



**UMW HOLDINGS BERHAD** 198201010554 (90278-P)  
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23 May 2022

**Mr Devanesan Evanson**  
Chief Executive Officer  
Minority Shareholders Watch Group  
Level 23, Unit 23-2, Menara AIA Sentral  
No. 30, Jalan Sultan Ismail  
50250 Kuala Lumpur

Dear Mr Devanesan,

**40<sup>TH</sup> ANNUAL GENERAL MEETING (“AGM”) OF UMW HOLDINGS BERHAD (“UMW”)**

We refer to your letter dated 19 May 2022 on the above matter.

We thank you for your letter and would be pleased to share our replies to the questions to be raised at the AGM. Our responses to these questions are as follows:

**Operational and Financial Matters**

**1) Automotive segment:**

- (a) **The extension of the vehicle sales tax holiday, first to the end of the year and then extended to June 2022, has also contributed to improve the Automotive segment’s earnings. (“page 19 of IAR2021”)**

**Given that the sales tax holiday is coming to an end, what are the odds of the Group experiencing a sudden vehicle sales contraction?**

While there may be some impact to new orders, we are encouraged by the healthy outstanding order book. Furthermore, with the introduction of all-new and facelifted models, coupled with sales promotion campaigns, the Group is confident that UMW Toyota Motor and Perodua will achieve their sales targets for 2022.

- (b) **The Group remains optimistic about Perodua’s prospects going into 2022 given its strong order book of over 70,000 vehicles as of end 2021. (“page 53 of IAR2021”)**

**To-date, has the order book of over 70,000 vehicles been delivered? How many remain outstanding?**

We are continuously ramping-up production to ensure timely delivery to our customers. Year-to-date April 2022, Perodua delivered 87,278 units, 11.5% higher than the 78,308 units registered in the same period of 2021. The average waiting period ranges between three and five months. The demand for Perodua vehicles continues to be strong, with encouraging new orders received in 2022.

**(c) To-date, what is the Group's backlog orders for its Automotive segment?**

Based on the current order book and continued strong demand, both UMW Toyota Motor and Perodua are confident of achieving their sales targets of 73,000 units and 247,800 units for 2022 respectively.

**2) Manufacturing & Engineering (M&E) segment:**

**(a) KYB-UMW is focusing on expanding the number of countries it exports to while working closely with KYB Japan to tap into new opportunities and capability. ("page 20 of IAR2021")**

**Which are the countries that KYB-UMW targets to expand to?**

Currently, KYB-UMW is exporting to 39 countries. We hope to further expand our export markets to the South American region.

**(b) The Lubricants business will be expanding its capacity by about 70% with the construction of a smart plant equipped with IR 4.0 capability, while expanding its industrial product range to include bio-hydraulic lubricants. ("page 20 of IAR2021")**

**(i) How much is the capital expenditure budgeted for the new smart plant?**

The estimated capital expenditure for the new smart plant is RM67.2 million, including land.

**(ii) With the expected increase in production capacity by 70%, how does the Group ensure sufficient new orders could be secured to fill up the new capacities?**

The increase in capacity will be supported by:

- Expansion of our product line-up especially industrial products.
- Export expansion into ASEAN market.
- Strategic partnership with other lubricant players.

**3) The Industrial Equipment segment, meanwhile, experienced margin pressure as a result of increased costs due to rising raw material prices and supply chain disruptions ("page 57 of IAR2021").**

**How will the Group address the higher cost of raw materials to maintain its profit margins? To what extent is the Group able to pass the increased cost to its customers?**

Our Industrial Equipment segment will continue to focus on improvement initiatives which include its Kaizen activities, digitisation/digitalisation programs including robotic process automation (RPA) to improve productivity, cost management as well as waste reduction.

We will work closely with our principals and our customers to minimise the impact and demand during this recovery phase of the economy. Our current order bank remains healthy.

- 4) **The Aerospace segment's revenue of RM147.6 million in FY2021 was lower than the RM312.3 million following lower delivery of fan cases and the segment recorded LBT of RM33.8 million (2020: PBT of RM1.7 million) ("page 19 of IAR2021"). In 2021, the Aerospace Division experienced the delayed effects of the slowdown in orders for aircraft engines, impacting its revenue and profitability. ("page 21 of IAR2021")**

**To-date, to what extent has there been a pick-up in orders for the Group's fan cases?**

The demand for fan cases is expected to improve with the resumption of international air travel. For the first quarter of 2022, the production of fan cases has increased compared with the same period last year. We expect the production of fan cases to double in 2022 compared with 2021.

