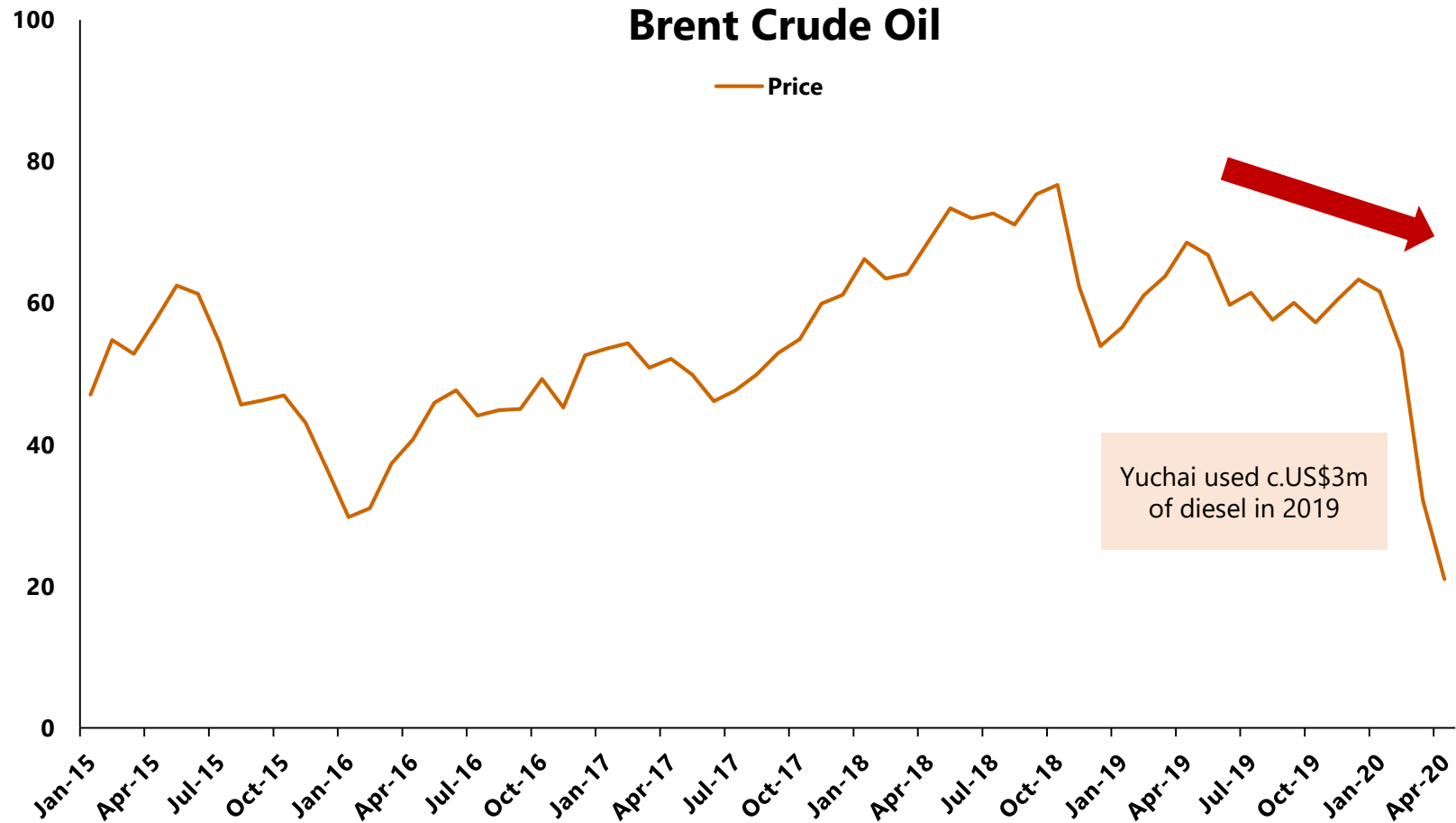
Economy – slowdown, employment *

D

Demand – low disposal income, high household debt, property overhang, uncertainty

