



UMW HOLDINGS BERHAD
[Company No. 90278-P]
(Incorporated in Malaysia)

MINUTES OF THE THIRTY-FOURTH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON THURSDAY, 19TH MAY 2016 AT 10.00 A.M. AT THE UMW AUDITORIUM, UMW HOLDINGS BERHAD, NO. 3, JALAN UTAS (15/7), BATU TIGA INDUSTRIAL ESTATE, 40200 SHAH ALAM, SELANGOR DARUL EHSAN

PRESENT

- | | |
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| - Y Bhg Tan Sri Asmat bin Kamaludin Encik Badrul Feisal bin Abdul Rahim Dr Leong Chik Weng Y Bhg Datuk Dr Nik Norzrul Thani bin N.Hassan Thani Y Bhg Dato' Siow Kim Lun | - Group Chairman President & Group CEO Director Director |
| Y Bhg Dato' Mohd Nizam bin Zainordin Encik Khalid bin Sufat Puan Rohaya binti Mohammad Yusof Y Bhg Tan Sri Hasmah binti Abdullah | Senior Independent Director Director Director Director |
| Corporate Representatives/Shareholders/ Proxies | Appendix A |

BY INVITATION

- | | |
|--------------------------------------|--|
| - Encik Azmin bin Che Yusoff | Group Chief Operating Officer/Executive Director, Group Financial Services Division |
| Puan Nik Juliah binti Nik Jaafar | Executive Director, Group Human Resource Division |
| Encik Rohaizad bin Darus | President, UMW Oil & Gas Corporation Berhad |
| Encik Megat Shahrul Azmir bin Nordin | President, Manufacturing & Engineering Division |
| Mr Lee Chin Min | President, Equipment Division |
| Dr Wafi Nazrin bin Abdul Hamid | President, UMW Land Sdn Bhd |
| Puan Roza Shahnaz binti Omar | Director, Group Strategy Division |
| Y Bhg Datuk Aminar Rashid bin Salleh | President & CEO, PERODUA |
| Cik A'tikah binti Ahmad | Senior General Manager, Group Financial Services Division |
| Puan Norchahya binti Ahmad | Senior General Manager, Group Internal Audit Division |
| Puan Adleen binti Abdullah | General Counsel Group Legal Division |

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|--|--|
| Puan Azni binti Ismail | Assistant General Manager, Group Financial Services Division |
| Ms Rebecca Yap Sook Yeen | Minority Shareholder Watchdog Group |
| Ms Lee Mi Ryuong Ms Carun Lee Ms Loh Yin Fun | } Group Legal & Secretarial UMW Oil & Gas Corporation Berhad |
| Encik Ahmad Zahirudin bin Abdul Rahim Puan Mimie Joanna binti Johar Cik Siti Mariam binti Rodzlan Akib Ms Mei Quan Tang | } Messrs Ernst & Young |

IN ATTENDANCE - Puan Fadzilah binti Samion - Group Secretary

| ITEM | PROCEEDINGS |
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| WELCOMING ADDRESS BY THE CHAIRMAN | Y Bhg Tan Sri Asmat bin Kamaludin, Chairman of the Board, took the Chair and extended a warm welcome to shareholders/corporate representatives/proxies and invitees to the Company's Thirty-Fourth Annual General Meeting ("AGM"). |
| SAFETY BRIEFING | Before proceeding with the meeting, the Chairman invited the Safety & Health Officer to provide a briefing on safety procedures. |
| INTRODUCTION | The Chairman introduced members of the Board, the Group Secretary and other senior management of the Company as well as representatives from Messrs Ernst & Young, the Company's auditors, to the Meeting. |
| CHAIRMAN'S OPENING REMARKS | <p>The Chairman in his opening remarks stated that the year 2015 was marked by ongoing inflationary pressures, fluctuations in oil and commodity prices, as well as weakening of ringgit against other major currencies, which had created a climate of uncertainty and apprehension in the markets in which the Group operates. Consequently, there was moderation in both business and consumer spending, resulting in a lower demand for some of the Group's products and services. He added that the UMW Group continues to place emphasis on building business resilience and strengthening the line of defence against tough market conditions.</p> <p>Whilst circumstances in the past year demanded the adoption of stringent cost-containment measures, the Chairman stated that it was also essential for the UMW Group to proceed with its long-term plan for sustainable profit growth. The agreement signed with Rolls-Royce Plc in 2015 marks UMW's first venture into the field of high-value manufacturing in the aerospace industry that will also create a strong platform for delivering future value creation for the UMW Group.</p> |

