

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

QUESTIONS AND ANSWERS (“Q&A”) SESSION AT THE THIRTIETH ANNUAL GENERAL MEETING (“30th AGM”) OF THE COMPANY HELD ON 30 MAY 2024

Several shareholders had asked for the Company to consider giving e-voucher/e-wallet to shareholders who attended the virtual 30th Annual General Meeting (“AGM”).

In response to the shareholders’ request, MBMR would be providing a Touch ‘N Go e-vouchers to the shareholders who logged in and participated at this 30th AGM.

Q1 On Financial Statements, please provide the insights on the key factors that contributed to the financial performance for the year ended 31 December 2023.

A1 The factors that contributed to the high performance of the Group for financial year ended (“FYE”) 31 December 2023 were as follows:-

- (1) Our vehicle sales volume rose by 10.5% year on year (“yoy”), which was comparable to the increased Total Industry Volume (“TIV”) of 10.9% yoy, whilst the aftersales revenue increased by 15.1%.*
- (2) As for the Auto Parts Manufacturing (“APM”) Division, overall manufactured volume also increased by 18.5% yoy.*
- (3) With the higher volumes, and more stable material pricing and labour supply conditions, the Group’s operating performance for 2023 increased by 24% yoy.*

Q2 On Dividend Declaration: How was the decision made to declare a single tier final dividend of 15.0 sen per ordinary share? What factors were considered?

A2 In deriving at the final dividend payout, the Company considered a number of factors including its dividend policy of distributing a minimum 60% of the Company’s profits, the Group’s audited financial performance for the year and expected future capital expenditures, investments, levels of available cash and etc.

In view of the strong performance for the current year with the Group achieving the highest earnings to-date, the Company hence decided to propose a 15.0 sen dividend to reward its shareholders. This final dividend, if approved by shareholders, will give a total dividend payout (interims + final) of 54.0 sen for FYE 2023.

Q3 On Director Elections: What unique skills and experiences do Mr. Ng Seng Kong and Ms. Wong Fay Lee bring to the board that will benefit the company?

A3 Mr. Ng plays a crucial role in the Audit Committee of the Company being a fellow member of the Association of Chartered Certified Accountants and Chartered Institute of Management Accountants, and a member of Chartered Global Management Accountant.

Ms. Wong, on the other hand, contributes significantly to the Board through her knowledge and experience in legal and financial fields. She holds a bachelor's degree in law and a Graduate Diploma in Applied Finance and Investments.

Further details of the Directors' skills and experiences is available in the Company's Annual Report 2023.

Q4 On Share Buy-Back: Could you elaborate on the strategy behind the proposal for the renewal of shareholders' mandate for the company to purchase its own shares up to 10% of the total issued shares? What impact is this expected to have on the company's financials and shareholder value?"

A4 The Share buy-back, in addition to high dividends, gives the Company another tool when needed, to better reflect the company's value. In recent years however, the Company has been rewarding its shareholders directly with high dividends, and coupled with its strong financial performance, this strategy has led to the Company's share price reflecting a more reasonable level and achieving the intended purpose.

Q5 On Future Plans: What are the company's key strategic initiatives for the upcoming year? How does the company plan to navigate any potential challenges?

A5 Among the Company's key strategic initiatives were:

- (1) Expanding its Motor Trading ("MT") business through new dealerships such as Jaecoo;*
- (2) Enhancing the current MT business through more effective sales and marketing activities and ensuring a superior customer experience to drive repeat business; and*
- (3) Enhancing Manufacturing efficiency through regular value engineering and digitalisation of manufacturing processes.*

Management and Board of the Company regularly monitor its operating environment and will consider suitable plans and counter measures to address any potential challenge that arises in the future, as and when they happen.

Q6 From Note 45 – Segment Information, it was noted that the operating profit for reportable segments for both Motor Trading and Auto Parts Manufacturing had deteriorated in 2023 when compared to 2022 despite revenue for both segments remaining steady. What has caused this gross margin compression and what steps are the Company undertaking to reverse this trend.

A6 The operating profits for our MT Division was lower than FYE 2022 mainly due to the reduction in demand for our premium brands, i.e. Volvo and Volkswagen, after the expiry of the sales tax exemption bookings on 31 March 2023.