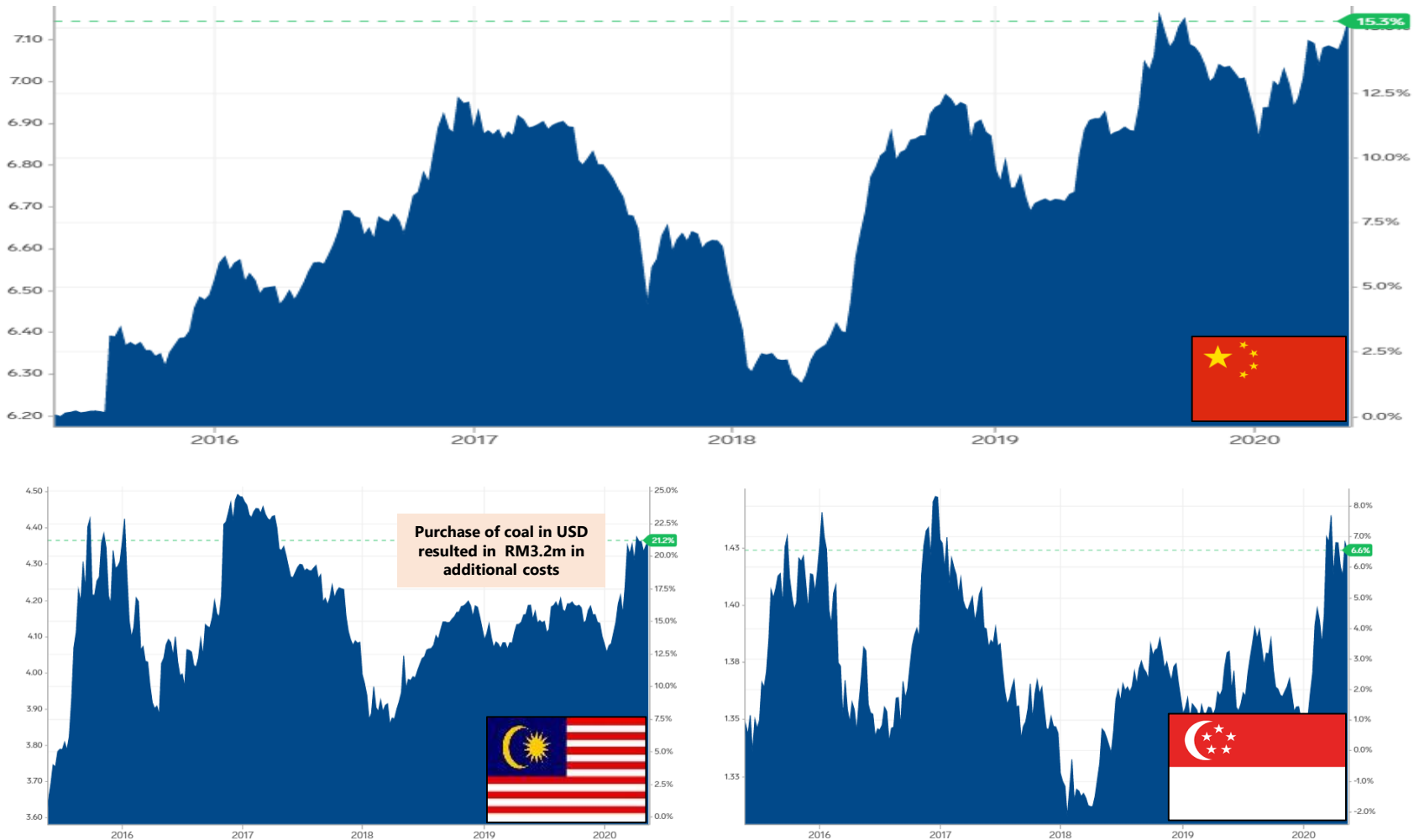
Crude Oil Prices from 2015 to April 2020

Economic slowdown, shale oil and Saudi-Russia spat resulted in supply of oil exceeding demand which caused a sharp decline in price of crude oil



Exchange Rates

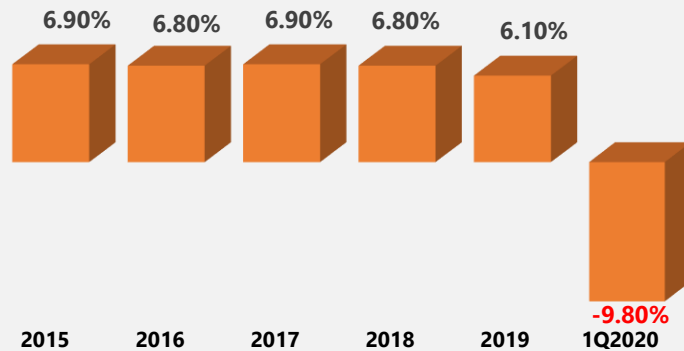
Regional currencies weakened against the USD



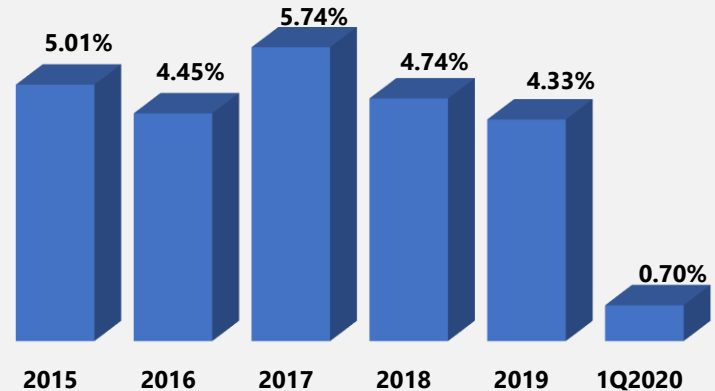
Growth Rate: China, Malaysia and Singapore