| ITEM | PROCEEDINGS |
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| PRESENTATION BY THE PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER | <p>The Chairman then invited the President & Group Chief Executive Officer (“PGCEO”), Encik Badrul Feisal bin Abdul Rahim, to present an overview of the UMW Group’s operations and performance to date.</p> <p>For the benefit of shareholders/proxy holders, Encik Badrul Feisal also shared the issues raised by the Minority Shareholder Watchdog Group (“MSWG”) and Kumpulan Wang Persaraan (“KWAP”) in their letters dated 12th May 2016 and 13th May 2016, respectively, and UMW’s written responses dated 17th May 2016, copies of which are attached hereto as Appendix 1.</p> |
| CONFIRMATION OF QUORUM | <p>The formal proceedings of the AGM commenced upon confirmation of the presence of a quorum by the Secretary.</p> |
| VOTING | <p>The Chairman informed the Meeting that voting for all resolutions at the AGM would be by show of hands unless poll voting is demanded before or upon the declaration of the results of the show of hands, by at least two members or the holder or holders in person or by proxy of at least one-twentieth part of the issued and paid-up capital of the Company (i.e., 58,414,696 shares) or by the Chairman.</p> <p>As the revised Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) mandates poll voting for all resolutions for general meetings held on or after 1st July 2016, all resolutions at the Thirty-Fourth AGM would be voted by a show of hands.</p> |
| NOTICE OF MEETING | <p>With the consent of shareholders, the Notice of Meeting was taken as read.</p> |
| AUDITED FINANCIAL STATEMENTS | <p>The Chairman explained that the Audited Financial Statements (“AFS”) of the Company for the year ended 31st December 2015, together with the Reports of the Directors and the Auditors thereon were tabled for discussion only, pursuant to Section 169(1) and (3) of the Companies Act, 1965. Hence, the AFS will not be put for voting. Nonetheless, shareholders/corporate representatives/proxies were invited to raise questions on the AFS.</p> |
| QUESTIONS & ANSWERS SESSION | <p>Questions/comments raised by shareholders/corporate representatives/proxies and the corresponding responses/replies made by the Board and management are summarised below -</p> <ol style="list-style-type: none"> 1) Puan Lya Rahman of MSWG, welcomed Encik Badrul Feisal as the new PGCEO of the UMW Group. She also thanked the Board for sharing the responses/answers on the points/queries raised by MSWG at the AGM. Puan Lya subsequently enquired on the following matters - |

- a) It was noted that the segment under "Others" continued to report losses and the responses provided were similar to that of previous years. MSWG would like to know what is the scenario for 2016 and when can this segment be expected to improve?
- b) How will the RM750 million CAPEX for the manufacturing plant under the fan casing manufacturing project with Rolls-Royce ("RR Project") be funded?
- c) How is the gearing ratio of 0.42 times arrived at?

In response to Puan Lya's queries on the outlook for the segment under "Others", Encik Badrul Feisal explained that investments under "Others" are largely companies that are involved in the oil and gas sector, subsequent to the listing of UMW Oil & Gas Corporation Berhad ("UMW-OG") in 2013. With the continued weak market conditions for the oil and gas sector, it has taken a longer time to nurture and to unlock the value of these investments, either through mergers, acquisitions or divestments. Management will however, continue to assess various options and opportunities for potential value creation.

On the outlook for 2016, Encik Badrul Feisal stated that management will continue to actively pursue options to unlock the value of these businesses whenever opportunity arises. However, given the current external factors affecting the oil and gas sector, he stated that it would take a longer time to fully realise the value creation exercise. Notwithstanding, management will constantly monitor the progress of these investments in its effort to minimise losses for investments under "Others".

