

**DRB-HICOM**

**31<sup>st</sup> ANNUAL  
GENERAL MEETING**

23 JUNE 2021

**Questions & Answers for  
Minority Shareholders  
Watch Group (“MSWG”)**

**AUTOMOTIVE • SERVICES • PROPERTIES**



## Operational & Financial Matters

### Question 1:

**The Group's profit before tax ("PBT") came in at RM540.1 million, with significant contributions from the disposal of property assets (page 103 of AR2020). The disposal first announced in 2018 as part of the re-structuring of DRB-HICOM's property businesses saw the Group recognise a gain of RM862.6 million (page 99 of Annual Report 2020 ("AR2020")).**

**Excluding the one-off gain of RM862.6 million, what would be the Group's operating profit/loss for financial year ended 31 December 2020? Will the Group be able to remain profitable (without one-off gains), going forward?**

**Answer (1):**

Excluding the one-off gain of RM862.6 million arising from the disposals of property assets and investments, the Group would have recorded an operating loss of RM322.5 million for the financial year ended 31 December 2020.

The effect of COVID-19 pandemic containment measures following the imposition of Movement Control Order in March by the Government have impacted the businesses of the Group resulting in operating losses of RM551.1 million for the first six months of 2020.



**Answer (1) *continued*:**

However, the modest recovery in business activities during the second half-year of 2020 has enabled the Group to achieve profits of RM228.6 million. Hence, this reduced the overall losses to RM322.5 million.

The Group achieved an operating profit of RM36.3 million for the quarter ended 31 March 2021. The COVID-19 pandemic with new, stronger variants is continuing to pose challenges to the domestic and global recovery effort and also in view of the current nationwide full lockdown, the Group remains cautious on the challenging operational environment for the current financial year.



## **Question 2:**

**Over 20,000 bookings had been made for the compact X50 SUV while 3,787 units were sold as production was slowly ramped up to meet demand (page 110 of AR2020).**

**To-date, have these 20,000 bookings been delivered? What is the current outstanding bookings for X50?**



**Answer (2) :**

**As at 31 March 2021, PROTON has delivered a total of 11,654 units of X50 and the current outstanding booking is around 30,000 units.**



### **Question 3:**

**In 2020, the first locally-assembled Proton Saga made its debut in Kenya, while both the Saga and X70 were introduced in Pakistan. The Saga was also introduced in Egypt, Bangladesh and Nepal, while the X50 was introduced in Brunei on 19 December (page 111 of AR2020).**

**How many PROTON vehicles were exported in 2020? What is the demand outlook for PROTON cars in these countries in 2021?**



**Answer (3) :**

**A total of 1,508 units were shipped by PROTON to respective export destinations in 2020.**

**Based on the encouraging demand, PROTON is expected to achieve higher export volume in 2021 after having delivered 669 vehicles as of end May 2021.**





#### **Question 4:**

**To what extent has the current shortages in the global semiconductor industry affected the Group? What is the Group's current delivery time of vehicles to end-customers?**



**Answer (4) :**

**The shortage in semiconductor components has some impact to our automotive manufacturing companies.**

**Nevertheless, the Group has been in constant engagement with local and overseas suppliers to ensure risks on supply shortage is mitigated and minimised to avoid any major disruption to the manufacturing operations.**

**In addition, the Group is also assessing alternative material sourcing to support local suppliers.**



### Question 5:

**HICOM-Teck See Manufacturing Malaysia Sdn. Bhd. (“HTS”) is constructing a new plant in Tanjung Malim, which will include the latest injection moulding plant and a state-of-the-art robotic painting line which is expected to be completed in October 2021 (page 105 of AR2020).**



**Question 5(a) :**

**How will the current nationwide Full Movement Control Order impact the completion of HTS's new plant in Tanjung Malim?**

**We anticipate some delay in the completion of the plant in view of the current lockdown, but aims to have the plant ready by end of 2021.**



**Question 5(b) :**

**What is the total cost of constructing the new plant and the estimated capital expenditure for the new plant to be operational?**

**The estimated investment cost is approximately RM80 million, which is funded via internal funds and bank borrowings.**



**Question 5(c) :**

**What will be the production capacity?**

**The robotic painting line is designed with an annual capacity of 520,000 pieces, whereas the injection moulding capacity is around 560,000 pieces annually.**