Growth continued to slow in the countries where the Group operates

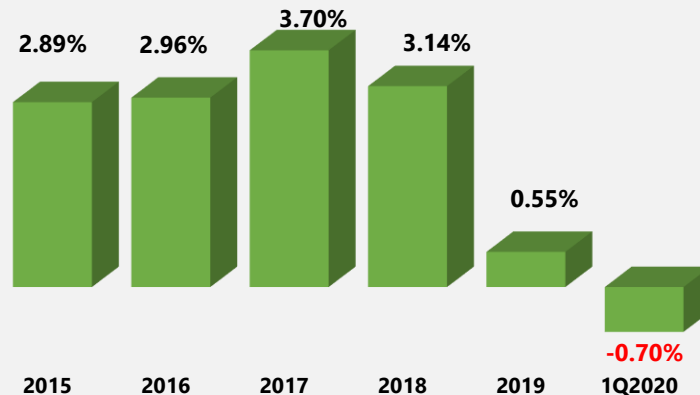
China GDP



Malaysia GDP



Singapore GDP



卓越动力

Diesel Engines

**China Yuchai
International**



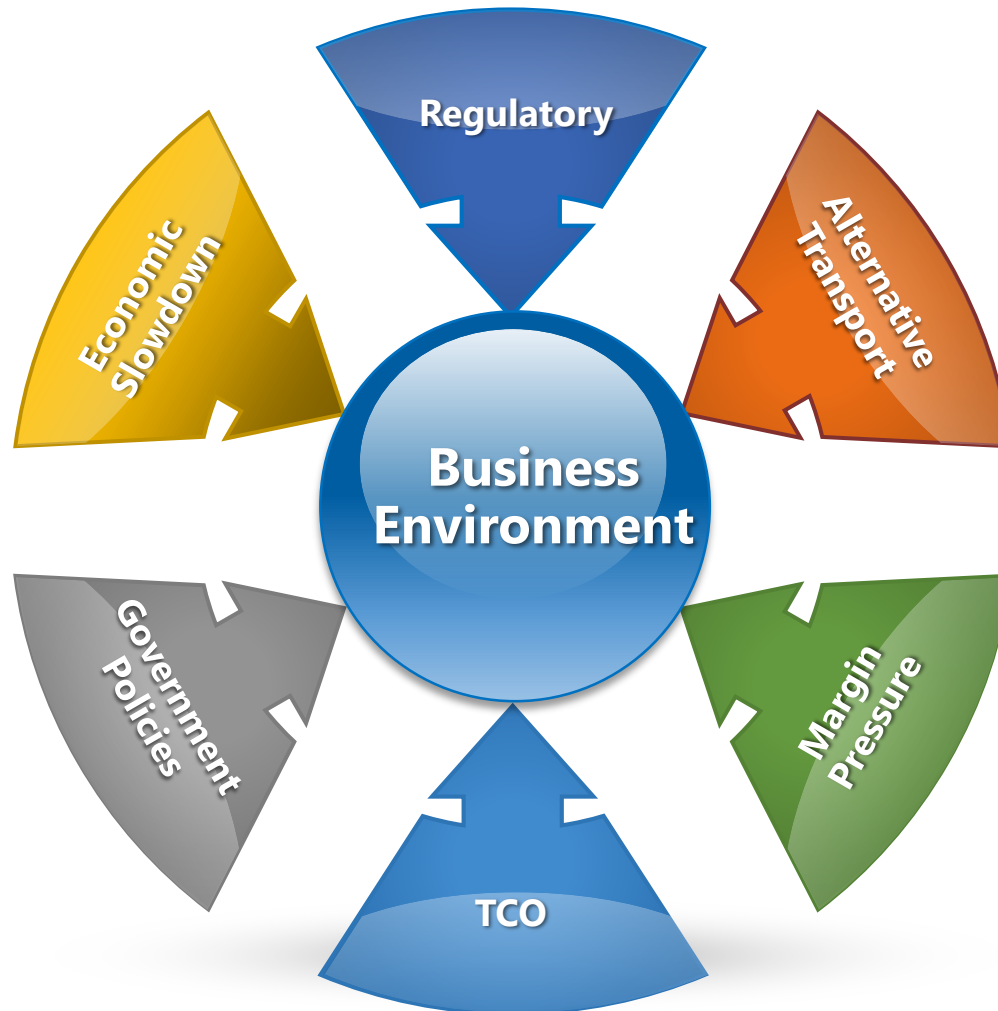
Diesel Engines

BUSINESS ENVIRONMENT



Business Environment

The diesel engine industry faced challenging business conditions but favourable government policies, imminent change in emission standard & lower TCO were positive developments



Diesel Engines

SALES PERFORMANCE

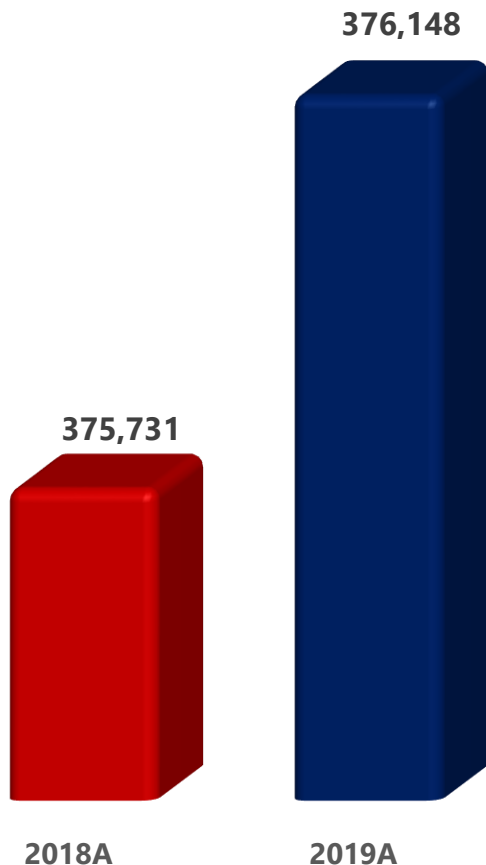
国际玉柴



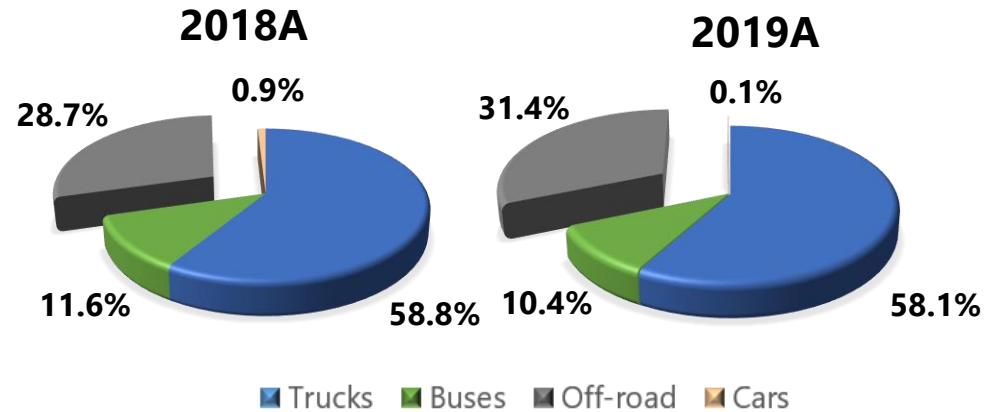
Sales Mix

Unit sales rose marginally with weaker domestic demand on-road CV more than compensated by higher exports & sales of off-road engines