In relation to the funding of CAPEX for the RR Project in Serendah, Encik Badrul Feisal stated that the CAPEX of RM750 million will be funded via a combination of internal and external funding to ensure optimal capital structure.

On the net gearing ratio, Encik Azmin Che Yusoff, the Group Chief Operating Officer/Executive Director, Group Financial Services ("Group COO") explained that the gearing ratio of 0.42 times was arrived at after deducting all cash and cash fund balances of the Company, UMW Corporation Sdn Bhd ("UMWC") and UMW-OG, which is consistent with the approach taken by rating agencies.

Puan Lya commended UMW for its commitment towards practising high standards of corporate governance. However, she reiterated the need for UMW to make full disclosure of individual Directors' remuneration in its annual report.

To this, the Chairman responded that full disclosure of individual Directors' remuneration will be made in the 2016 Annual Report.

The Chairman thanked Puan Lya Rahman for her comments and suggestions.

- 2) Madam Ko Fik Hua, a shareholder, enquired on the following matters -
- a) Reasons for the increase in receivables (consolidated) from RM2.483 million in 2014 to RM42.490 million in 2015 as stated on page 115 of the Annual Report?
 - b) An article appearing in the Sun (Sunbiz section) pertaining to the proposal by UMW Toyota Motor Sdn Bhd ("UMW Toyota") to build a new plant at a cost of RM1.1 billion and how this will affect the Group's gearing position?
 - c) Sales performance of Toyota in the first quarter of 2016?
 - d) Any plans to initiate share buyback exercise since the share price of UMW had dropped significantly to about RM5.06 (lowest as of 18th May 2016)?

On the increase in receivables, Encik Azmin explained that this was attributed to the disposal of the automotive component subsidiaries in India in 2014, where the terms of payment for the consideration is on a deferred basis.

On the news article appearing in the Sun, the Chairman explained that this was extracted from a report published by The Nikkei Asian Review with regard to the proposed expansion plan by Toyota Motor Corporation, Japan. In commenting on the news article, the Chairman stated that like any other automotive companies, there will always be plans to build bigger and better manufacturing facilities to address capacity issues. However, the Chairman declined to confirm on the report as no firm decision has been made on the matter. He urged shareholders to wait for UMW Toyota's official announcement on 25th May 2016.

In response to the query on the sales performance of Toyota in the first quarter of 2016, Encik Badrul Feisal stated that Toyota sales had dropped mainly due to intense competition from other marques, continued soft consumer sentiments and stringent bank lending guidelines on loan applications. Efforts have been made to improve sales by increasing product marketing and promotional activities and roadshows. He added that UMW Toyota has always been in close working relationship with its partner in bringing new exciting and improved models for the Malaysian market. With this initiative,

it is hoped that Toyota will be able to regain its no. 1 position in the Non-National segment.

On the matter of the share buyback, Encik Badrul Feisal explained that there is no plan to initiate this exercise at the moment as the Group needs to conserve its cash under the present economic climate. However, management acknowledged that UMW's share price had dropped significantly in tandem with the current economic challenges facing the Group, as share prices are fundamentally determined by current and future earnings. In this regard, he stated that the UMW Group will strive to increase its earnings potential to reflect its true worth and management believes that the current declining share price trend is temporary and cyclical in nature and will recover in future.

Encik Badrul Feisal stated that crude oil prices had recently shown signs of recovery and at present prices are hovering between USD47 and USD49 per barrel. Of late, the Ringgit had also seen some improvements against major currencies, especially against US Dollar. With these positive signs, management is hopeful that the earnings potential of the UMW Group can be enhanced, and hence reflected in the share price.

- 3) Mr Muniandy Karishunan, a shareholder, shared his personal experience regarding a Toyota vehicle he had recently purchased.

In the interest of time, Y Bhg Tan Sri Asmat, who is also Chairman of UMW Toyota, requested Mr Muniandy to meet him after the conclusion of the AGM for better understanding of the issue at hand for escalation to UMW Toyota accordingly.