As for our APM Division, the operating profit for FYE 2022 was inclusive of a one-off non-recurring gain on the sales of land and building of RM30.4 million. Excluding the one-off gain, the operating profit of the APM Division for FYE 2023 was higher by 17.4% yoy.

Among the steps taken by MBMR to address the gross margin compression were:-

- (1) Expanding its MT business through new dealerships such as Jaecoo;*
- (2) Enhancing the current MT business through more effective sales and marketing activities and ensuring a superior customer experience to drive repeat business; and*
- (3) Enhancing Manufacturing efficiency through regular value engineering and digitalisation of manufacturing processes.*

Q7 In the Income Statement, it was noted that there were significant 'other income' in both FYE 2022 and FYE2023. Could the Company provide more details on this "other income"?

A7 Other Income comprised mainly the dealer's incentive for MT Division, and engineering and other non-revenue service income for APM Division. For 2023 and 2022, Other Income also included non-operating gain from the disposal of properties of RM29.3 million and RM31.4 million respectively.

Q8 As per Note 27 - Inventories, the completed vehicles inventory at the end of 2023 had increased to RM130.8 million from RM89.1 million at the end of 2022. Could the Company provide an explanation for the significant increase in inventory? What steps are currently undertaken to reduce inventory in all segments as much as possible?

A8 At the end of 2022, most car sellers did not have sufficient stocks to meet the sales tax exemption orders as coming off the global Movement Control Order pandemic and lockdown, there were still intermittent supply chain issues and labour shortages. At the end of 2023, with the sales tax exemption orders over and marked improvements in both the supply chain and labour conditions, vehicle stocks returned to a healthier level. Depending on the brand and model, customers may now have immediate access to available stocks or experience a shorter waiting time.

Q9 There appears to be more subdued consumer sentiment currently, especially for big-ticket items like motor vehicles. How will this sentiment affect the Company's operating environment and performance in the coming year, especially for the higher-value motor vehicles the Group is distributing? If there is an expectation of a subdued demand, how the Company reduce the overhead costs?

A9 *With the expiration of the sales tax exemption orders in Quarter 1 2023, there were some softening of demand for premium brands, as most customers have taken advantage of the tax exemption. The Group has since reviewed its pricing strategy to offer more competitive and attractive offers to maintain customer's interest.*

As explained previously, some of the initiatives undertaken to address the potentially subdued demand include:

- *Enhancing the current MT business through more effective sales and marketing activities and ensuring a superior customer experience to drive repeat business.*
- *Optimizing commissions to reflect a more competitive landscape.*
- *Embarking on projects such as the installation of solar panels to directly reduce electricity costs, in addition to being environmentally sustainable (ESG friendly).*

Q10 How much impact does the recently announced subsidy rationalization create in terms of car sales? How may percentage of the company's car sales be of diesel cars?

A10 *As the extent and specifics of the subsidy rationalisation plan has yet to be announced, currently the Company is unable to evaluate its potential impact.*

Diesel cars contributed to less than 1% of the Group's vehicle sales volume, hence, the Company does not anticipate material impact from the diesel rationalisation plan.

Q11 Has the Daihatsu safety scandal impacted MBMR?

A11 *So far, any negative impact to MBMR has not been observed. The most relevant brand that would be affected would be Perodua and to date, consumer confidence in Perodua remains high, evidenced by the 10.9% increase in sales volume for 2023 against 2022 i.e. 799,747 units against 721,177 units and a further 9.3% increase in sales volume yoy in the first quarter of 2024.*

The Road Transport Department has confirmed that Perodua vehicles are deemed safe, following a comprehensive review and thorough examination of the data, as well as after subsequent re-testing.

Q12 How much does the Company spend on this virtual AGM? Would the Board kindly give Touch n Go e-wallet as a token of appreciation for attending this RPV? I would like to request a printed hard copy of the company annual report. What are the future outlook and prospects for the Company's automotive business? Please advise.

A12 *The Company assesses the best options to hold its AGM annually and is able to maintain the same costs for this AGM.*

MBMR will be giving e-voucher to the attendees who attended the 30th AGM. The Company will send the 2023 Annual Report to shareholders who had requested for a hard copy of the Annual Report after the AGM.