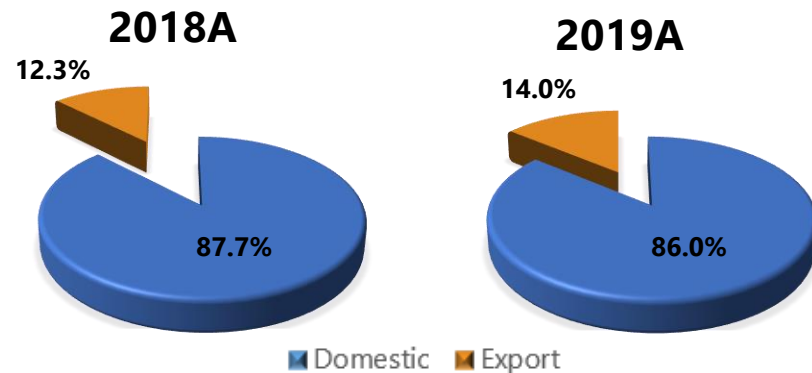
Unit Sales



Sales Mix



Local Sales vs Export Sales (included packaged sales)



Note : A refers to Actual

Diesel Engines

INVESTMENT UPDATES



Investment Updates

Yuchai continued investments into technological improvements, marketing, supply chain self-reliance and process improvements enhance its competitiveness

N6/T4 Investments (RMB1.3b)



Large Casting Foundry (RMB 250m)



Phase 2 component parts production facility (RMB 150m)



Investment Updates

Yuchai continued investments into technological improvements, marketing, supply chain self-reliance and process improvements enhance its competitiveness

**Eberspaecher
(RMB 120m)**



**SAP Project
(RMB85m)**



SAP Cloud Platform



**MTU localization
program capex
(RMB72m)**



**Yuchai Power
showroom
(RMB19m)**



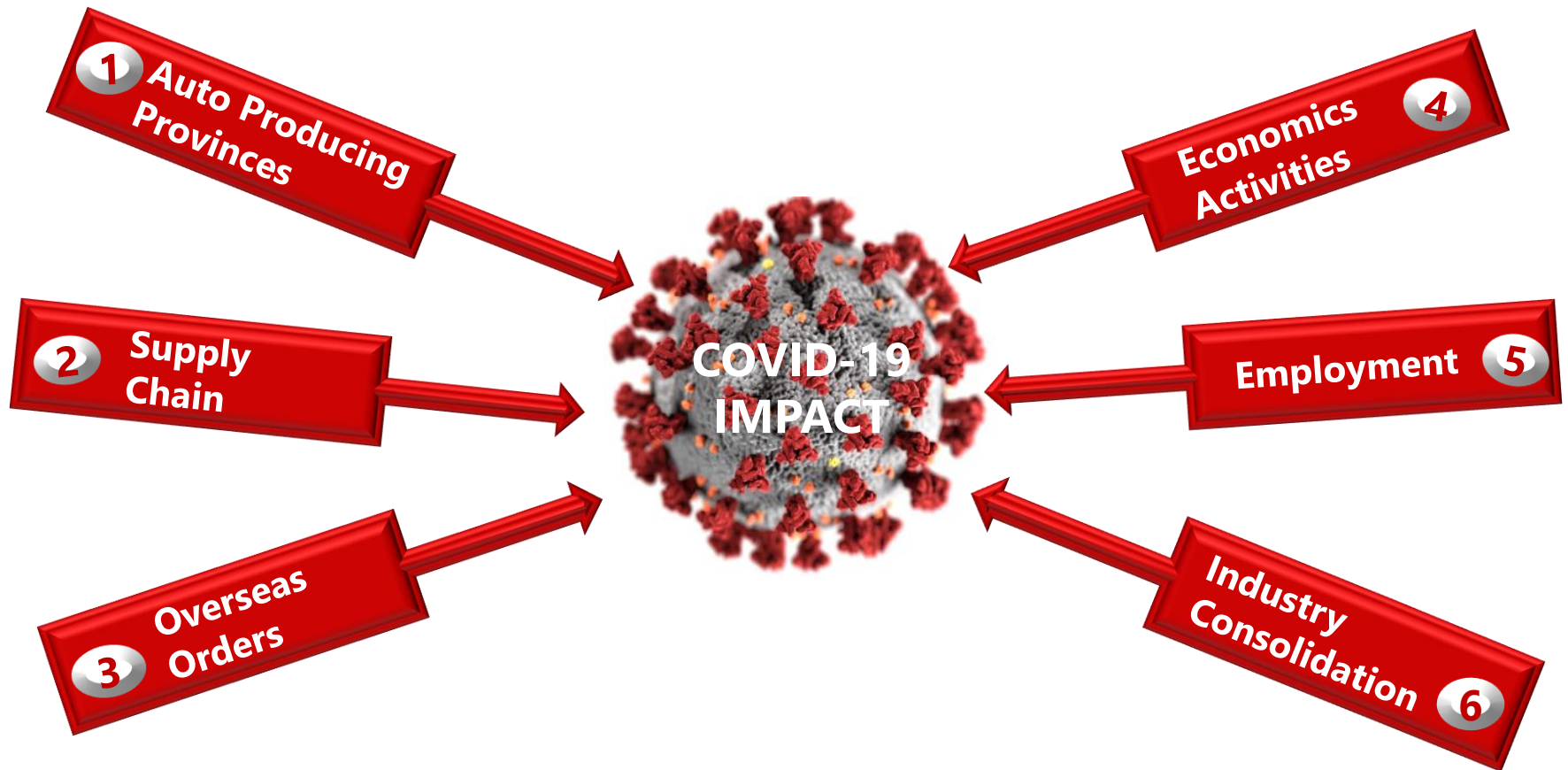
Diesel Engines

IMPACT OF COVID-19



Impact of COVID-19

COVID-19 caused production stoppage which affected China's major auto manufacturing auto hubs badly & led to severe financial impact to nearly all economic sectors



Diesel Engines

**INVESTMENT
UPSIDE**



Investment Upside

With its extended product range and its readiness for change in emission standard, Yuchai is well placed to compete & be amongst the market leaders in the diesel engine industry