- 4) Mr Tan Teik Hoo, a shareholder, enquired on the status of the legal action taken by UMW-OG against Frontier Oil Corporation for claims of damages and/or compensation amounting to USD19.2 million.

The Chairman requested Encik Rohaizad bin Darus, President of UMW-OG to respond to the query.

Encik Rohaizad explained that UMW-OG had referred the case to the Singapore International Arbitration Centre ("SIAC") in 2015. UMW-OG is currently in the midst of filing relevant documents with SIAC with regard to the arbitration claim for damages, including compensation for losses arising from breach of contract. Hearing for the arbitration is expected in the next two to three months' time and based on the legal advice given, the case appears to be in favour of UMW-OG.

- 5) Mr Lee Cheng Hock, a shareholder, commended Encik Badrul Feisal on his enlightening presentation. He then enquired on the following matters -
- a) Despite the economic downturn and uncertainty in the market, UMW continues to venture into the aerospace industry, which requires a CAPEX of RM750 million. What is the projected returns from this investment?
 - b) Based on a newspaper report, UMW Toyota is building a new manufacturing plant, which is expected to commence operations in 2018. What would be UMW Toyota's source of funds to finance the project?
 - c) It was noted that total short and long term borrowings of the UMW Group amounted to RM6.338 billion whilst finance costs and repayment of long term borrowings in 2015 stood at RM126.775 million and RM234.677 million, respectively. Based on these financials, the Group would take approximately 16 years to settle its long and short term borrowings. What is management's plan for this?

With regard to the RR Project, Encik Badrul Feisal explained that confidentiality provisions in the agreement with Rolls-Royce Plc prohibits UMW from disclosing information on projected returns, among others, to third parties. However, he assured the Meeting that the project would contribute positively to the Group in the form of high value sustainable recurring revenue.

On the matter of repayment of the Group's borrowings, Encik Azmin explained that loan repayment amounts and tenure are not constant, some of the loans would be refinanced and retired much earlier, depending on the Group's cash flow position. Hence, it would not take the Group 16 years to settle its borrowings as perceived. Encik Azmin added that management is currently managing the Group's debt situation prudently.

On matters relating to the newspaper report on the proposed setting up of a new manufacturing plant by UMW Toyota, the Chairman reiterated that this is still an unconfirmed report as no firm decision has been made to date. However, he explained that the current assembly plant has been in operations for more than 30 years and it is timely for UMW Toyota to strategise its expansion plans to address the ever-increasing intense competition to regain its market share. In this regard, the Chairman urged shareholders to wait for UMW Toyota's official announcement on the matter.

- 6) Mr SK Chee, a proxy holder, enquired whether there is any government support/incentive received for the RR project?

Encik Badrul Feisal replied that the Government has been very supportive of the RR Project as it forms part of the national agenda, strengthening Malaysia's position in aerospace technology in the global market. Through constant engagements with the Ministry of Finance and the Malaysian Investment Development Authority (MIDA), UMW managed to secure incentives and tax breaks in the form of pioneer tax status, approved traders scheme for GST exemption and government grants.

- 7) Mr Kenneth Woo Kai Hung, a shareholder, enquired on the following -

- a) Whether the Group has a dedicated training centre to develop in-house expertise for the RR Project?
- b) The Group's bottom line has been significantly impacted by impairments at UMW-OG and low profitability from other segments. What is the outlook for the current year under review?

Encik Badrul Feisal stated that UMW has been getting tremendous support from Rolls-Royce in terms of technical support as well as human capital development. On-the-job training is provided to UMW personnel at Rolls-Royce's various facilities. With this in place, management believes that UMW would be able to develop the required expertise and competencies in areas of precision machining and assembly of aerospace components to meet Rolls-Royce's expectations.

With regard to the outlook for 2016, Encik Badrul Feisal stated that it would be another challenging year given the current economic climate. The bearish outlook for the oil and gas industry is likely to continue in 2016, whilst Ringgit remains volatile. If the present situation worsens, there may be a possibility for further impairment in 2016, mainly from UMW-OG and other investment companies within the Group that are involved in the oil and gas sector. However, if oil prices continue to improve, more contracts could be secured if drilling activities pick up thereby minimising the impact of impairment.

