

# **OPTIMISING POTENTIAL**

INTEGRATED ANNUAL REPORT 2019



In an era of rapid digitalisation, evolving market trends and consumer expectations and growing sectoral challenges, our business remained resilient. The key driving factor for positive performance has been our untiring efforts to optimise our organisational and people potential. In 2019, this meant, our continued efforts to find opportunities to innovate, build on people capabilities, support the communities where we operate and prepare ourselves against the risks of the future. In 'Optimising Potential', we also find ways to eliminate redundancies, improve efficiencies and catalyse new growth that is meaningful for all our stakeholders. At UMW, this is 'Value Creation'.

#### 

Get access to the soft copy of our reports, video and contact information



Download the "QR Code Reader" on App Store or Google Play



Run the QR Code Reader app and point your camera to the QR Code



ONLINE VERSION

https://www.umw.com.my/iw/financial-reports

# **ABOUT THIS REPORT**

"At UMW, we are committed to maintaining transparency, accuracy and relevance in furnishing information meaningful to our stakeholders and shareholders. Hence, our inaugural Integrated Annual Report documents not just our progress, but our ability to identify risks and design strategies that create both financial and non-financial values for all stakeholders."

#### **SCOPE AND BOUNDARIES**

#### **Reporting Period**

The UMW Holdings Berhad (**UMW**) Annual Report 2019 is an Integrated Report, which mainly relates to our Group's activities and operations for the financial year ended 31 December 2019 (**FY2019**), unless stated otherwise. It provides our stakeholders with valuable insights into our strategies and value-creating activities. It also shows how we performed throughout the year within our reporting boundaries.

#### **Operating Business**

This report covers the main activities and operations of the Group in Malaysia and in countries we operate. This includes all core business segments in Automotive, Equipment, and Manufacturing & Engineering (**M&E**), unless otherwise stated.

#### Content

Besides business performance and highlights, this report also includes disclosures on Corporate Governance and Financial Statements. This report should be read concurrently with our Corporate Governance Report 2019 and the Sustainability Report 2019. Together, they represent UMW's performance during the year under review, the key challenges and opportunities, as well as our strategies moving forward. The report also showcases our milestones and achievements, as well as targets and outlook for the short and medium-term. This Report should be read together with the information available in our website at www.umw.com.my for a comprehensive overview of the Group.

#### **Reporting Frameworks**

Our first Integrated Report is guided by the principles prescribed in the International Integrated Reporting Council (IIRC) framework. We have set a 5-year roadmap for continuously improving and maturing our integrated reporting. The financial statements have been prepared in accordance with the Malaysian Companies Act 2016, the International Financial Reporting Standards (IFRS) and the Malaysian Financial Reporting Standards (MFRS). Additionally, the corporate governance statements reflect the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR) and the Malaysian Code on Corporate Governance 2017 (MCCG 2017) issued by the Securities Commission.

# STATEMENT OF THE BOARD OF DIRECTORS

The Board acknowledges the responsibility to ensure the integrity of the Integrated Annual Report. In the Board's opinion, the report has addressed all material topics and fairly represents the Group's performance in 2019.

Approved by the Board of Directors and signed on behalf of the Board -



Tan Sri Dato' Sri Hamad Kama Piah Che Othman Group Chairman

Badrul Feisal Abdul Rahim President & Group Chief Executive Officer

#### UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

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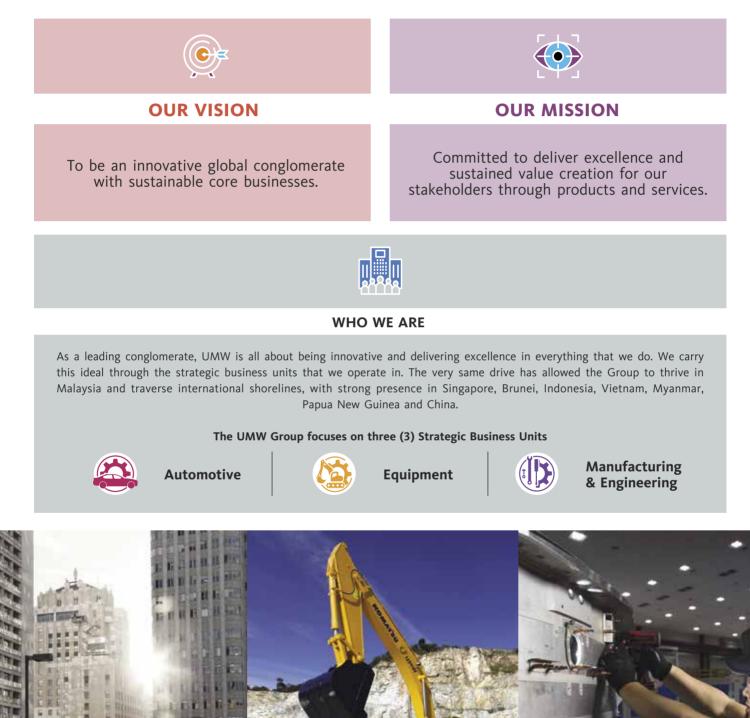
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# OVERVIEW OF UMW HOLDINGS BERHAD