Extended product range from LD to HD engines serving various industry sectors



Emission standard product readiness & strong pipeline of new products



Increased enforcement on over loading



Accelerated growth of e-commerce

Investment Upside

With its extended product range and its readiness for change in emission standard, Yuchai is well placed to compete & be amongst the market leaders in the diesel engine industry

Extended product range from LD to HD engines serving various industry sectors

**Truck and
Bus engines
applications**



**Off road
and Agriculture
applications**



**Marine
engines
applications**



Investment Upside

With its extended product range and its readiness for change in emission standard, Yuchai is well placed to compete & be amongst the market leaders in the diesel engine industry

National IV & Tier 4 readiness & strong pipeline of new products

eCVT Hybrid



**Integrated
generator-motor
power system
(Range Extender)**



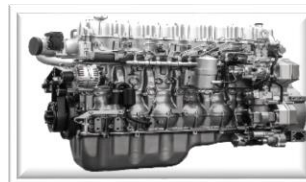
YC Fuel Cell system



LD and MD National 6 Engines



MD and HD National 6 Engines



HHP Marine and Power Generation Engines



Investment Upside

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Increased enforcement means more commercial vehicles needed to meet the same volume of business



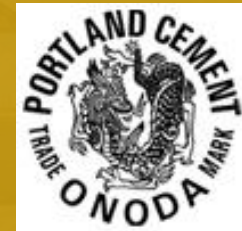
Investment Upside

With its extended product range and its readiness for change in emission standard, Yuchai is well placed to compete & be amongst the market leaders in the diesel engine industry

e-Commerce will drive demand for trucks, which engines made up almost 60% of Yuchai's total sales



Building Materials Unit



Building Materials Unit

BUSINESS ENVIRONMENT



Business Environment

While construction demand hit a 5-year high in Singapore with a 9.5% YoY growth to reach S\$33.4 billion in 2019, it stagnated in Malaysia with a mere 0.6% YoY growth to reach RM146.6 billion

Singapore

Dominant Public Sector

HDB Income Ceiling Relaxation

Excess Capacity

Raw Materials Supplies

Raw Materials Prices (NTS)

TOL Land

Manpower

Malaysia

Dominant Private Sector

Fiscal Space

Property Overhang

Cement Prices

Manufacturers' concentration

SHE Enforcements

Manpower

Building Materials Unit

SALES PERFORMANCE



Strong Order Books

Singapore has strong order books in both precast and ready-mix &
Malaysia has a strong order book for its ready-mix

(in months of capacity)

Singapore	31 Dec 2018	30 Jun 2019	31 Dec 2019
	Precast	Precast	Precast
	Ready-mix	Ready-mix	Ready-mix
	12	22	21
	10	9	14
Malaysia	31 Dec 2018	30 Jun 2019	31 Dec 2019
	Ready-mix	Ready-mix	Ready-mix
	Ready-mix	Ready-mix	Ready-mix
	10	9	7

1. These are approximate figures as deliveries of our products are not evenly distributed each month
2. Malaysia only supplies ready-mix to the central region

Building Materials Unit

PROJECT UPDATES



Project Updates

ICPH: Our share of total land & construction cost expected to be in the region of S\$80+ million with construction expected to be completed by 1Q2022 and be operationally ready by 2Q2022



**Integrated
Construction
Prefabrication
Hub**



Project Updates

Karimun Quarry: Purchase consideration of S\$13 million before capex and working capital requirement. At full capacity, quarry can produce up to 350k mt per month