- 8) Mr Shak Kun Chooi, a shareholder, enquired on the purpose of having foreign associates in offshore tax haven jurisdictions as listed on page 224 of the 2015 Annual Report, namely, First Space Holdings Limited ("First Space") and WSP Holdings Limited ("WSP").

Encik Badrul Feisal explained that the offshore associates are essentially investment holding companies set up for UMW's

investment in the oil and gas sector in China. The UMW Group has 22.5% effective interest in these two offshore companies and has no control over the management. He added that WSP had been delisted from the New York Stock Exchange and its operating subsidiary in China is under receivership.

- 9) Encik Abdul Rahman bin Abdullah, a shareholder, enquired on whether UMW would still be able to pay good dividends in 2016 and beyond, in view of the significant drop in profits, and major investments undertaken by the Group.

Encik Badrul Feisal stated that UMW has consistently paid good dividends to its shareholders and management would strive to continue paying dividends despite these challenging times.

With regard to future dividends, the Chairman informed shareholders that there may come a time when UMW may not be able to pay good dividends because of the need to invest in new projects to ensure sustainable growth of the Group. If this happens, shareholders' understanding and continued support will be required.

- 10) Ms Wong Lai Chan, a proxy holder, expressed dissatisfaction over the clarity of the map to UMW provided in the Administrative Guide and the time for closing of the registration counter.

The Chairman explained that although the Administrative Guide states that the registration counter closes 15 minutes before commencement of the meeting at 10.00 am., it has always been UMW's practice to extend the registration time by half an hour.

Puan Lya Rahman stated that it is the Company's prerogative to decide on the closing time for registration. However, as good practice, companies should continue to open the registration counter at least 30 minutes after the commencement of the meeting.

On the suggested improvements to the map provided in the Administrative Guide, the Chairman stated that the matter will be looked into accordingly.

As there were no further questions, the Chairman thanked shareholders/proxy holders for their questions and comments, and proceeded with Item 2 of the Agenda.

| ITEM | PROCEEDINGS |
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**ORDINARY
RESOLUTION 1**

Re-election of Encik Badrul Feisal bin Abdul Rahim, a Director Retiring by Rotation Pursuant to Article 109 of the Company's Articles of Association

The Chairman informed the Meeting that Encik Badrul Feisal bin Abdul Rahim is to retire pursuant to Article 109 of the Company's Articles of Association and being eligible, had offered himself for re-election.

The motion was duly proposed by Mr Lee Cheng Hock and seconded by Mr Boey Tchung Chien.

There being no questions raised, the following motion was put to vote and declared carried -

"THAT, Encik Badrul Feisal bin Abdul Rahim, a Director retiring pursuant to Article 109 of the Company's Articles of Association, be re-elected Director of the Company."

**ORDINARY
RESOLUTIONS
2 AND 3**

The Chairman informed the Meeting that Puan Rohaya binti Mohammad Yusof and Y Bhg Tan Sri Hasmah binti Abdullah, are to retire pursuant to Article 123 of the Company's Articles of Association and being eligible, had offered themselves for re-election.

There being no questions raised, the resolutions for the re-election of Directors were voted individually as follows -

- 1) **Ordinary Resolution 2** on the proposed re-election of Puan Rohaya binti Mohammad Yusof, was duly proposed by Puan Shahrani binti Zakaria and seconded by Mr Lee Cheng Hock.

The following motion was put to vote and declared carried unanimously -

"THAT, Puan Rohaya binti Mohammad Yusof, a Director retiring pursuant to Article 123 of the Company's Articles of Association, be re-elected Director of the Company."

- 2) **Ordinary Resolution 3** on the proposed re-election of Y Bhg Tan Sri Hasmah binti Abdullah, was duly proposed by Mr Lim Tan Teow Kuan and seconded by Puan Faridah binti Tukiran.

