

TAN CHONG MOTOR HOLDINGS BERHAD (12969-P)
45th Annual General Meeting Held On 25 May 2017 (“45th AGM”)
Summary Of Key Matters Discussed At The 45th AGM (“Meeting”)

Part A: Questions relating to Strategic and Financial Matters raised by Minority Shareholder Watchdog Group vide its letter dated 22 May 2017		
No.	Key Matters Discussed	Responses from the Directors/Management
1	<p>The roll out of the locally assembled new Nissan X-Trail in the last quarter of FY2016 at the Group’s assembly plant in Danang, Vietnam has improved the assembly plant’s capacity utilisation.</p> <p>(i) What is the current plant’s capacity utilisation? (ii) How was the performance of the Vietnamese operations for FY2016?</p>	<p>The current plant capacity utilisation ranges from 40% - 50%. The total sales in Vietnam has increased from 3,360 units to 4,813 units (43% increase) from FY2015 to FY2016. While the Vietnam operations have contributed approximately 10% of the Group’s total revenue for FY2016, it was unable to provide earnings contribution. This is due to unfavourable production variances from amortisation of plant costs. Actions are being taken to improve the sales and plant capacity utilisation further by strengthening the sales network and sales activities.</p>
2	<p>We noted that the TCMH Group has taken every effort to mitigate the foreign exchange costs of imported materials. However, the weakening of the Ringgit in FY2016 has neutralised the Group’s foreign exchange mitigation efforts and affected the profit margins.</p> <p>In view of the above, what other measures could the Group take to improve the performance of the Group?</p>	<p>In view of the challenging business environment, the Group has also taken other measures to improve the performance such as:</p> <p>(i) Adjustment to selling prices (between 3% - 6%) of certain models to mitigate the foreign exchange impact effective from 1 April 2016; (ii) The Group’s financial services unit support new car sales by providing hire purchase financing for our customers; (iii) The used vehicle unit (MUV) has also supported new car sales by accepting trade-in vehicles from new car customers; (iv) Strengthening the sales and after-sales service operation network in Malaysia and Indo-China to improve sales and customer ownership experience; (v) Innovative sales and marketing strategies such as the 7-year warranty programme launched on 1 January 2017 for Nissan and Infiniti models; (vi) Exploring export market opportunities for commercial vehicles; (vii) On-going cost optimisation activities at all levels; and (viii) Controlling the inventory level and improving group cash flow.</p>
3	<p>The MUV Division, the certified pre-owned vehicles distribution division has begun to gain acceptance and trust in the market.</p> <p>What is the prospect of this division?</p>	<p>MUV sales units have increased from 3,528 to 6,531 vehicles from FY2015 to FY2016 and contributed RM188 million to the Group’s revenue. Currently MUV support new car sales by accepting trade-in vehicles from new car customers. In time to come, we believe the used vehicles market will continue to grow. MUV can leverage on Tan Chong’s reputation and experience in the automotive sector as well as the established infrastructure and network.</p>