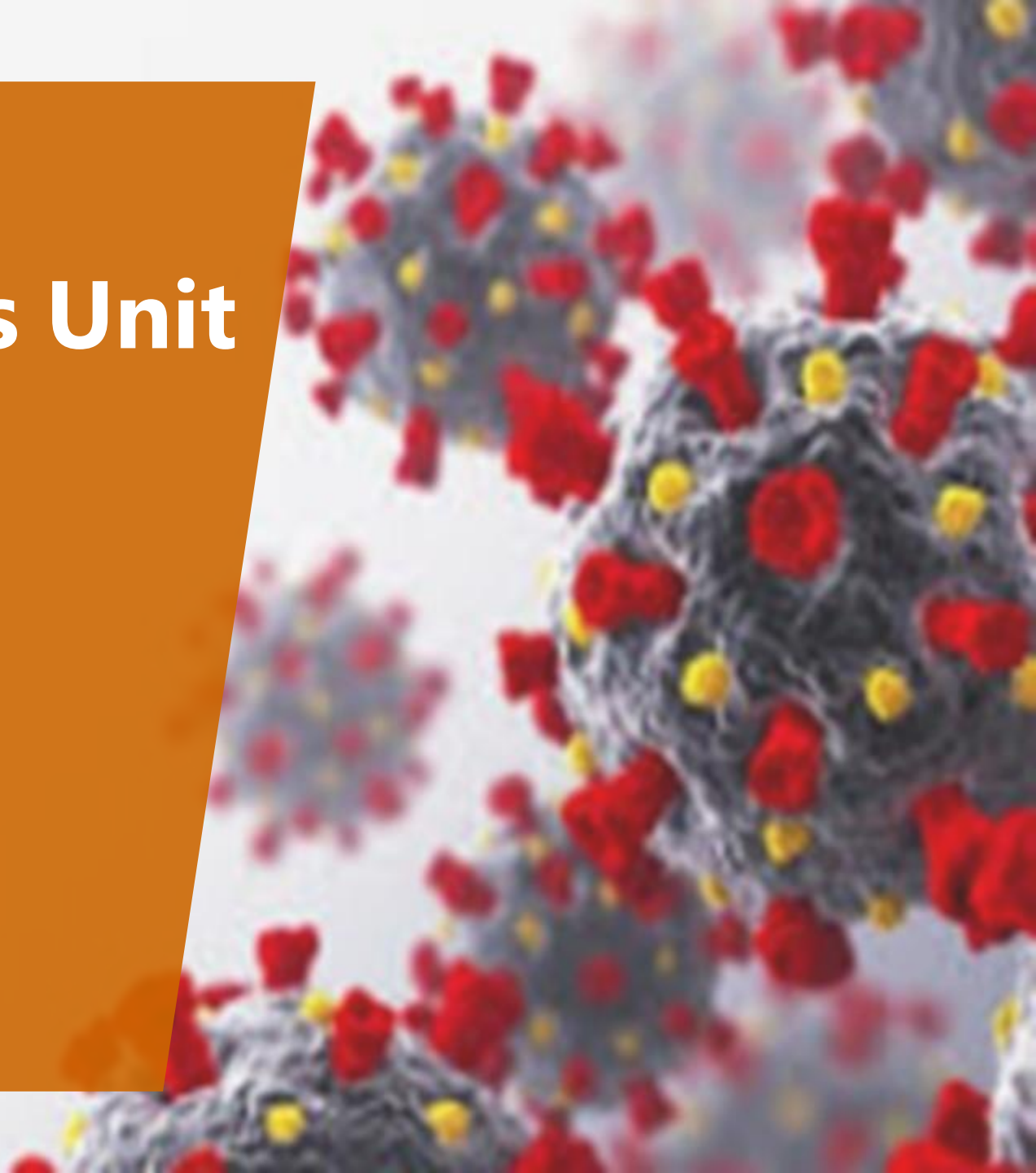


**Karimun
Quarry**



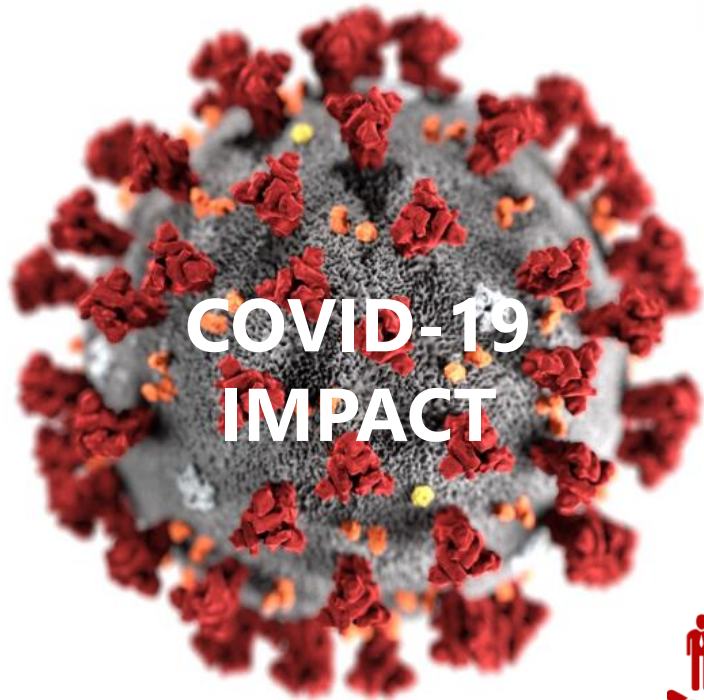
Building Materials Unit

IMPACT OF COVID-19



Impact of COVID-19

Construction activities were halted in Malaysia from 18 Mar and in Singapore from 7 Apr, both which just re-commenced recently and these caused sales to plunge to near zero revenue, with continued operating overheads



Plants stoppage



Continued operating costs



FW living cost support



New SOPs



Manpower shortage



Credit deterioration

Building Materials Unit

**INVESTMENT
UPSIDE**



Investment Upside

With a reputation of being a reliable supplier of consistently good quality building materials, the Group is well placed to capitalise on any surge in the Singapore & Malaysian construction industry



Leadership roles with high market shares



Strong order books



Extensive market coverage in Spore & in Northern & Central Peninsula Malaysia



Good upstream integration with strong support from JV partners

Investment Upside

With a reputation of being a reliable supplier of consistently good quality building materials, the Group is well placed to capitalise on any surge in the Singapore & Malaysian construction industry

Precast, Ready-mix & Cement business units are ranked in the top 3 in Singapore & Malaysian cement plant has consistently outpaced industry's growth rates



Investment Upside

With a reputation of being a reliable supplier of consistently good quality building materials, the Group is well placed to capitalise on any surge in the Singapore & Malaysian construction industry

Resilient business with strong order books

(in months of capacity)

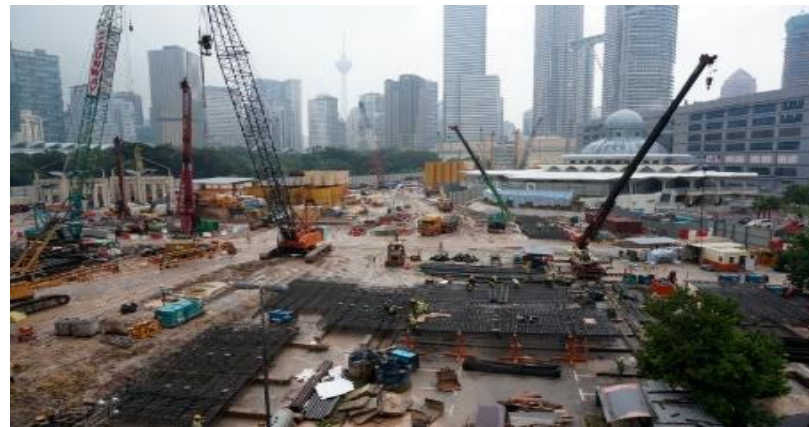
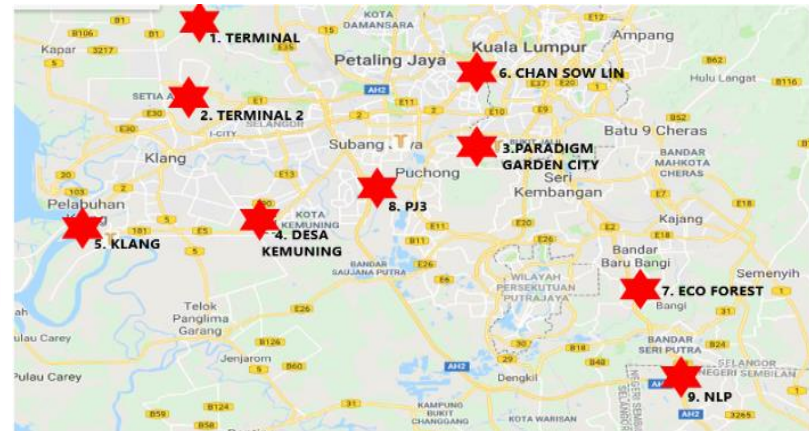
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Ready-mix	10	9	7