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#### **Our Core Values**

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Ways of Working, or WOW for short, is the clarion call for UMW employees to pledge their unwavering commitment to this renowned industrial conglomerate. WOW encapsulates three (3) core values: We Are One, We Drive Change and We Deliver Promises. Embracing these three (3) core values will take us to the next level in delivering our roles and responsibilities to the UMW Group. WOW underlines the importance of uniting people and inspiring them to go the extra mile towards exhibiting the spirit of excellence, which leads to success in business.



# OUR REACH

MALAYSIA Automotive | Equipment | Manufacturing & Engineering

**SINGAPORE** Equipment

**BRUNEI** Equipment

**CHINA** Equipment | Manufacturing & Engineering

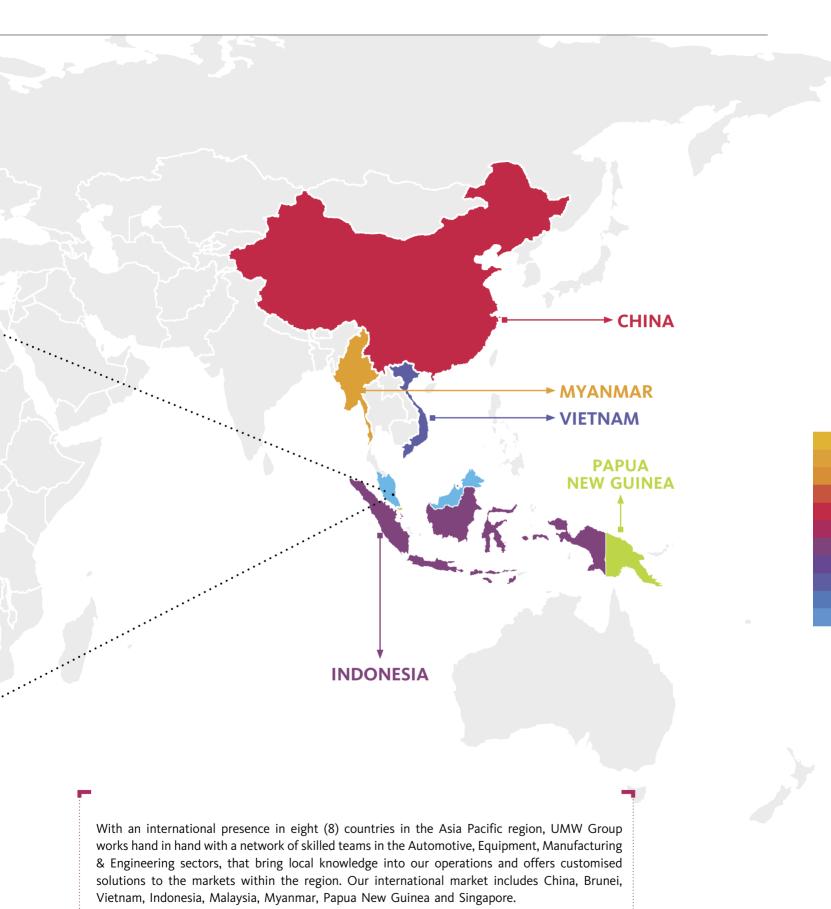
PAPUA NEW GUINEA Equipment

**VIETNAM** Equipment

**MYANMAR** Equipment

**INDONESIA** Manufacturing & Engineering





# OUR MILESTONES

#### 1917

Founder Chia Yee Soh set up his own automotive repair shop in Orchard Road, Singapore – United Motor Works. **1927** 

#### 1927

United Motor Works Ltd forerunner of the UMW Group was established in Singapore.

1936

The agency for Pennzoil lubricant products was acquired from Pennzoil Products Company of the USA.