### **Question 6:**

**Write-off/down of inventories amounted to RM10.7 million (page 150 of AR2020).**

- (a) What is the nature of these inventories that have been written down?**
- (b) Are the written down inventories still salable? If so, what is the recoverable value?**



**Answer 6(a) and 6(b) :**

**The write-down of inventories relates to automotive distribution companies which undertakes assessment of the carrying values of the inventories in accordance of the accounting standards.**

**The Group's policy is to state inventories at the lower of cost and net realisable value. The write-down mainly comprise of demo and aged motor vehicles, which will be sold at market price.**





## Corporate Governance Matters

### Question 7:

**Resolution 6 - To approve the payment of benefits payable (excluding Directors' fees) to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM1,331,000 from 24 June 2021 until the next AGM of the Company.**

**Based on the notes provided for the Notice of AGM, the Group is proposing a monthly fixed allowance of RM70,000 be introduced to remunerate the Chairman, in recognition of the significant roles in leadership and oversight, and the wide-ranging scope of responsibilities as the Chairman of DRB-HICOM in all matters concerning the interests and businesses of the Group, including overall stakeholder management particularly the governmental and regulatory authorities and customers (page 9 AR2020).**



**Question 7 (continued) :**

**The proposed benefits payable is 3 times higher than the amount approved at the 30th AGM, an aggregate amount of RM439,000. Given that the fees for the Board's Chairman had recently being revised upward by slightly above 100%, i.e. from RM140,000 to RM300,000 per annum at the last AGM, the proposed monthly fixed allowance of RM70,000 is high.**

**a) Why are the fees of RM300,000 per annum for the Board's Chairman not sufficient to remunerate him?**



### **Answer 7(a) :**

**The Chairman's remuneration commensurate with his roles and responsibilities which includes strategic development and direction of the Group's conglomerate businesses for long term sustainable growth and to further enhance shareholders' value.**

**The Chairman's fee is a fixed sum provided to the Non-Executive Chairman for his ongoing contribution to the Board. Due to the ever-increasing demands on the Chairman, such as escalating legal compliances, higher business complexities and exceedingly onerous duties of the Chairman including providing leadership across the Group and ensuring internal governance, planning, policies and system to enhance the Group's capability and capacity, the monthly fixed allowance of RM70,000 has been introduced to remunerate the Chairman.**



### **Question 7(b) :**

**Is it reasonable to propose to pay a total fixed allowance to RM840,000 per annum to the Board's Chairman which is 2.8 times of his fees?**

**The Board is of the view that the proposed fixed allowance of RM840,000 per annum to the Board's Chairman is reasonable as the said allowance is reflective of the Group's demands, complexities and performance as a whole, as well being able to attract and retain Chairman of the right calibre and talent to drive the Company's long-term objectives.**

**The Board's fundamental approach is to compensate the Chairman who is able to provide executive coaching and mentoring, succession planning and long-term strategy development, including an advisory role, with no oversight of daily operations.**



### Question 7(c) :

**What was the basis used by the Board Nomination and Remuneration Committee to derive the proposed monthly fixed allowance of RM70,000 for the Chairman? What is the nature and breakdown of the fixed allowance?**

**The Board Nomination and Remuneration Committee (“BNRC”) reviewed the Remuneration Framework annually where it considers various factors including the Directors’ fiduciary duties, risks, time commitments and statutory duties as well as the relevant benchmark study.**

**The BNRC also aims to ensure the Directors’ remuneration (including the Chairman of the Board) is competitive, motivates good performance and support growth in shareholders’ value.**



***Answer 7(c) continued:***

The Chairman's remuneration packages shall be determined on the basis of his qualification, experience and competence, having regard to his responsibilities, risks, time commitments and annual evaluation as undertaken by the BNRC. With his extensive knowledge and experience, he can provide guidance on strategic management, talent and leadership development to the Company as well as establishing the right culture for the Group.

In this regard, the Chairman of the Board shall be remunerated with a flat rate monthly allowance to reflect the wide-ranging scope of roles and responsibilities expected of him.

*Thank You*