In terms of the future outlook and prospects for the Company's automobile business, MAA has announced a forecasted Total Industry Volume ("TIV") for 2024 at 740,000 units, reflecting a 7.5% decrease compared to the 2023 TIV. However, TIV for Q1 2024 has been encouraging with a 5% increase compared to the same period in 2023. The market trend was also reflected in the marginally higher MBMR Q1 2024 results announced on 27 May 2024.

Q13 Is there any plan in use of Artificial Intelligence ("AI") and automation to cut the staff costs, including managerial level staff?

A13 At this moment, the Company does not see any direct application of AI in the Group's business. As for automation, the Group had applied automation in some of its manufacturing processes. Management will continue to monitor the development of these technologies and apply them where applicable.

Q14 When to pay dividend and distribute treasury shares?

A14 The Company is proposing a final dividend of 15.0 sen per ordinary share which if approved by the shareholders, will be payable on 28 June 2024. Currently, the Company has no plan on the distribution of treasury shares.

Q15 Which sector has generated profit and which segment incurred losses?

A15 As disclosed in Note 45 – Segment Information, all the Group's reportable segments are profitable.

Q16 Many other major listed automotive groups are beginning to bring in Electric Vehicles ("EV") as part of their product line-up. Besides Volvo EV, will MBMR bring in other EV brands, especially those from China as part of its EV offerings in the next few years?

A16 MBMR had announced that the Group has secured a new dealership, namely Jaecoo through its subsidiary, Federal Auto Holdings Berhad. Jaecoo plans to introduce its EV and Hybrid models in the near future. Perodua had also announced its plan to launch its EV model in 2025.

Q17 What are the key strategies and initiatives that the Company is undertaking to drive future growth and enhance shareholder's value?

A17 Amongst the strategies and initiatives that the Group is undertaking are:-

- (1) *Expanding its MT business through new dealerships such as Jaecoo;*
- (2) *Enhancing the current MT business through more effective sales and marketing activities and ensuring a superior customer experience to drive repeat business; and*
- (3) *Enhancing Manufacturing efficiency through regular value engineering and digitalisation of manufacturing processes.*

Q18 The Auto Parts Manufacturing segment's operating profit declined to RM21.513 million despite maintaining its revenue at RM316 million for FYE 2023 (Note 45 – Pages 149 -150 of Annual Report 2023). Which subsidiary saw a decline in profits and the reason(s) for decline. Will the APM segments be able to improve its profits back to the FYE 2022 levels?

A18 The operating profit of the APM Division for FYE2022 included a one-off non-recurring gain from the sale of land and building, amounting to RM30.4 million. Excluding this non-operating gain, the operating profit of the APM Division for FYE 2023 was higher than FYE 2022 by 17.4%.

Q19 Total dividend received from Associates increased further to RM138.602 million in FYE 2023. What was the dividend received from Perodua?

A19 As disclosed in Note 5 - dividend received from the associates, the dividend received from Perodua was approximately 95% of the dividend received from the associates.

Q20 Does Management have any plans to increase the companies' earnings without relying on dividends from Perodua?

A20 The earnings of the Company from the operating units contributed about 30% of the total earnings of the Group. Nevertheless, Management will focus on those strategies which has been outlined in A17 above.

Q21 Are there any plans to have hybrid meetings?

A21 The prevailing global trend of listed corporation is towards having virtual AGMs. It is more effective in reaching a broader shareholder audience.

Q22 What is the percentage of shareholdings of the Company in Perodua and Proton?

A22 The Company has an effective interest of 22.6% in Perodua and does not have any shareholdings in Proton. For more details, please refer to Note 49 of the Financial Statements for the FYE 2023 of the Company.

Q23 Please share the emerging risks to MBMR and the motor vehicle industry as a whole.

A23 *The emerging risks to MBMR are the government's fuel subsidy rationalisation plan and the volatility in the global and domestic economic situation.*

Q24 Is there any bonus issue plan for MBMR?

A24 *The Company does constantly assess various options to reward its shareholders.*

Q25 Instead of EV model to bring on in 2025, does Perodua plan for hybrid car?

A25 *The Company was not informed on any plan by Perodua for hybrid cars.*