





Part A: Questions relating to Strategic and Financial Matters raised by Minority Shareholder Watchdog Group vide its letter dated 18 May 2018		
No.	Key Matters Discussed	Responses from the Directors/Management
1	<p>It was stated on page 10 of the Annual Report that in 2017, the overseas revenue contributed 17% of the Group’s total revenue.</p> <p>What is the expected percentage sales growth in 2018 in Vietnam, Laos and Cambodia?</p>	<p>The Group has embarked on the regional business expansion programme as part of a long term strategy to diversify into new emerging markets with growth potentials. Although there are challenges doing business in the emerging markets, the Group will continue to follow through on its business strategy to expand the sales and distribution network in Vietnam, Laos, Cambodia and Myanmar.</p> <p>Following the vibrant economic conditions currently enjoyed by those countries and barring unforeseen circumstances, our internal target is for the Indo-China sales to continue to grow between 10% - 20% in 2018.</p>
2	<p>The Group recorded a net loss of RM96 million in 2017 as compared to a net loss RM59 million in 2016 as stated on page 11 of the Annual Report.</p> <p>Is the Board expecting further losses for the financial year ending 2018?</p>	<p>From 2016 to 2017, the Group faced a challenging business environment in a highly competitive market and unfavourable foreign exchange rates. This has resulted in losses for the Group in 2016 and 2017. Nevertheless, during this period the Group implemented counter-measures to address these challenges, such as:</p> <ul style="list-style-type: none"> (i) Foreign exchange rates mitigation plans through currency hedging programmes and adjustment to selling prices of certain models to mitigate the foreign exchange impact; (ii) The Group’s financial services unit and used vehicle unit (MUV) supported new car sales by providing hire purchase financing and trade-in vehicles facility for our customers; (iii) Strengthening the sales and after-sales service operation network in Malaysia and Indo-China to improve sales and customer ownership experience; (iv) Innovative sales and marketing strategies to sustain sales, such as the 7-year warranty programme launched on 1 January 2017 for Nissan and Infiniti models; (v) Exploring export market opportunities for commercial vehicles; (vi) On-going cost optimisation activities at all levels; and (vii) Robust management of the inventory level and improving group cash flow. <p>Although the automotive section is expected to remain challenging in 2018, we believe the counter-measures that the Group has put in place, together with the new models launches in the pipeline, will place the Group on a strong footing for recovery in 2018. For the past 2 quarters, i.e. Q4 2017 and Q1 2018, the Group has reported pre-tax profits of RM12.5 million and RM13.4 million respectively.</p>

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<p>3 On page 13 of the Annual Report, we note there is a plan to invest and expand the assembly plant to produce commercial vehicles such as trucks and buses to meet the demands in the Vietnam market.</p> <p>What is the estimated capital expenditure to be incurred in relation to the expansion plan?</p>	<p>This is a long term strategic investment plan to cater for business expansion of the Group in the Indo-China market. Following the vibrant economic growth in Vietnam, there is demand for commercial vehicles such as buses and trucks from the business sectors. The Group had, on 10 January 2018, announced signing the exclusive distributorship with Xiamen King Long United Automotive Industry Co, Ltd (“King Long”) for the rights to assemble, distribute and after-sales of King Long coach.</p> <p>The expected investments by the Group for this project is USD9 million. The plant construction is on-going and it is expected to be operational in Q4 2018. Latest pictures of the plant are shown below for your reference. Once completed, the commercial vehicle plant will enable the Group to take on other brands and models of buses and trucks when the opportunity arises.</p> <div style="display: flex; flex-wrap: wrap;">     </div>	