Part B: Questions relating to Corporate Governance Matters raised by Minority Shareholder Watchdog Group vide its letter dated 22 May 2017										
No.	Key Matters Discussed	Responses from the Directors/Management								
1	<p>Under Resolutions 8 & 9, the Company is seeking shareholders’ approval of Directors’ fees for the Company of up to an amount of RM714,000 and Directors’ benefits for the Company of up to an amount of RM494,000, respectively from 1 January 2017 until the next AGM of the Company.</p> <p>Could the Board provide the breakdown of these Directors’ fees and benefits payable to the Directors?</p>	<p>(a) <u>Directors’ Fees</u></p> <p>The proposed Directors’ fees of up to an amount of RM714,000/- will be payable to the Independent Directors of the Company during the course of period from 1 January 2017 until the next Annual General Meeting (“AGM”) of the Company in May 2018, according to the following remuneration bands (within each successive band of RM50,000/-):</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Range of Remuneration</th> <th style="text-align: center;">No of Independent Directors</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">RM0 to RM50,000</td> <td style="text-align: center;">2 (Note 1)</td> </tr> <tr> <td style="text-align: center;">RM100,001 to RM150,000</td> <td style="text-align: center;">1 (Note 2)</td> </tr> <tr> <td style="text-align: center;">RM150,001 to RM200,000</td> <td style="text-align: center;">3 (Note 3)</td> </tr> </tbody> </table> <p>The above proposed Directors’ fees are computed based on the <u>same rate as that for the preceding financial year i.e. an average of RM9,250/- per month or RM111,000/- per Director per year</u> for each Independent Director.</p> <p><u>Notes</u></p> <p>(1) <i>Proposed payment to two (2) Independent Directors for a tenure of five (5) months, i.e. from 1 January 2017 to 25 May 2017, as they are retiring at the 45th AGM of the Company on 25 May 2017.</i></p> <p>(2) <i>Proposed payment to a new Independent Director (assuming appointment in June 2017, i.e. after the 45th AGM) from June 2017 to the next AGM of the Company in May 2018.</i></p> <p>(3) <i>Proposed payment to three (3) Independent Directors during the course of period from 1 January 2017 until the next AGM of the Company in May 2018.</i></p>	Range of Remuneration	No of Independent Directors	RM0 to RM50,000	2 (Note 1)	RM100,001 to RM150,000	1 (Note 2)	RM150,001 to RM200,000	3 (Note 3)
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		<p>(b) <u>Directors’ Benefits</u></p> <p>The current benefits payable to the Independent Directors of the Company include meeting allowance, petrol allowance, company driver, provision of mobile devices and payment of broadband charges, the estimated breakdowns of which are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Type of Benefits</th> <th style="text-align: center;">Basis</th> <th style="text-align: center;">Estimated Amount for the period from 1 January 2017 to next AGM</th> </tr> </thead> <tbody> <tr> <td>Meeting Allowance</td> <td>Estimated no of meetings: 30 meetings <ul style="list-style-type: none"> • As Chairman of the Meeting - RM1,500/- per meeting • As Board/Board Committee Members - RM1,200/- per meeting </td> <td style="text-align: right;">RM167,700/-</td> </tr> <tr> <td>Petrol Allowance</td> <td>RM800/- per month each</td> <td style="text-align: right;">RM58,400/-</td> </tr> <tr> <td>Company Driver</td> <td>RM5,000/- per month (average) each</td> <td style="text-align: right;">RM220,000/-</td> </tr> <tr> <td>Mobile devices (tablets) & Broadband charges</td> <td>RM3,500/- (average) each</td> <td style="text-align: right;">RM16,000/-</td> </tr> <tr> <td>Sub Total</td> <td></td> <td style="text-align: right;">RM462,100/-</td> </tr> <tr> <td>Miscellaneous/Contingency expenses</td> <td>Ad-hoc</td> <td style="text-align: right;">RM32,500/-</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">RM494,600/-</td> </tr> </tbody> </table>	Type of Benefits	Basis	Estimated Amount for the period from 1 January 2017 to next AGM	Meeting Allowance	Estimated no of meetings: 30 meetings <ul style="list-style-type: none"> • As Chairman of the Meeting - RM1,500/- per meeting • As Board/Board Committee Members - RM1,200/- per meeting 	RM167,700/-	Petrol Allowance	RM800/- per month each	RM58,400/-	Company Driver	RM5,000/- per month (average) each	RM220,000/-	Mobile devices (tablets) & Broadband charges	RM3,500/- (average) each	RM16,000/-	Sub Total		RM462,100/-	Miscellaneous/Contingency expenses	Ad-hoc	RM32,500/-	Total		RM494,600/-
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2	<p>We noted that Mr Ho Wai Ming, the Chief Financial Officer (“CFO”) and also an Executive Director on the Board, is also the Joint Company Secretary of the Company.</p> <p>What is the reason for the CFO to also act as Company Secretary as such structure may raise concerns on possible or potential conflicting situation?</p>	<p>The Group practises the appointment of two Company Secretaries to support the nature and size of our business operations which have also expanded overseas to Indo-China. Mr. Ho Wai Ming was appointed in August 2015 to replace the other company secretary when she left the Group.</p> <p>The corporate secretarial functions are performed mainly by Ms. Chang Pie Hoon, the other Company Secretary. The Board felt that Mr. Ho Wai Ming with his knowledge of the Board matters will be able to support the corporate secretarial function in the event Ms. Chang Pie Hoon is not available.</p> <p>There is proper oversight of the corporate secretarial function as all announcements and resolutions require the approval of the Directors. Moreover, the Board has three (3) Independent Non-Executive Directors who are members of MIA, from whom the other Company Secretary may consult pertaining to matters that may pose conflicting situations.</p>

