

DRB-HICOM

Annual General Meeting

Queries & Answers for Minority Shareholder Watchdog Group (MSWG)

30 August, 2017

Strategic and Financial Matters

Question 1:

The Group managed to reduce its pre-tax loss from RM822.1 million in FY2016 to RM222.2 million in FY2017.

What would be the expected timeframe for DRB-HICOM to turnaround and return to profit?

Answer 1:

The Group's pre-tax loss of RM222.2 million in FY2017 includes the losses incurred by PROTON of RM973.5 million. As shown below, excluding the results of PROTON, the Group would have achieved a pre-tax profit of RM751.3 million in FY2017.

	FY 2017 RM'000
Profits of other operating companies	751,322
Losses of PROTON	(973,506)
Group Pre-tax Loss	(222,184)

Answer 1 (cont'd):

The formulation of PROTON's turnaround plan is to develop a strong foundation for its sustainable business. The strategic collaboration signed recently with Zhejiang Geely Holding Group Co., Ltd ("Geely") is expected to transform PROTON operational and financial performance and simultaneously to grow its overall businesses. Geely will become a shareholder of PROTON upon the completion of its subscription of 49.9% equity interest.

Together with the growth of the Group's other businesses in Automotive, Services and Property sectors, the Group's financial performance is expected to be better going forward.

Question 2:

As stated on page 104 of the Annual Report, capital expenditure that supports the strategic initiatives will be funded via internal and external sources of funding.

Could the Board provide the expected capital expenditure (“CAPEX”) to be incurred in FY2018 for its Automotive, Services and Property Sectors?

Answer 2:

The budgeted capital expenditure planned in FY2018 for DRB-HICOM businesses is as tabulated below:

Sector	FY2018 RM'000
Automotive	648,000
Services	1,090,000
Property, Asset & Construction	16,000
Total	1,754,000

Question 3:

In the motorcycle sector, MODENAS launched two models in collaboration with KYMCO.

(a) What is MODENAS target market share for the next 3 years?

Modenas collaborated with KYMCO, Taiwan to launch two new models namely MODENAS Karisma 125 and MODENAS Elegan 250 in November 2016. Further, MODENAS also entered into another strategic partnership with BAJAJ Auto Limited, India and launched street bikes V15 and two new variants of PULSAR 200 which are Sportbikes and Streetbikes.

Answer 3(a) (cont'd):

These launches had received overwhelming response from customers, and along with further expansion of its motorcycles line-up and future models, MODENAS is expected to grow its market share which currently stood at 9% to 20% over the next 3 years.

Question 3 (*cont'd*):

- (b) What is the expected percentage revenue contribution from MODENAS to the Automotive segment of the Company in FY2018?

Modenas total revenue is targeted at RM350 million and this will constitute approximately 4% of revenue to Automotive Sector in FY2018.

Question 4:

As reported on page 105 of the Annual Report, PROTON also made headway in its export programme by sending the first batch of left-hand drive Proton Preve to Chile; launching of the Proton Iriz, Proton Persona and Proton Saga in Brunei; followed by the Proton Iriz in Indonesia.

How was the response of the launches?

Answer 4:

The response of Proton cars in the overseas market has been good, especially in Brunei where PROTON exported 123 units of various models (*Iriz, Saga, Exora, Preve and Suprima S*). PROTON also shipped 140 units of Preve cars to Chile. As for Indonesia, besides exporting Iriz, we are also exploring product collaboration for Exora since there is growing demand for MPV market.

Question 5:

What was the reason for the increase in Other Expenses (Others) from RM327.7 million in FY2016 to RM561.5 million in FY2017?

The main reason for the increase are as follows:

- Foreign exchange loss of RM159 million arising from the re-translation of certain payables/accruals and bank borrowings denominated in foreign currencies, pursuant to FRS 121. This was caused by the depreciation of Ringgit Malaysia during the financial year.
- Impairment loss and write off of project development expenditure totalling RM126.6 million in respect of certain motor vehicle model/discontinued project, in accordance with FRS 138.

Corporate Governance Matter

Question 1:

We noted the increase in attendance, other allowance and benefits of Non-Executive Directors (Group level) from approximately RM1.3 million in FY2016 to approximately RM2 million in FY2017.

What was the reason for the increase?

The increase is due to pay-out of monthly allowance to Non-Executive Directors during the FY2017 (details on description of benefits to Non-Executive Directors are given on page 7 of the Annual Report).

THANK YOU
