

MBM RESOURCES BERHAD
[Registration No. 199301029757 (284496-V)]
(Incorporate in Malaysia)

QUESTIONS AND ANSWERS (“Q&A”) SESSION AT THE TWENTY-EIGHTH ANNUAL GENERAL MEETING (“28th AGM”) OF THE COMPANY HELD ON 1 JUNE 2022

Q1 Is the chip shortage issue still affecting the Company’s car sales?

A1 Unfortunately, the chips shortage did not only affect the automotive manufacturers but also other industries which require microchips for their products e.g. air-con, hand phones, computers, etc. In the case of MBMR, based on the Quarter 1 financial results for the period ended 31 March 2022, the impact was not so significant. The Group would continue to engage with the local OEMs’ assemblers and principals to minimize the impact of the chips shortage.

Q2 Is the Company expected to be adversely impacted by Cukai Makmur, the increase of minimum wages to RM1,500 and the weakened Ringgit Malaysia (“RM”) and any numbers that can be shared?

A2 The Company was not directly affected by the Cukai Makmur but this tax could have some adverse impact on the profits of the Company’s associates. The Company’s associate had assessed the impact of Cukai Makmur and indicated that the impact was manageable as there were tax incentives to cushion this one-off Tax.

Meanwhile, the minimum wage and the weakened RM would have an impact to the Group’s bottom line. Having said that, the Group was currently engaging with the OEMs assemblers and principals on the possibility of them to either absorbing or sharing the increase costs. The Group was also looking at other factors to cushion the impact.

Q3 What cost related pressures, both in terms of cost of supplies and overhead costs, the Company expected for 2022? How much compression the Company expected on the Company’s profit margins for 2022?

A3 To-date, the more significant increases that the Company could see were the raw materials cost, component costs, and minimum wage increase. Given the current global uncertainties such as the on-going chips shortages, lockdown in Shanghai and the Ukraine/Russia war, and so on, all of which were still unfolding at this point, it was difficult for the Company to estimate the impact to the Group’s profit. Based on current assessment, the Group do not expect the impact to be material to the Group PBT.

Q4 Does the Company foresee any supply related disruptions and the level of disruptive expected to for the Group’s business and underlying results in 2022?

A4 Yes, there were certainly some on-off supply disruptions given all the challenges seen thus far. The Company expected that some of the vehicle supplies would be affected by these disruptions despite having high demand.

On the Auto Parts Manufacturing side, it was fortunate that so far, the Group's production volume was still above the budget as the volume disruptions for some carmakers were also made up by higher pull-in volume from other carmakers. The Company hoped the same trend would continue for the remaining of the year.

Q5 If the Sales and Services Tax ("SST") exemption was not extended beyond 30 June 2022, what would the impact to the Group's results for 2022?

A5 Currently, the industry stakeholders had appealed to Ministry of Finance for the extension of the SST exemption beyond 30 June 2022. Having said that, the Group's budget was prepared on the assumption that the SST exemption was not extended beyond 30 June 2022, therefore, the Company did not foresee any indication of material variation against the Group's budgeted results due to the expiration of SST exemption. The Group is currently in close communication with the OEM's assemblers and principals to address the issue of increase costs to cushion the impact to the Group's bottom line.

Q6 Based on the latest annual report, the top 30 shareholders hold 79.01% of the Company's equity, which probably indicated low liquidity of the shares in the market. Would the Management consider issuing bonus shares to the shareholders to increase liquidity of the Company's shares in the market? The increased liquidity could possibly assist to increase the share price of the Company in the stock market, which would be beneficial for current shareholders?

A6 The Company is currently considering various measures including bonus shares.

Q7 As per note 18 in the annual report, investment properties carrying amount in the balance sheet, which is based on cost less accumulated depreciation, is RM91.48 million, while the fair value of investment properties as disclosed in note is RM207.5 million as at 31 December 2021. Why doesn't Management recognise the fair value of the investment properties as carrying amount in the Balance Sheet?