The following motion was put to vote and declared carried unanimously -

"THAT, Y Bhg Tan Sri Hasmah binti Abdullah, a Director retiring pursuant to Article 123 of the Company's Articles of Association, be re-elected Director of the Company."

| ITEM | PROCEEDINGS |
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**ORDINARY
RESOLUTION 4**

Approval for Payment of Directors' Fees amounting to RM1,350,000 for the Financial Year Ended 31st December 2015

The Chairman proceeded with Ordinary Resolution 5 on the approval for payment of Directors' fees amounting to RM1,350,000 for the financial year ended 31st December 2015.

The motion was duly proposed by Mr Boey Tchun Chien and seconded by Madam Tan Swee Yong.

There being no questions raised, the following motion was put to vote and declared carried -

"THAT, a sum of RM1,350,000 be approved as Directors' fees for the financial year ended 31st December 2015, such fees to be divided amongst the Directors as they shall determine."

**ORDINARY
RESOLUTION 5**

Re-Appointment of Auditors and Fixing of Auditors' Remuneration

The Chairman proceeded with Ordinary Resolution 5 on the re-appointment of Messrs Ernst & Young as Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration.

The motion was duly proposed by Encik Abdul Wahab bin Osman and seconded by Encik Rohaizat bin Abd Rahman.

There being no questions raised, the following motion was put to vote and declared carried -

"THAT, Messrs Ernst & Young, the retiring Auditors, be re-appointed Auditors of the Company to hold such office from the date hereof to the conclusion of the next Annual General Meeting and at a remuneration to be determined by the Directors."

**ORDINARY
RESOLUTION 6**

Re-appointment of Tan Sri Asmat bin Kamaludin as Director of the Company Pursuant to Section 129(6) of the Companies Act, 1965

As Ordinary Resolution 6 is in respect of his re-appointment, the Chairman handed the chair over to Dr Leong Chik Weng to continue with the proceedings of the meeting.

The motion was duly proposed by Mr Seng Eng Soon and seconded by Madam Tan Swee Yong.

There being no questions raised, the following motion was put to vote and declared carried -

"THAT, Tan Sri Asmat bin Kamaludin, a Non-Independent Non-Executive Director, who retires pursuant to Section 129(2) of the

Companies Act, 1965 ("the Act"), be re-appointed as Director of the Company pursuant to Section 129(6) of the Act, and to hold office until the conclusion of the next Annual General Meeting."

Having concluded the proceedings, Dr Leong Chik Weng handed the chair back to the Chairman.

**ORDINARY
RESOLUTION 7**

Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transaction of a Revenue or Trading Nature ("Shareholders' Mandate")

The Chairman proceeded with Ordinary Resolution 7 on the Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for an additional Recurrent Related Party Transaction of a Revenue or Trading Nature. The Board proposes to renew the mandate granted by shareholders of the Company on 28th May 2015. The Proposed Shareholders' Mandate will enable the UMW Group to enter into any recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the UMW Group, involving related parties, as detailed in the Circular to Shareholders dated 25th April 2016.

The motion was duly proposed by Mr Seng Eng Soon and seconded by Madam Tan Swee Yong.

There being no questions raised, the following motion was put to vote and declared carried -

"THAT, the mandate granted by shareholders on 28th May 2015 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries ("the UMW Group") to enter into the recurrent transactions of a revenue or trading nature as now set out in Section 2.3(b)(i) of the Circular to Shareholders dated 25th April 2016 ("the Circular"), with the related parties mentioned therein, which are necessary for the day-to-day operations of the UMW Group, be renewed, **AND THAT** approval be given for a new mandate for the UMW Group to enter into an additional recurrent transaction of a revenue or trading nature as set out in Section 2.3(b)(ii) of the Circular with the related party mentioned therein, **PROVIDED THAT** such transactions are entered into in the ordinary course of business and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

THAT, the Shareholders' Mandate shall continue to be in force and effect until -

| ITEM | PROCEEDINGS |
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- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the authority will lapse, unless the authority is renewed by a resolution passed at such general meeting;
- (b) the expiration of the period within which the Company's next AGM is required to be held, pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to any extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting, whichever is the earliest;

AND THAT, the Board of Directors of the Company be empowered and authorised to complete and do such acts and things as they may think expedient or necessary (including executing such documents as may be required) to give effect to the Shareholders' Mandate."