- 5) **Net impairment losses on other investments increased to RM15.6 million (2020: RM9.6 million). ("Note 29, page 220 of IAR2021")**

**What is the reason for the significant increase in net impairment losses on other investments?**

These relate to the impairment losses made on the carrying amount of the assets of affected investee companies within the non-core business segment to reflect their recoverable amounts.

This is a result of impairment review conducted at the end of financial year which is in accordance with MFRS 136 Impairment of Assets.

- 6) **Bad debts written off amounted to RM5.7 million (2020: Nil) ("Note 29, page 220 of IAR2021")**

**What comprises the said bad debts that have been written off? What were the measures taken to recover the bad debts prior to write-off?**

The write off relates to the crystallisation of bad debts written off at the Group level upon the completion of the liquidation of a former subsidiary during the financial year, which was part of the divestment of a company in the non-core business segment.

We were constantly engaging with the company to explore all possible options and had taken the relevant measures to recover the debts prior to the write-off.

We trust the above responses clarifies the questions raised and we look forward to your continuing support.

Thank you.

Yours faithfully,  
**UMW HOLDINGS BERHAD**



Dato' Ahmad Fuaad Kenali  
President & Group Chief Executive Officer



**MINORITY SHAREHOLDERS WATCH GROUP**  
Shareholder Activism and Protection of Minority Interest

19 May 2022

**BY EMAIL/FAX/HAND**  
(Fax No: 603 2025 2029)

The Board of Directors  
**UMW HOLDINGS BERHAD**  
Level 6, Menara UMW  
Jalan Puncak  
Off Jalan P. Ramlee  
50250 Kuala Lumpur

**Attention: Pn. Raja Norakmar Raja Mohd Ali**  
**Company Secretary**

Dear Directors,

**Re: 40<sup>th</sup> Annual General Meeting ("AGM") of UMW Holdings Berhad ("UMW" or the "Company") to be held on Thursday, 26 May 2022**

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In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

**Operational & Financial Matters**

1. Automotive segment:

- (a) The extension of the vehicle sales tax holiday, first to the end of the year and then extended to June 2022, has also contributed to improve the Automotive segment's earnings. (page 19 of IAR2021)

Given that the sales tax holiday is coming to an end, what are the odds of the Group experiencing a sudden vehicle sales contraction?

- (b) The Group remains optimistic about Perodua's prospects going into 2022 given its strong order book of over 70,000 vehicles as of end 2021. (page 53 of IAR2021)

To-date, has the order book of over 70,000 vehicles been delivered? How many remain outstanding?

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

Incorporated in Malaysia Registration No: 200001022382 (524989-M)

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(c) To-date, what is the Group's backlog orders for its Automotive segment?

2. Manufacturing & Engineering (M&E) segment:

(a) KYB-UMW is focusing on expanding the number of countries it exports to while working closely with KYB Japan to tap into new opportunities and capability. (page 20 of IAR2021)

Which are the countries that KYB-UMW targets to expand to?

(b) The Lubricants business will be expanding its capacity by about 70% with the construction of a smart plant equipped with IR 4.0 capability, while expanding its industrial product range to include bio-hydraulic lubricants. (page 20 of IAR2021)

- (i) How much is the capital expenditure budgeted for the new smart plant?
- (ii) With the expected increase in production capacity by 70%, how does the Group ensure sufficient new orders could be secured to fill up the new capacities?

3. The Industrial Equipment segment, meanwhile, experienced margin pressure as a result of increased costs due to rising raw material prices and supply chain disruptions (page 57 of IAR2021).

How will the Group address the higher cost of raw materials to maintain its profit margins? To what extent is the Group able to pass the increased cost to its customers?

4. The Aerospace segment's revenue of RM147.6 million in FY2021 was lower than the RM312.3 million following lower delivery of fan cases and the segment recorded LBT of RM33.8 million (2020: PBT of RM1.7 million) (page 19 of IAR2021). In 2021, the Aerospace Division experienced the delayed effects of the slowdown in orders for aircraft engines, impacting its revenue and profitability. (page 21 of IAR2021)

To-date, to what extent has there been a pick-up in orders for the Group's fan cases?

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5. Net impairment losses on other investments increased to RM15.6 million (2020: RM9.6 million). (Note 29, page 220 of IAR2021)

What is the reason for the significant increase in net impairment losses on other investments?

6. Bad debts written off amounted to RM5.7 million (2020: Nil) (Note 29, page 220 of IAR2021)

What comprises the said bad debts that have been written off? What were the measures taken to recover the bad debts prior to write-off?

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



**Devanesan Evanson**  
Chief Executive Officer  
DE/ECYL/UMW/AGM 2022

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