Investment Upside

With a reputation of being a reliable supplier of consistently good quality building materials, the Group is well placed to capitalise on any surge in the Singapore & Malaysian construction industry

Plants are well located in Singapore. Malaysia batching plants located @ high growth central region & integrated cement plant located in the northern region



Investment Upside

With a reputation of being a reliable supplier of consistently good quality building materials, the Group is well placed to capitalise on any surge in the Singapore & Malaysian construction industry

Upstream integration & strong JV partnership provide ready supply sources of cement & aggregates



Other Business Units

REX



Airwell



Business Environment

The economic slowdown & shifts of factories away from China dampened demand & affected sales of consumer & industrial goods; Soft resin prices a positive development



Slowdown in economic growth creating uncertainty and led to soft consumer demand

01

US-China trade tensions causing relocation of factories from China to other countries

02

Rising enforcements on SHE and requirements to strengthen SHE in factories

03

Staff attrition from unskilled labour

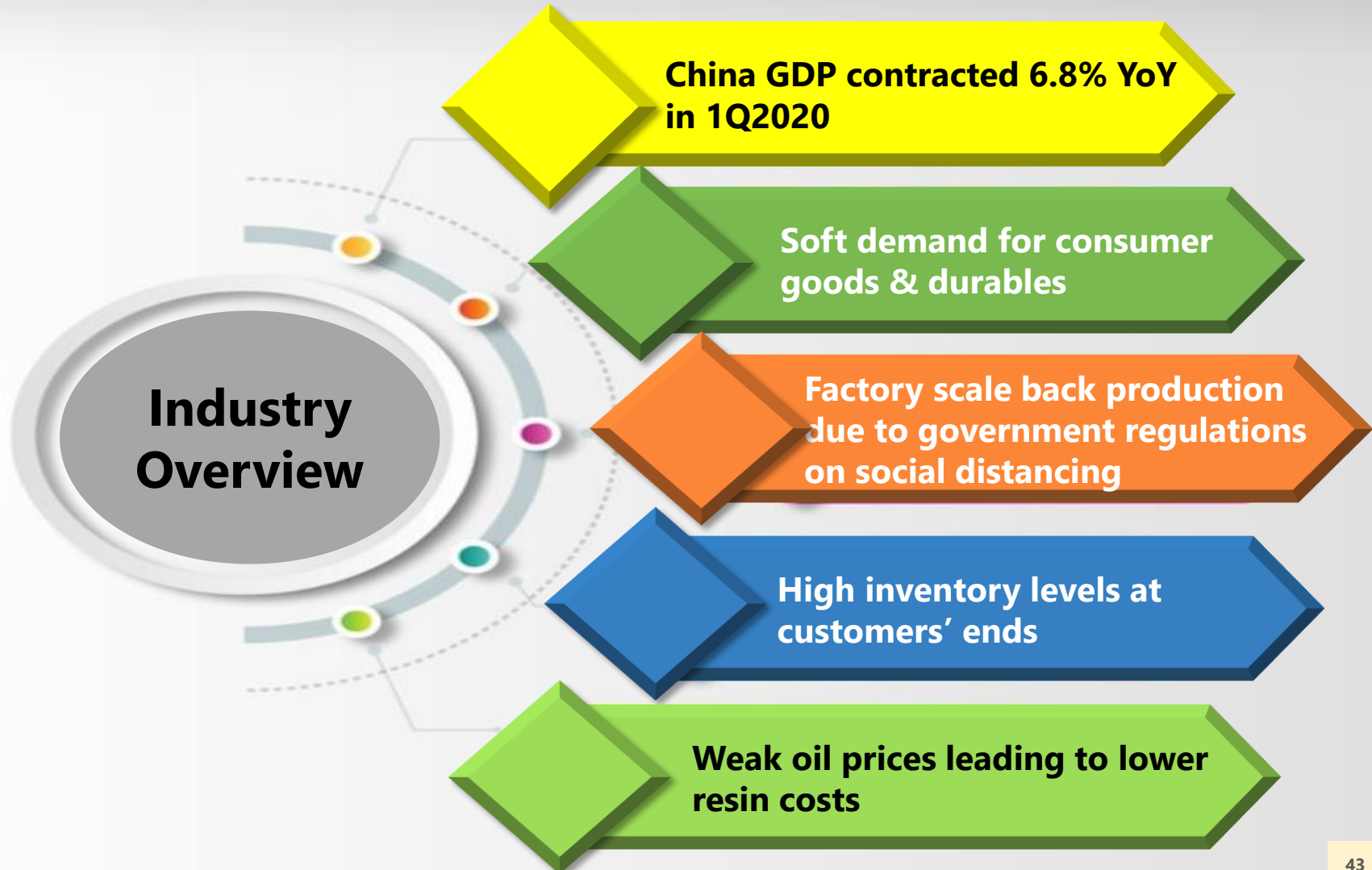
04

Softness in resin prices seen recently

05

Industry Overview

The COVID-19 lockdown & slow economy led to lower disposable income & impacted demand for rigid plastic packaging products