CONCLUSION

There being no other business, the Meeting ended at 11.40 a.m. with a vote of thanks to the Chair.

Approved,



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CHAIRMAN



17th May 2016

Puan Lya Rahman
General Manager
Corporate Services
Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Puan Lya,

THIRTY-FOURTH (34TH) ANNUAL GENERAL MEETING ("AGM") OF UMW HOLDINGS BERHAD

We refer to your letter dated 12th May 2016 on the above matter.

We thank you for your comments and would be happy to highlight the queries raised by you at the AGM.

Our response to your questions is as follows -

Strategic and Financial Matters

- 1) The Automotive segment recorded profit before zakat and taxation of RM860.9 million in FY2015 compared to RM1.4 billion in FY2014. It was reported in the Chairman's statement that margins were adversely impacted by the depreciation of the Ringgit against the USD.
 - i) What was the financial impact (in term of percentage) of the depreciation of the Ringgit against USD on the earnings of the Automotive segment?

The Automotive segment's result was adversely affected by approximately RM700 million (i.e., approximately 50%) of the profit before taxation due to the depreciation of Ringgit.

- ii) **Apart from the financial impact of the depreciation of the Ringgit against the USD, were there other reasons that contributed to the decrease in the earnings of the segment?**

Due to the intense competition in the automotive industry, the Automotive division had to increase their advertising and promotion activities to boost sales. Furthermore, new product launches from competitors coupled with stringent loan approval from financial institutions also affected their sales.

- iii) **What are the measures taken by the Board to improve the performance of the Automotive segment?**

In the highly competitive automotive industry in Malaysia, we are of the view that a steady pipeline of new models is critical to entice and attract customers. Apart from this, our Automotive segment have also undertaken continuous cost containment measures and improve both operational and production efficiency.

- iv) **How does the Board expect the Automotive segment to perform for FY2016?**

We expect the segment to continue to be challenging with stringent bank lending guidelines, soft consumer sentiment and stiff competition from new models introduced by competitors.

2. **As reported under the Segment Reporting in Note 37(a) of the Annual Report, segment under "Others" continued to report segment loss of RM486 million [FY2014: Loss of RM370 million].**

- i) **Could the Board provide a breakdown on the performance of businesses under "Others"?**

The losses in this segment are largely from the impairment of OCTG assets in India and China. This is due to the low oil price environment and weak market condition for the oil & gas sector.

- ii) **What are the measures taken by the Board to improve the performance of these businesses as these businesses have been registering losses consecutively?**

Our plan is to constantly monitor the progress of these investments with a view for potential value creation exercise. The UMW Group would still need to nurture these assets and continue to assess various options and opportunities for potential value creation. Our strategy remains to continue to nurture and enhance the value of these assets in the near term.

3. **What was the nature of provision for additional losses on investment in a joint venture amounting to RM130 million in FY 2015?**

As a prudent measure, we have taken decision to recognise the share of loss of a joint venture with nil carrying amount, part of whose the borrowings are guaranteed by the Group.

4. **What was the nature of property, plant and equipment (PPE) written off amounting to RM14.6 million in FY2015?**

This was mainly for the equipment or parts for the work-over rigs for UMW Oil & Gas.

5. **Under the Review of Operations, UMW Aerospace Sdn Bhd had signed a 25 + 5-year agreement with Rolls-Royce Plc. to manufacture and assemble fan cases for Rolls-Royce's Trent 1000 and Trent 7000 aero engines. It was also reported that the Group would be building the manufacturing plant in Serendah, Selangor.**

- i) **What would be the expected CAPEX for the manufacturing plant?**

The expected CAPEX of the manufacturing plant is approximately RM750 million.

- ii) **What is the expected gestation period for the plant?**

The expected gestation period is similar to any other manufacturing operations, i.e., two (2) to three (3) years.

6. **We noted that the debt to equity ratio has increased from 44.4% in FY2014 to 64.1% in FY 2015.**

What is the Group's optimum debt to equity ratio and how would the Board ensure that the Company's debt to equity ratio is maintained at an optimum level?