A7 The Group's core business is not in property trading nor property development. Rather, the Group's focus is on generating profit growth from the core businesses, which are automotive and automotive-related businesses. Currently, the Group's net book value has already reached RM5.00 per share, and Management was of the view that there was no justification to recognise the fair value on investment properties to further inflate the carrying value in Balance Sheet which could lead to higher volatility to the Balance Sheet and add additional recurring valuation costs. The Company's approach is to realise the value of the non-core assets and reward the shareholders with real gain and stronger cashflow.

Q8 The proportion of ownership interest on Perusahaan Automobil Kedua Sdn Bhd (“Perodua”) as disclosed under Note 50 of the Annual Report 2021 (page 172) was 22.6%. Whereas the ownership interest on Perodua as disclosed under Note 22 of the Annual Report 2021 (page 138) was 20% held directly by MBMR and 2.6% by a 51.1% subsidiary, Daihatsu (Malaysia) Sdn Bhd (“DMSB”).

(1) The Group’s share of results of associate amounted to RM151 million was calculated based on 22.6% or 20.0%? If it was calculated based on 20.0%, the share of results of associate of 2.6% was under DMSB?

(2) The Group’s share of results of associate amounted to RM151 million was equivalent to 25% of the total net profit of RM604 million in DMSB. Why is that so?

A8 *The Group’s share of Perodua’s results amounted to RM151.1 million was calculated based on total direct interest of 25%.*

Profit attributable to equity holders of the Company was then adjusted to reflect only the effective ownership interest at 22.6%.

Q9. The recently released 1st Quarter 2022 financial results reported an increase in Revenue but a lower increase in Gross Profits. In view of increasing costs, it was expected that the gross profit margin will be reduced. What are the steps taken to mitigate pressure on profit margins and will there be any price increase in the coming quarters?

A9. *To-date, the more significant increases that the Company could see were the raw materials cost, component costs, and minimum wage increase. The Group was currently in close communication with the OEMs assemblers and principals to address the issues of increase cost to cushion the Group’s bottom line. The Group is also continuing with the cost management initiatives which had been implemented earlier. As for price increase, since the Group is not the OEM’s or principals, we are not in the position to comment on any potential vehicle price increase in the coming quarters.*

Q10 Dividend amounted to RM71.088 million were received from Associates in FY2022. Please provide a breakdown on the dividends paid by: (1) Perodua (2) Hino Manufacturing & Hino Sales (3) Teck See Plastics

A10 *The breakdown on the dividend received from the associates was as follows:-*

(1) *Perodua – RM68.4 million;*

(2) *Hino Motor Manufacturing Malaysia Sdn Bhd and Hino Motor Sales Malaysia Sdn Bhd – RM0.5 million; and*

(3) *Teck See Plastic Sdn Bhd – RM2.2 million.*

Q11 What is the occupancy rate of the commercial units in Menara MBMR and The Signature, Desa Sri Hartamas? What is the revenue received from the rental/leasing of properties in the Group?

A11 The occupancy rate of the commercial units owned by MBMR in Menara MBMR was approximately 65%, whereas the Company's commercial units in The Signature, Desa Sri Hartamas were fully occupied.

The details of the revenue received from the rental/leasing of properties in the Group could be found in Note 5 on the Revenue in page 117 of the Annual Report 2021.

Q12 Currently, the forex market seems volatile, and it was noted that the Group imported certain brands of cars, spare part and raw materials. How the Group handle the forex volatilities? Is the Group currently undertaking forex hedging?

A12 The Group is closely monitoring the forex volatilities. So far, the Company do not foresee significant impact arising from foreign currencies that requires extensive hedging.

Q13 Would the Company maintain the dividend policy for the current year, in terms of the percentage of the Company's profits that would be paid out as dividends?

A13 Yes, the Company would not change the Company's dividend policy of a minimum of 60% of the Company's net profit. For Financial year ended 31 December 2021, the Company proposed/paid a total dividend of 26 cents representing 92% of the Company's net profit.