Products and Customers

Good product range and well-known customer base



Other Business Units

**IMPACT OF
COVID-19**



Impact of COVID-19

Due to COVID-19 which caused even more tension between the US and China, consumer demand is likely to be dampened which will affect demand for rigid plastic packaging products & consumer durables



**Softness in
consumer
demand**



**Supply
chain
disruptions**

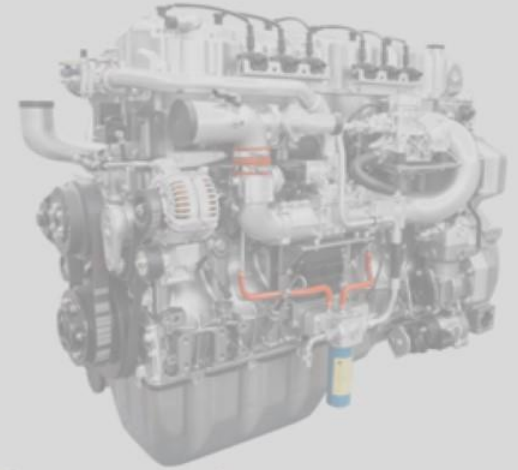


**Increased
cost of
operations**



**Lack of
workers**

SUSTAINABILITY INITIATIVES



Sustainability Initiatives

Sustainability remained a key focus of the Group,
centred on 4 core areas

Community Engagement

1. Cement donation
2. Scholarships



Health and Safety

1. Certification
2. Zero reportable incidents



Carbon Emissions

1. Energy consumption
2. Solar energy
3. Awards
4. Dust Control



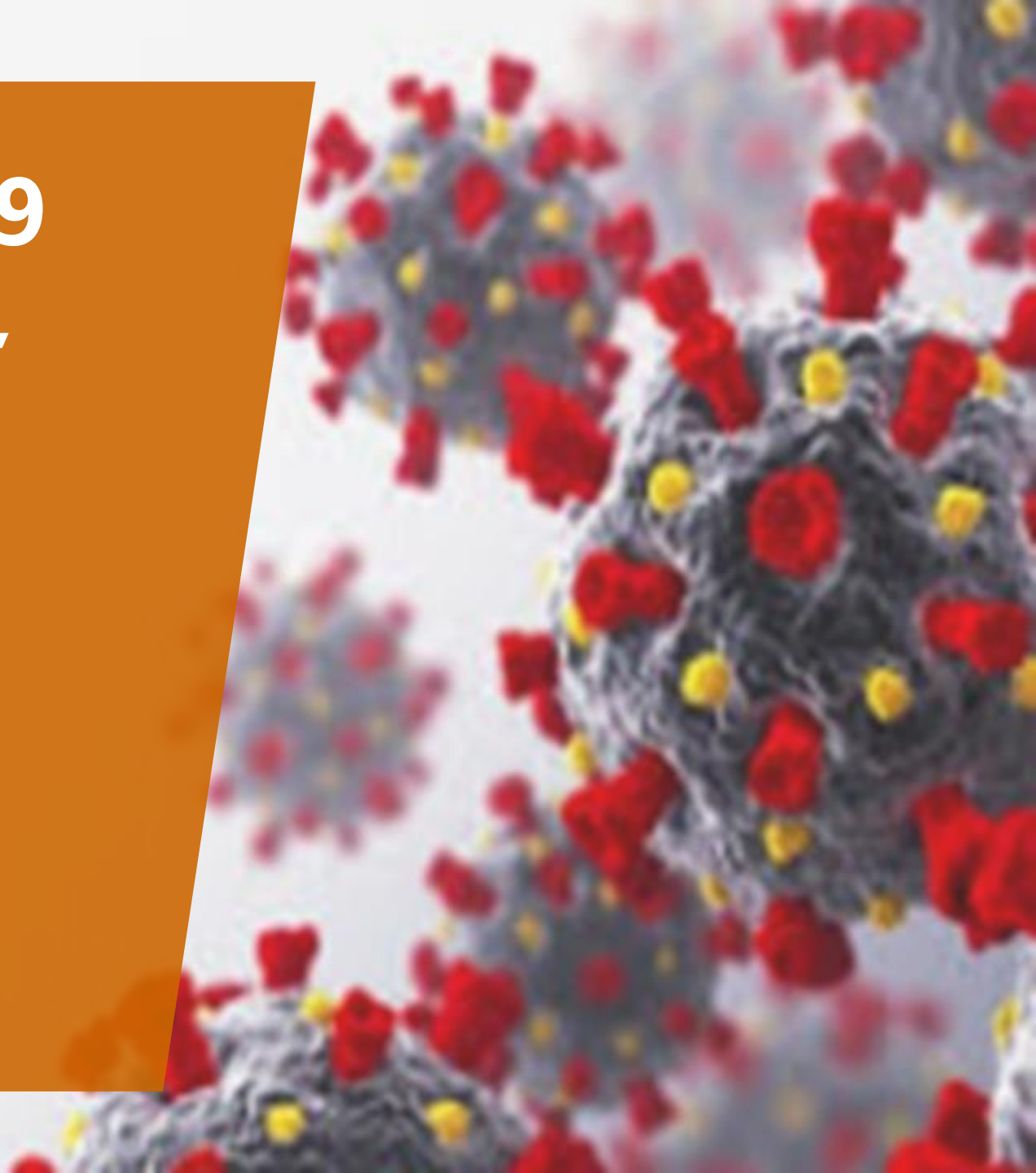
Alternative Raw Materials

1. Increased usage
2. Adopted guidelines



COVID-19

EMPLOYEES' SAFETY MEASURES



Actions on COVID-19

The Group takes seriously the well-being of its employees and have instituted various measures arising from COVID-19 pandemic

Health & Safety



Masks



Hand sanitisers



**Disinfectants for
personal devices &
work desk**



**General disinfecting
exercise for work
areas**



**Temperature
taking**



SafeEntry



**WFH / Separation
of work teams**



**Travel bans – video/audio
conferencing**



BCP



THANK YOU

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