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Part C: Questions raised by Members present at the Meeting		
No.	Key Matters Discussed	Responses from the Directors/Management
1	There is a revaluation reserve amounting to RM162.5 million (ref: page 71 of Annual Report). How did this arise and what was it related to?	The revaluation reserve arose from revaluation of land and building. The revaluation was carried out in accordance with the Group’s accounting policy on Property, Plant and Equipment (“PPE”) to reflect the fair value of the Group’s properties in compliance with the Malaysian Financial Reporting Standard (“MFRS”) 116: PPE.
2	There was a huge net loss on foreign exchange (“forex”) - unrealised loss of RM34.0 million and realised loss of RM19.5 million as disclosed on page 126 of Annual Report, note 24. Can please enlighten us the reason for forex loss?	The unrealised forex loss was translation loss which arose from the intercompany loan denominated in foreign currency, mainly USD as the result of volatile Ringgit in 2016. To further understand the forex impact to the Group in a holistic manner, we should also take into account the net impact which included forex gain unrealised and realised of RM28.4 million and RM38.4 million respectively. The financial reporting convention requires the forex gain and loss to be separately disclosed.
3	(i) How much has the Group invested in Vietnam and Myanmar? (ii) In 2016, the Group’s sales in Vietnam increased to 4,000 units. What is the comfortable sales figure for Vietnam operations to breakeven?	(i) We had invested USD60 million in Vietnam in the form of capital. This was mainly for the construction of the assembly plant in Da Nang, Vietnam. For Myanmar, we had invested less than USD10 million for the construction of a simple plant to enable commencement of the production and the sales of cars in 2017. This is to enable the Myanmar business operations to generate sales revenue and to be self-sustainable as far as possible. (ii) All businesses in the Group will go through 3 phases: Start-up, Stabilization and Growth. For the Vietnam operations, we target a 50% growth in sales this year at 8,000 units vis-à-vis Vietnam TIV of around 300,000 units, a 20 ~ 30% growth compared to the preceding year. We are approaching the breakeven point.
4	Is the proposed shareholders’ mandate for recurrent related party transactions (“RRPT”) with the Tan Chong International Limited (“TCIL”) and its subsidiaries related to assembly of Subaru vehicle?	Yes, the RRPT with TCIL relates to assembly of Subaru vehicles.

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5	Is the proposed shareholders’ mandate for RRPT with Auto Dunia Sdn Bhd (“Auto Dunia”) related to purchase of Completely Built Up (“CBU”) vehicles from Auto Dunia? Are the CBUs comprising Infiniti cars or other Nissan models? Referring to Annual Report page 134 (significant transactions with Auto Dunia), the value of purchases had increased substantially from RM190 million in 2015 to RM615 million in 2016 i.e. approximately 300% increase. Can please share with us the reason(s) for the increase?	The RRPT with Auto Dunia related to importation of CBUs which did not only confine to Infiniti, but also included other Nissan models. The increase in the amount was mainly due to the increase in sales of those models.