#### 1949

United Motor Works (Penang) Sdn Bhd was established. 1950

\_\_\_\_\_

Chia Yee Soh's son, Eric Chia was sent to work at United Motor Works (Malaya), Kuala Lumpur.

1954

1910's – 1950's

The operations in Kuala Lumpur and Penang were reorganised as Main Offices.

1960's

1970's

#### 1980

As part of the new corporate identity, the Group's logo was changed to signify the planned integration of diverse activities in a multi-faceted organisation to mark a new phase in the Group's history of dynamic growth.

#### 198

Toyota Motor Corporation (**TMC**) of Japan announced the appointment of Sejati Motor Sdn Bhd, a joint venture company between UMW and TMC to take over the import, assembly and distribution of Toyota motor vehicles in Malaysia.

Turnover of the UMW Group passed the RM1 billion mark for the first time.

#### 198

United Motor Works (Malaysia) Holdings Berhad changed its name to UMW Corporation Berhad.

#### 1987

As part of a capital reconstruction exercise, UMW Holdings Berhad (**UMW**) was created and its shares were listed on the KLSE and the Stock Exchange of Singapore, in place of the shares of UMW Corporation Berhad.

Sejati Motor Sdn Bhd changed its name to UMW Toyota Motor Sdn Bhd.

#### 1988

The capital reconstruction exercise was completed, with Permodalan Nasional Berhad becoming the largest shareholder in UMW.

Subsequent to this, UMW Corporation Berhad changed its status from a public company to a private company.

1970 United Motor Works (Malaysia) Holdings Berhad (UMWHB) was incorporated and became the Group's holding company, listed on the Kuala Lumpur Stock Exchange (KLSE). 1971 The Group moved into its new premises at the Batu Tiga Complex, Shah Alam, Malaysia. 1961 Industrial equipment was added to the Group's business. 1962 An agreement was signed for the award of the first franchise from Mitsubishi Heavy Industries Ltd of Japan. 1965 The Komatsu distributorship was awarded by Komatsu Ltd of Japan. 1967 The agency for the Toyota forklift was acquired for Peninsular Malaysia.

1980's

#### 1990

Toyota became the top seller in the non-national car segment of the Malaysian automobile industry.

UMW Corporation Sdn Bhd became the largest shareholder of the second national car company, Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**).

#### 1994

The Perodua Kancil was launched to such an overwhelming response that within just four months, it became the second best-selling car in Malaysia.

#### 1999

UMW celebrated its 30 years of operations as a public-listed company.

#### 2012

For the first time since it was listed, UMW Group attained RM2 billion in Profit Before Tax. The phenomenal achievement marked the 12<sup>th</sup> record performance for UMW.

#### 2013

UMW Oil & Gas Corporation Berhad was listed on Bursa Malaysia, the biggest IPO in Malaysia for the year.

#### 2015

UMW was selected as the Rolls-Royce Plc's tier-1 partner in a 25+5 years' contract to manufacture fan cases.

#### 2017

2017 marked UMW's 100<sup>th</sup> year in operations. The Group celebrated its centenary with a one-day carnival at Dataran UMW in Shah Alam.

#### 2018

A Joint Venture Agreement (**JVA**) with Komatsu Ltd was executed to establish a Joint Venture Company between UMW and Komatsu – UMW Komatsu Heavy Equipment Sdn Bhd.

#### 2001

2000's

The Group's diversified operations were rationalised into four main Strategic Business Units (SBUs), namely, Automotive, Equipment, Manufacturing & Engineering and Oil & Gas.