Q14 What is the Company's outlook in the future?

A14 The Board remained cautiously optimistic of the Group's results for Quarter 2 2022 which was expected to be better than Quarter 1 2022 given the current high unfulfilled order banks and the sales push towards the end of SST exemption period on 30 June 2022.

Q15 How much does the Company spend on conducting the virtual AGM?

A15 The amount spent on conducting this virtual AGM is comparable to amount paid for last year's virtual AGM.

Q16 The 82,005 m³ (20 acres) land in Bandar Sri Sendayan was acquired in 2013. What is the current and intended use of this piece of land, which was acquired nine (9) years ago? A similar similar piece of land in Ipoh which was acquired in 2013 was also vacant as listed in the List of Properties. What is the intended use of this piece of land in Ipoh?

A16 The Company's land in Bandar Sri Sendayan is a freehold land located within the vicinity of the industrial area in Bandar Sri Sendayan. The Company is currently exploring the best opportunity to unlock its value and hope to see some results soon.

As for the land in Ipoh, currently the said land has been rented out. The Company is also working to realise the value on this land.

Q17 **Would MBMR consider undertaking share buy back in the current year? It might be worth considering since the Company's share price currently seems very reasonable. The Company also have ample cash in hand currently.**

A17 The Company is currently considering various measures taking into consideration of our share's liquidity in the market.

Q18 **It is the duty of directors to attend meetings and why the Directors are paid allowances of RM1,500 for each meeting? These allowances should be channelled back to the shareholders for better use, such as dividend, etc.**

A18 The Company's Directors are not full-time employees of MBMR. The Company's Directors' remuneration structure is benchmarked against other comparable listed companies. This structure comprises fees and allowances, including attendance allowances, which is common to most or if not all the listed companies.

For shareholders, MBMR had been rewarding shareholders with attractive dividends for every financial year.

Q19 **When would the Company rewarding the shareholders with bonus issues?**

A19 The Company would consider various measures including bonus issues.

Q20 **What is the prospect of electric vehicle ("EV") in Malaysia? Is the Company prepared for the EV trend in Malaysia?**

A20 The Company is not a car manufacturer or assembler; thus, any plan for EV cars will be depending on the Associates and Principals. As of to-date, Volvo has introduced and launched the first assembled battery EV car in Malaysia, i.e. the Volvo XC40 (Pure Electric) on 15 March 2022 and it had received great response. For others, the principals have some plan in the medium term to introduce EV cars.

Q21 **As the Chairman has informed during the AGM, the Net Assets ("NA") per share of MBMR has already touched RM5.00. In view of the huge discount of the current market price of RM3.22 to the NA, please seriously consider buying-back MBMR shares from the open market since the Company has the mandate approved by shareholders. This will further enhance shareholders' value and more dividends can be declared on reduced number of shares outstanding.**

A21 The Company would consider various measures including share buy-back.

Q22 On page 4 of the AR, Teck See Plastic Sdn Bhd is listed as a Jointly Controlled Entity with 22.1% equity. Would appreciate clarification on the status change from Associate entity to Jointly Controlled entity.

A22 There was no change in the status of Teck See Plastic Sdn Bhd as an associate entity.

Several Shareholders asked the Company to consider giving e-voucher/ door gift/ e-wallet to those shareholders who attended this virtual Annual General Meeting (“AGM”)

In response to the shareholders’ request in the past, MBMR would be providing a Touch ‘N Go e-vouchers to reward shareholders who logged-in and participated at this 28th AGM. Further, the Company was also proposing for shareholders’ approval at this 28th AGM, a single tier final dividend of 6 cents per ordinary share for the financial year ended 31 December 2021 to reward the shareholders.

Several Shareholders also asked the Company to send a copy of the 2021 Annual Report to them.

In response to the shareholders’ request, the Company would send the 2021 Annual Report to those shareholders who had requested for a hard copy of the Annual Report after the AGM.