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<p>4 Under Note 11 on page 137 of the Annual Report, we note that RM40,286,000 of Hire Purchase Receivables have been impaired in 2017 as compared to RM28,531,000 in 2016. Please provide the following information:-</p> <p>(i) The reason(s) for the huge increase in the impairment.</p> <p>(ii) The identity of these debtors and the amounts impaired</p> <p>(iii) What actions have been taken to recover the amounts?</p> <p>(iv) The probability of recovery of the impaired amounts.</p>	<p>(i) For a better comparison, please refer to the impairment made in 2017 vs 2016 as reflected in statement of profit or loss and other comprehensive income on page 148 as summarised below:</p> <table border="1" data-bbox="869 443 1753 515"> <thead> <tr> <th>RM’000</th> <th>2017</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Impairment loss on hire purchase receivables</td> <td>11,780</td> <td>10,170</td> </tr> </tbody> </table> <p>As of 31 December 2017, the hire purchase receivables balances have increased to RM838,991,000 compared to previous year of RM534,538,000 as there was no asset-backed securitisation (ABS) exercise in 2017 for the hire purchase receivables. The Group will evaluate the best timing for an ABS exercise in 2018.</p> <p>Accordingly, the accumulated impairment of hire purchase receivables as of 31 December 2017 has increased from RM28,531,000 in 2016 to RM40,286,000 in 2017 as shown in Note 11 on page 137.</p> <p>(ii) The debtors consist of individual hire purchasers. The impairment assessment is based on individual outstanding ageing of the hire purchases receivables and collective assessment on the ageing of hire purchase receivables. Due to the enforcement of Personal Data Protection Act 2010, we are not allowed to disclose the full list of hire purchasers’ name here.</p> <p>(iii) We have a Credit Control Dept. which is tasked to monitor the hire purchase receivables accounts and to undertake collections and recovery activities. Collections and recovery actions are required to comply with the Hire Purchase Act, 1967.</p> <p>Among the actions taken to recover the debts are:</p> <p>(a) Issuing notices to hire purchasers under Fourth Schedule of the Hire Purchase Act, 1967;</p> <p>(b) Repossession of the vehicles;</p> <p>(c) Issuing legal letter of demand to hire purchasers for any unpaid amount due;</p> <p>(d) Setup the recovery taskforce to monitor, follow up and post mortem analysis; and</p> <p>(e) Restructuring the debts owed by customers.</p> <p>(iv) Based on past experience, we can recover up to 60% of the amount impaired. The HP debts are impaired progressively up to the full amount of default. We will only write off the debts after exhausting all actions to recover the debts. Any recovery of the bad debts written off will be treated as bad debts recovered.</p>	RM’000	2017	2016	Impairment loss on hire purchase receivables	11,780	10,170
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5	<p>We note on page 148 of the Annual Report that bad debts written off increase by 278.6% from RM271,000 in 2016 to RM1,026,000 in 2017.</p> <p>Please provide the breakdown and nature of the said bad debts written off.</p>	<p>The bad debts written off arose from hire purchase (HP) receivables which were written off. The amount written off is the difference between the outstanding HP debts that were still outstanding after the repossessed vehicles have been disposed of.</p>
Part B: Questions relating to Corporate Governance Matters raised by Minority Shareholder Watchdog Group vide its letter dated 18 May 2018		
No.	Key Matters Discussed	Responses from the Directors/Management
1.	<p>In relation to the circular to shareholders for the proposed alteration and amendment of the Company’s Constitution, please highlight the material changes made to the Constitution.</p>	<p>As stated in the Circular to Shareholders, the proposed changes to the Constitution are to render the provisions of the Company’s Constitution consistent with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Company proposes to simplify its objects clause by doing away with the objects clause contained in its existing Memorandum of Association and provide instead for unlimited corporate capacity as permitted under Section 21 of the Companies Act, 2016.</p> <p>As shareholders may already be aware, in accordance with Companies Act, 2016, the shares of the Company no longer have any par value and, as such the Company is no longer required to have an authorised share capital.</p> <p>Material changes made to the Company’s Constitution include the following:</p>

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		No.	Existing Memorandum and Articles of Association	New Constitution
		(i)	<p><u>Clause 3 of the Memorandum of Association</u></p> <p>Clause 3 (objects clause) of the existing Memorandum of Association (with 38 sub-clauses) will be deleted in its entirety.</p>	<p><u>Article 3 - Company has unlimited capacity</u></p> <p>The Company shall be capable of exercising all the functions of a body corporate and have the full capacity to carry on or undertake any business or activity and the Company shall have the full rights, powers and privileges for the purposes aforementioned.</p>
		(ii)	<p><u>Clause 5 of the Memorandum of Association</u></p> <p>Clause 5 (share capital) of the existing Memorandum of Association (with modifications) will be moved to the new Constitution as Article 6.</p>	<p><u>Article 6 - Share capital</u></p> <p>The shares issued by the Company shall constitute the share capital of the Company. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p>
		(iii)	<p><u>Article 55 of the Articles of Association – Annual general meeting and extraordinary general meeting</u></p> <p>An annual general meeting of the Company shall be held in accordance with the provisions of the Act on such day and such place as shall be fixed by the Directors. All general meetings other than the annual general meeting shall be called extraordinary general meetings.</p>	<p><u>Article 57 – Annual general meeting and extraordinary general meeting</u></p> <p>An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meeting. A general meeting convened by the Company may be held in accordance with the provisions of the Act using any technology or method that enables the members to participate and to exercise the members’ rights to speak and vote on such day and at such venue or venues as shall be fixed by the Directors.</p>

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		Existing Memorandum and Articles of Association	New Constitution
		(iv) <u>Article 143 of the Articles of Association – Service of notices</u> A notice may be given by the Company to any member either personally or by sending it by post to him at his registered address as appearing in the register or Record of Depositors, or (if he has no registered address within Malaysia or the Republic of Singapore) to the address, if any, within Malaysia or the Republic of Singapore supplied by him to the Company for the giving of notices to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and to have been effected in the case of a notice of a meeting, on the day after the date of its posting, and in any other case at the time at which the letter would be delivered in the ordinary course of post.	<u>Article 146 – Services of notices and documents</u> A notice and any document to be sent whether pursuant to the Listing Requirements or otherwise may be sent by the Company to any member in hard copy either personally or by sending it by post to him at his postal address or in electronic form to the electronic address provided by him for such purpose as appearing in the register or Record of Depositors, or by publishing in the website of the Company together with notification of such publication in accordance with the provisions of the Act and the Listing Requirements.
		(v) <u>Article 149 of the Articles of Association – Indemnity to officers</u> Every Director, Managing Director, agent, Auditor, Secretary, and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust applicable to his duty to the Company.	<u>Article 152 - Indemnity to officers and Auditors of the Company</u> Please refer to the new Constitution set out in Appendix V to the Circular to Shareholders dated 26 April 2018.