2010's

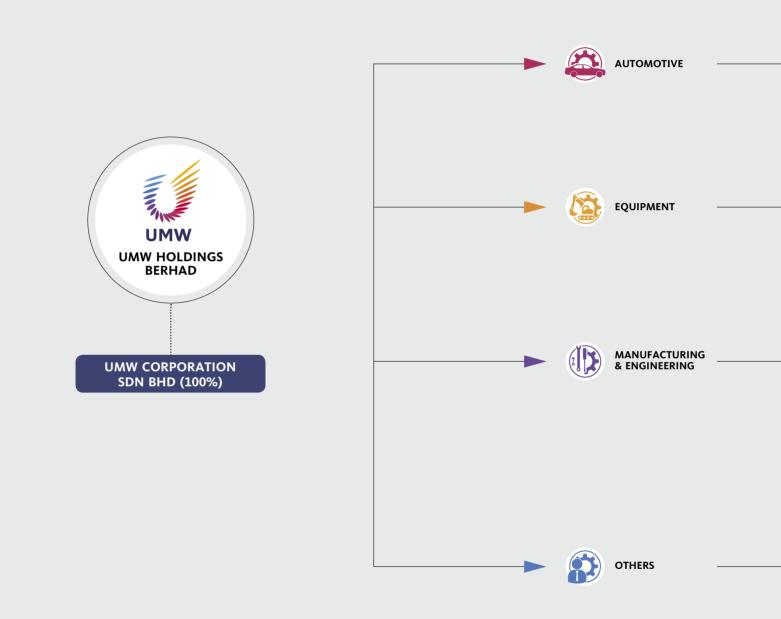
#### 2007

UMW began its corporate rebranding exercise to push further the Group's global expansion plans and transform itself into a truly world-class organisation.

#### 2008

UMW unveiled its new corporate identity at the colorful and entertaining event held at the Kuala Lumpur Convention Centre.

# HOW WE ARE STRUCTURED: CORPORATE STRUCTURE AS AT 17 APRIL 2020



#### Notes:

- i. Companies in italics are associated and joint venture companies of the Group.
- ii. The corporate structure excludes subsidiaries/associated companies under liquidation or being divested.

#### UMW Toyota Motor Sdn Bhd

- > Assembly Services Sdn Bhd
- > Automotive Industries Sendirian Berhad
- > Toyota Boshoku UMW Sdn Bhd
- **Otomobil Sejahtera Sdn Bhd**

UMW Toyotsu Motors Sdn Bhd

#### Perusahaan Otomobil Kedua Sdn Bhd

- > Perodua Sales Sdn Bhd
- > Perodua Auto Corporation Sdn Bhd
- Perodua Manufacturing Sdn Bhd – Perodua Engine Manufacturing Sdn Bhd
- Perodua Global Manufacturing Sdn Bhd

#### UMW Equipment Division Sdn Bhd

#### UMW Komatsu Heavy Equipment Sdn Bhd

- > UMW Equipment Sdn Bhd
   > UMW (East Malaysia) Sdn Bhd
- > UMW Niugini Limited, Papua New Guinea
   > UMW Engineering Services Limited, Myanmar
   > UMW Heavy Equipment (S) Pte Ltd, Singapore

#### UMW Industries (1985) Sdn Bhd

**UMW Industrial Power Services Sdn Bhd** 

#### UMW Machinery Limited, Myanmar

- UMW Equipment & Engineering Pte Ltd, Singapore
- UMW Equipment Systems Pte Ltd, Singapore
- UMW Industrial Trading (Shanghai) Co Ltd, China
- UMW Industrial Equipment (Shanghai) Co Ltd, China
- Vision Fleet Equipment Leasing (ZheJiang) Co Ltd, China

#### UMW M&E Sdn Bhd

- > UMW Aerospace Sdn Bhd
- > Lubetech Sdn Bhd
- > UMW Pennzoil Distributors Sdn Bhd
- > UMW Grantt International Sdn Bhd
- > PT UMW International, Indonesia
- > PT Pusaka Bersatu, Indonesia

UMW Aero Assets Sdn Bhd

#### UMW Advantech Sdn Bhd

**KYB-UMW Malaysia Sdn Bhd** UMW Lubricant International Sdn Bhd Lubritech International Holdings Limited, Hong Kong > Lubritech Limited, China

UMW M&E Limited, Labuan

UMW Development Sdn Bhd UMW Land Sdn Bhd UMW Training Centre Sdn Bhd U-TravelWide Sdn Bhd UMW Technology Sdn Bhd > UTech Americas Inc, USA

UMW PETROPIPE (L) LTD, Labuan UMW Linepipe (L) Ltd, Labuan

### UMW IT Services Sdn Bhd

UMW Oilfield International (M) Sdn Bhd Toyota Capital Malaysia Sdn Bhd

- > Toyota Capital Acceptance Malaysia Sdn Bhd
- > Toyota Lease Malaysia Sdn Bhd
- E-Lock Corporation Sdn Bhd

#### UMW ACE (BVI) Ltd, British Virgin Islands UMW Oilfield International (L) Ltd, Labuan

- UMW India Ventures (L) Ltd, Labuan
- > Jaybee Drilling Private Limited, India



UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

# KEY MESSAGES: CHAIRMAN'S MESSAGE

#### Dear Valued Stakeholders,

For 2019, the Group has maintained strong market performance despite an uncertain global economy, the confluence of various regional economic and regulatory factors, and the advent of Industry 4.0 that is bringing sweeping changes to our industry. Overall, I would like to commend the Group for achieving notable performance and creating value to our stakeholders.

#### **Transformation into the Future**

The Group continued to be driven by our vision to be an innovative global conglomerate with sustainable businesses and the commitment to deliver excellence and sustained value creation for our stakeholders through products and services. We are at a seminal moment in our industry, marked by rapid technological change, the blurring of traditional boundaries between sectors, new entrants that alter the rules of business and higher customer expectations. The operating landscape has become so fluid and unpredictable that we must adapt and evolve to suit the market environment.

While addressing these changes, in 2019, we embarked on an ambitious journey of transformation that aims to take the Group to new heights. By shifting from business stabilisation to sustainable growth and value creation, we continued with the implementation of the Perdana Transformation Pillars (**P7**). Developed in 2017, this transformation blueprint aims at further growing our core businesses' sustainability while unlocking the value of non-core assets for further value creation. Throughout the year, we made steady progress in efficiency initiatives, capacity building, monetising non-core assets and industrial innovation, as guided by P7.

Under P7, we are guided by seven (7) key pillars of strategic actions, with specific targets to achieve each of them. These pillars are explained in detail on pages 52 to 54. The pillars were derived from an in-depth assessment of our current business, future market opportunities, and our strong track record. I am confident that P7 and the ensuing strategy will lay the strong groundwork for a stronger UMW that is more capable of driving growth and sustainable value creation. Suffice to say, P7 is the foundation for our new strategic thrusts in 2020 and beyond.

#### **Good Governance and Leadership**

As an organisation with a heritage stretching back more than 100 years, the Board believes that an effective corporate governance structure and culture is essential for UMW Group to achieve its vision and objectives. The Board, management and employees affirm and remain resolute in the Group's commitment to enhance shareholder value and its overall competitive positioning by way of upholding the highest standards of corporate governance practices. This includes among others, ethical conduct, business integrity, commitment to values, delivering sustainable values and managing stakeholders' expectations.

In 2019, UMW welcomed two (2) new Independent Non-Executive Directors to the Board. Encik Razalee Amin comes with extensive experience in audit, corporate recovery as well as banking and finance prior to joining UMW. Dato' Seri Prof. Dr. Ir. Zaini Ujang's renowned expertise and achievements in the field of environmental engineering and science will significantly add to the Board's insight on the Group's Innovation, Research & Development (**R&D**) and sustainability efforts. I have a strong belief that our new Board members will help to steer the Group forward.

Talent management is a strategic priority for UMW Group. The Board consistently reviews the succession pipeline of the Senior Management to ensure the organisation's leadership is agile to transform. The Group also reviewed the performance rewards system and talent development strategies to ensure continued relevance and alignment to business plans and to nurture a forward-thinking, progressive, and innovative culture. UMW has been supporting our employees to adapt to the evolving industry requirements with the help of various incentives and training programmes. Our efforts in building a competent workforce will not only lend us a competitive advantage in our future endeavours but will also help us to retain the best talent within our business.

TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN GROUP CHAIRMAN



#### Structuring and Optimising for Success

Subsequent to the Group's strategic exit from the oil and gas business, the Board continued to focus on our three (3) core businesses without losing sight of potential expansion opportunities. These decisions come on the heel of a commitment to channel resources, strengthen our position and eliminate redundancies by retaining only the highest performing businesses/assets. We continued to take stock of our portfolio in order to ensure that we function as a lean outfit.

Cost savings and operational optimisation was a recurring theme across all three (3) core businesses and this was executed through identification of group-wide synergies as well as business process re-engineering, with clear targets on productivity and efficiency improvements.

During the year, while monetising non-productive assets, we also optimised others to create new revenue streams and enhance profits. The disposal of Shah Alam land allowed the Group to fully unlock the value of its long-held assets in line with our Group's overall strategy of ensuring sustainable value creation for our shareholders. This will also facilitate the planned relocation of our Group's existing business operations to the UMW Group's High Value Manufacturing Park (**HVM Park**) in Serendah, Selangor. Through these decisions, we believe our

high-value manufacturing business will continue to gain momentum, significantly strengthening the emerging ecosystem for high-value and advanced manufacturing activities at the HVM Park.

#### **Rediscovering Business Potential**

The Group is continually looking for ways to increase revenue. The Automotive business expanded its product offering and plans to increase localisation. Technology innovation and plant modernisation initiatives increased our production capacity in the Manufacturing & Engineering Division, which is critical to sustain our upwards production target. Following a sectoral shift from logging and mining to urban industries, the Equipment Division will reposition its heavy equipment business to meet demand in urbanised sectors such as construction. The Division initiated several projects to extend product lifecycle and will diversify its products and geographical reach, among other strategies in the coming year.

R&D is at the heart of our innovation agenda and with the rise of automation, the Group will continue to invest in talent upskilling and R&D. The setting up of the Technology and Innovation Division and Group Innovation Committee is a testament to our commitment in developing in-house capabilities for innovation.



#### **Moving Forward**

In 2020, the global economy has been rocked by an unexpected challenge from the worldwide outbreak of COVID-19, with the prospect of significant deterioration of economic activity in countries around the world. Being an open economy, this will have an immense and adverse impact on Malaysia's near-term outlook through muted business spending and weak private consumption although government measures, such as stimulus packages to support businesses and consumers, have the capacity to mitigate and soften the effects of the economic downturn. UMW is challenging itself to remain relevant to customers by offering customer-centric solutions reflective of these evolving trends. Continued investment in technology, efficiency, innovation and workforce will strengthen our future competitiveness. While strategising for the long-term, we aim to deliver short-term results through aggressive financial goals. Our approach is to carefully assess and review our projects and portfolio to ensure disciplined capital and resource allocation, with priority on businesses that are able to generate meaningful returns.

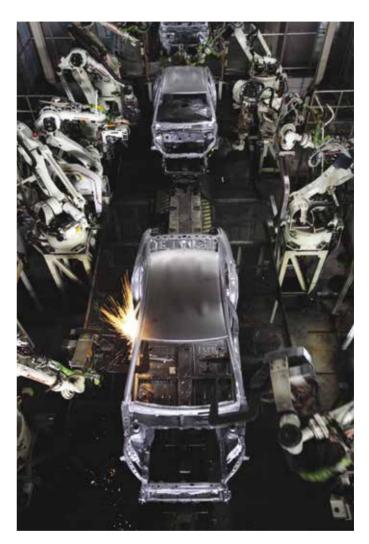
#### Acknowledging the Strength of Leadership

I would like to take this opportunity to thank members of the Board for their dedication and stewardship in guiding the Group forward. I personally feel honoured to be surrounded by colleagues of such high calibre on the Board. I would also like to place on record our deepest appreciation for the services rendered by our past Board members, namely, Dato' Siow Kim Lun, Encik Khalid Sufat and Encik Mohd Shahazwan Mohd Harris, who had retired/resigned during the year under review.

The contributions of the management team were, of course, equally instrumental to another year of success for UMW. With the support of all UMW employees, I believe we can achieve even bigger accomplishments for the Group. To continue to work together as one united team at UMW, we can achieve even greater successes.



Tan Sri Dato' Sri Hamad Kama Piah Che Othman GROUP CHAIRMAN



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# KEY MESSAGES: **PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER'S REVIEW**



#### Dear Valued Stakeholders,

UMW understands that we have a responsibility to our stakeholders to optimise returns from the prevailing economic cycle. Amidst a challenging business environment, we took decisive actions to improve the competitiveness of our businesses and I am pleased to report that in 2019, we achieved an increase in consolidated profit and revenue from the previous year.



as compared to RM 625.1 MILLION in 2018

#### **Financial Results**

Group revenue increased by 3.4% to RM11,760.2 million and PBT stood at RM741.2 million in 2019 compared to RM625.1 million in 2018. Performance was boosted by higher sales in the Automotive and Manufacturing & Engineering (**M&E**) businesses, as well as strategic cost optimisation initiatives.

UMW continued to command the local automotive market with Toyota, Lexus and Perodua. Despite intense competition and modest Total Industry Volume (**TIV**) growth, the Group's combined market share increased from 49.1% in 2018 to 51.4% in 2019, as new models introduced during the year were warmly received by the market. The Automotive segment's revenue increased by 3.9% to RM9,295.9 million. PBT however, declined by 3.6% to RM530.3 million, mainly due to a higher depreciation expense, following the commencement of operations of our Bukit Raja Plant in late 2018.

Following the demand softness in some of its pertinent sectors, the Equipment segment's revenue of RM1,408.2 million in 2019 was 8.5% lower than 2018. The segment's PBT of RM197.5 million in 2019 was RM37.4 million higher than 2018, mainly due to a RM61.8 million one-off gain on disposal of land and buildings in 2019.

The M&E segment's revenue increased by 26.0% or RM219.3 million to RM1,062.5 million from RM843.2 million in 2018. Meanwhile, inclusive of a RM65.5 million gain on disposal of land and buildings, the segment's PBT increased by RM104.9 million to RM126.4 million in 2019. The improved operating performance was due to a higher volume of fan cases delivered by its Aerospace sub-segment as well as higher sales of key products in the Auto Components and Lubricants businesses. Efforts to improve efficiencies and reduce redundancies in its operations further contributed to the surge in PBT.

#### **Strategic Progress & Operational Highlights**

#### Automotive

Our focus in the Automotive segment remained on increasing localisation and expanding our Complete Knock Down (**CKD**) model offering at a more competitive price. For UMW Toyota Motor (**UMWT**), the assembly plant in Bukit Raja - completed at the end of 2018 - is a key part of this CKD/localisation strategy. The plant rolled out its first batch of vehicles, the all-new Toyota Vios in January 2019, followed by the all-new Toyota Yaris in April 2019.

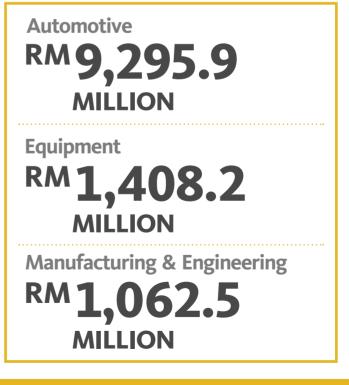
The locally assembled Vios and Yaris, together with the Hilux were the top three selling Toyota models in 2019, accounted for over 70% of sales. UMWT's market share increased to 11.6%, with a higher number of vehicles sold compared to the previous year.

Sales of Perodua vehicles topped the charts for another year at 240,341 vehicles sold, as customers favoured affordability and fuel-efficiency offered by the brand. The new Perodua Aruz was well received by the market with 30,115 units sold in 2019.

#### Equipment

In the Equipment segment, overall performance was affected by the challenging demand for heavy equipment in Malaysia and in other regions. The Industrial Equipment operations in Malaysia and Vietnam maintained their growth momentum; having successfully secured major new contracts and renewed key rental contracts in 2019. The Heavy Equipment operations in Papua New Guinea, however, managed to capitalise on increasing demand in the construction and mining sectors and recorded a growth in revenue.

#### **Revenue:**



# BADRUL FEISAL ABDUL RAHIM PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER

# KEY MESSAGES: PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Throughout the year, we have been laying the groundwork to enable us to better capture growth opportunities in the Equipment segment when the market improves. This includes investing in digital technology to deliver the next wave of productivity to our partners and customers. In late 2019, we launched CARA – a mobile app offering all-in-one forklift services and solutions. The app is expected to contribute to higher services penetration rate and revenue.

#### Manufacturing & Engineering

The Aerospace business - which is a key part of UMW's broader strategic shift into High Value Manufacturing - turned profitable in 2019, with a higher number of fan cases produced and delivered during the year. The Auto Components sub-segment benefited from new model launches including the Perodua Aruz, Perodua Axia and Toyota Vios, as well as higher demand in the 2-wheeler and export market. The Lubricant business's aggressive marketing activities contributed to higher sales of key products.

#### **Unlocking Value of Assets**

In line with the Perdana Transformation blueprint, 2019 also saw UMW successfully monetise its assets via the sale of its land in Shah Alam. The monetisation is aimed at generating higher returns for our shareholders and it will further enable the Group to deleverage our balance sheet and fund for capital expenditure of our businesses in 2020.

#### Outlook

Looking ahead, growth in the Malaysian and the global economy will be affected by the ongoing COVID-19 pandemic, particularly in 2020. The operating landscape will continue to be highly fluid and unpredictable. While no single organisation can make all the right assumptions on the different moving parts, we are transforming the way we run UMW, every day from bottom up, business by business, to ensure that we are resilient and agile enough to respond to unexpected challenges ahead.

While the exact scale and duration of the outbreak's economic impact is yet to be determined, the UMW Group is confident of withstanding any business interruptions caused by the COVID-19 pandemic in the year ahead. The Group will remain vigilant, strive to preserve cash and continue to enhance its operational efficiencies as it navigates its way in this unprecedented and fast-changing global situation. Together with a series of rapid-response initiatives, the Group is also actively enhancing and redeploying its existing transformation resources to build capabilities, accelerate recovery and retool the business for a new, post COVID-19 world.





Our overall strategy for the year ahead will continue to focus on the key themes of nurturing strategic partnerships, enhancing manufacturing capabilities and fostering innovation. We will leverage on digital technologies across UMW's portfolio, balanced with a disciplined approach to capital investment. We are adopting an approach that seeks sustainable growth over mere quick wins; and we look forward to sharing our continued steady progress in the next Integrated Annual Report.

#### Acknowledgements

I wish to record my gratitude to all our customers, shareholders, partners and principals for their continuous support and belief in the UMW Group. My heartfelt gratitude also goes to the Board of Directors for their wise counsel and for ensuring that UMW maintains the highest level of governance and integrity in all that we do. To all my colleagues across the UMW Group, I thank you for your efforts this past year. Together, let's continue to explore a world of possibilities and unlock greater productivity and progress for all our stakeholders.

**Badrul Feisal Abdul Rahim** PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER



# BOARD OF DIRECTORS' PROFILE

#### TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN

Group Chairman, Non-Independent Non-Executive Director

NATIONALITY	Malaysian
AGE/GENDER	68/Male
DATE OF APPOINTMENT	1 January 2017
DATE OF LAST RE-ELECTION	25 May 2017
LENGTH OF SERVICE (as at 17 April 2020)	3 years 3 months
BOARD MEETINGS ATTENDED	10/10

#### AREA OF EXPERTISE

Investment, Finance and Fund Management

#### **RELEVANT EXPERIENCE**

Served Permodalan Nasional Berhad (PNB) since 1979 until his retirement as the President & Group Chief Executive Officer on 30 September 2016. Throughout his corporate career, he had also served on various boards of Malaysia's largest corporations, among others, as Deputy Chairman of Sime Darby Berhad, Chairman of Chemical Company of Malaysia Berhad, i-Berhad and various public listed and private companies. During his illustrious career spanning more than 40 years, he had been involved in various facets of PNB's operations, including investment and portfolio management, real estate investment and management, corporate finance and restructuring, as well as unit trust management.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIPS

- > Honorary Doctorate in Entrepreneurship, Universiti Malaysia Kelantan
- > Honorary Doctorate in Finance and Investment, Management & Science University, Malaysia
- > Honorary Doctorate in Economics and Muamalat Administration, Universiti Sains Islam, Malaysia
- > Honorary Doctorate in Business Administration, Universiti Tenaga Nasional, Malaysia
- > Master of Philosophy, Swansea University, UK
- > Diploma in Statistics, Universiti Teknologi Mara, Malaysia
- > Senior Fellow, Financial Services Institute of Australasia
- > Certified Financial Planner, Financial Planning Association of Malaysia
- > Honorary Fellow & Registered Financial Planner, Malaysian Financial Planning Council

#### PRESENT APPOINTMENTS

- > Chairman, E-Lock Corporation Sdn Bhd
- > Director, PFM Capital Holdings Sdn Bhd
- > Director, Professional Golf Association of Malaysia
- > Trustee, Yayasan Karyawan

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

- Listed
- > None

Non-Listed

> None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

### **BOARD OF** DIRECTORS' PROFILE



#### BADRUL FEISAL ABDUL RAHIM

President & Group Chief Executive Officer/Executive Director

# BOARD COMMITTEE MEMBERSHIP

> Investment Committee

NATIONALITY
Malaysian
AGE/GENDER
50/Male
DATE OF APPOINTMENT
1 October 2015
DATE OF LAST RE-ELECTION
23 May 2019
LENGTH OF SERVICE (as at 17 April 2020)
4 years 6 months
BOARD MEETINGS ATTENDED
10/10

#### AREA OF EXPERTISE

Investment, Corporate Strategy and Finance

#### **RELEVANT EXPERIENCE**

Held various senior positions in UMW before appointed as the President & Group Chief Executive Officer in October 2015. Prior to UMW, he had been involved in the senior management and directorship of established organisations such as Khazanah Nasional Berhad (**Khazanah**), PROTON, LOTUS and the DRB-Hicom Group of companies. He acquired vast corporate and operational experience through manning responsibility over Khazanah's key subsidiaries, among others, Tenaga Nasional Berhad, Malaysian Technology Development Corporation, Commerce Asset-Holdings Berhad (now known as CIMB Group) and UEM Group.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- Bachelor of Science in Accountancy, University of Missouri, Columbia, USA
- American Associate Degree in Accountancy, MARA Science College, Malaysia

#### PRESENT APPOINTMENTS

- > Adjunct Professor, Manufacturing Engineering Centre of Learning, