



DRB-HICOM

32nd ANNUAL
GENERAL MEETING
22 JUNE 2022

**Questions & Answers for
Minority Shareholder
Watch Group (MSWG)**

Operational & Financial Matters

Question 1:

Despite various pandemic-induced challenges, 2021 was another successful year for PROTON. Achieving its highest sales volume since 2014 – of 114,708 units (including exports) – it was able to grow its market share while TIV shrank by 4%. (page 114 of AR2021)

To date, what is the status of the Group's backlog orders for PROTON? Does the Group expect a sudden vehicle sales contraction after the end of the sales tax holiday in June 2022?

Answer (1):

As at 1 June 2022, PROTON recorded outstanding bookings of more than 72,000 units, with X50 and Saga being the most highly sought-after models with a combined share of approximately 66%. Given the strong orderbook, PROTON will continue to focus on ramping up production to catch up to market demand and ensure our customers receive their vehicles as soon as possible.

Question 2:

While performing very well locally, PROTON is also making a stronger mark in the international market, exporting 3,018 units, which was more than double the figure in 2020. (page 102 of AR2021) What is the Group's export target for PROTON in 2022?

Answer (2):

Despite difficult market conditions caused by COVID-19, PROTON aims to grow its export market to a minimum 5,000 units in 2022. For the first five months this year, Pakistan continues to be the biggest export market with 1,350 units, followed by Egypt and Brunei with 172 units and 158 units respectively.

Question 3:

In December the Group acquired shares in Singapore-based Trusty Cars Pte. Ltd., which operates myTukar that serve as an online marketplace for the sale of new and used cars. Trusty Cars also has 23 inspection and nine retail centres in Malaysia, Singapore, Thailand and Indonesia, transacting 4,000 cars per month. (page 118 of AR2021)

- a) What was the amount paid by the Group to acquire Trusty Cars Pte. Ltd.? How much is the Group's equity holding in Trusty Cars Pte. Ltd.?**

Answer (3a):

The subscription price was US\$5.0 million or RM20.9 million for 95,165 convertible preference shares, translating to 0.41% equity shareholding in Trusty Cars Pte. Ltd.

Question 3(b):

How and to what extent will Trusty Cars Pte. Ltd. contribute to the Group in 2022?

Answer (3b):

The investment in Trusty Cars Pte. Ltd. establishes a strategic partnership that provides the Group with an opportunity to access the data and market intelligence of Trusty Cars, in line with the Group's aspiration to expand automotive downstream ecosystem. Trusty Cars is a regional player thus the investment may offer insights into individual regional markets as well.

The Group had recently launched a step-up vehicle financing product, a collaboration between EON, Bank Muamalat and myTukar to enable a seamless trade-in of used cars for our retail customers. We will continue to explore other collaboration opportunities to enhance our performance in the future.

Question 4:

The year-end flood also saw 118,000 CKD engine sets stored at a warehouse in Shah Alam being inundated, causing a production slowdown until April 2022 (page 124 of AR2021). Write-off of property, plant and equipment increased significantly to RM33.4 million (2020: RM4.6 million) (page 162 of AR2021). Included in the write-off were certain property, plant and equipment with carrying amount of RM32.7 million. The write-off was due to the severe flooding in Shah Alam in mid- December 2021. (Note 13, page 241 of AR2021)

a) What was the total financial and non-financial impact on the Group arising from the flooding incident?

Answer (4a):

The damaged assets and inventories were written-off in the financial year ended 31 December 2021 as disclosed in the audited financial statements. However, the affected companies had also taken up the Industrial All Risk insurance coverage on their assets, and based on the insurance policy, most of the losses will be recoverable. We have received a portion of the insurance claimed to date.

The flood had caused disruption in supply chain of the affected automotive component manufacturers and vendors. Production had been delayed, resulted in longer waiting period for customers.

Question 4(b):

What are the measures taken by the Group to prevent flooding in the future to avoid disruption to its operations?

Answer (4b):

The recent flood was an extraordinary incident that happened beyond normal anticipation. To mitigate the impact of flooding and any other climate change related disasters in the future, the Group has undertaken the following initiatives:

- i. Strengthening our crisis management approach focusing on supply assurance particularly from core component suppliers throughout various risks of any natural disaster**
- ii. Physically reinforcing flood mitigation measures including upgrading of alarm system, erecting water barriers and placing critical equipment, where possible, above the ground level**
- iii. Encourage vendors to consider relocation of their operations to Tanjung Malim in line with PROTON's relocation plan from Shah Alam**

Question 5:

Write-off/down of inventories increased significantly to RM30.9 million (2020: RM10.7 million) (page 162 of AR2021). The Group recognised a write-off of inventories amounted to RM10.3 million which was due to the severe flooding in Shah Alam in mid-December 2021. (Note 25 (c), page 273 of AR2021)

Besides the flood, what are the reasons for the huge increase in write-off/down of inventories? How much of the written down inventories are still saleable?

Answer (5):

The huge increase in write-off/down of inventories was mainly due to the write down of the carrying value of the inventories to their net realisable value. The inventories written down are related to automotive inventories and land held for development, which are still saleable.



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THANK YOU