From a net debt to equity perspective, our gearing ratio stands at about 42%. We are of the opinion that this is within the optimum range of net debt to equity ratio, and we strive to maintain this level.

Thank you.

Yours faithfully,
UMW HOLDINGS BERHAD



BADRUL FEISAL BIN ABDUL RAHIM
President & Group CEO



17th May 2016

KUMPULAN WANG PERSARAAN (Diperbadankan)

Aras 4, 5 6 & 8
Menara Yayasan Tun Razak
200, Jalan Bukit Bintang
55100 Kuala Lumpur

Attn: Encik Ismail bin Zakaria
Director, Corporate Strategy & Performance Department

Dear Sir,

THIRTY-FOURTH (34TH) ANNUAL GENERAL MEETING ("AGM") OF UMW HOLDINGS BERHAD

We refer to your letter dated 13th May 2016 on the above matter and are pleased to forward herewith our response to your queries raised -

- 1) **UMW have signed an agreement with Rolls-Royce Plc in 2015, representing your first venture into the field of high-value manufacturing in the aerospace industry. (refer page 10, 2015 Annual Report)**

UMW's strength has always been in the automotive industry. Over the years you have ventured into O&G and faced some challenges. With regards to this new venture, please provide the following:

- a) **The rationale for exposing the manufacturing division into the aerospace industry**

Backed by over 30 years of experience in the automotive assembly and automotive components manufacturing business, UMW's expansion into the aviation industry is a significant step forward for us as the Group moves up the value chain. With the fan case supply agreement, we are the first Malaysian company to become a Tier 1 supplier to Rolls-Royce and the project will be the platform for UMW to migrate from labour intensive operations to lean and high value manufacturing. In addition, this will also see UMW repositioning its core

competencies, embarking upon precision machining and assembly of critical aerospace components as a major focus area. We are excited with the prospects of this new business as it will not only provide sustainable, recurring revenue but be the precursor to value creation for the Group in the medium to long term.

b) The additional capex required to support this venture

The CAPEX required for the venture is approximately RM750 million.

2) Given the cautious consumer spending and competitive automotive market in Malaysia, please share how the company plans to increase the sales of Toyota vehicle without compromising margins.

In the highly competitive automotive industry in Malaysia, we are of the view that a steady pipeline of new models is critical to entice and attract customers. We are pleased to inform that we have launched the all-new Toyota Hilux and Toyota Fortuner on 5th May 2016 and this will be followed by the introduction of the all-new Toyota Alphard and Toyota Vellfire this year.

Furthermore, we have a well-established playbook of marketing and promotional strategies such as favourable sales policies, product roadshows and competitive trade in values which will contribute to improved traction in securing new unit orders in the highly competitive market environment.

3) Please share the company's strategy in utilising your oil rigs in the current relatively low oil price environment.

UMW Oil & Gas's strategy is to aggressively market their drilling rigs in the domestic market with a focus on regular local customers especially PETRONAS, emphasising on the status of Malaysian owned and operated rigs. Meanwhile, for foreign customers, UMW Oil & Gas is proactively having upfront discussions and negotiations in order to fully understand their requirements and be able to offer the right rig to meet their needs. To widen their market coverage beyond Malaysia and Southeast Asia, UMW Oil & Gas is also expanding their geographical reach into the Middle East and North Sea regions. In these new markets, UMW Oil & Gas is offering competitive day rates based on the specific country dynamics in order to improve their success rate in tendering.

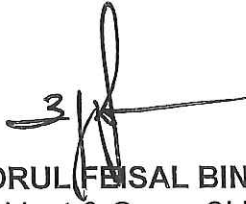
4) Any plans to extract value from Perodua via an IPO?

Currently, there are no plans to extract value from Perodua via an IPO.

We trust that the above has clarified matters. Should you have further queries, please contact our Puan Roza Shahnaz Omar at 5163 5069.

Thank you.

Yours faithfully,
UMW HOLDINGS BERHAD

A handwritten signature in black ink, consisting of a stylized 'B' and 'F' followed by a horizontal line. The number '3' is written to the left of the signature.

BADRUL FEISAL BIN ABDUL RAHIM
President & Group Chief Executive Officer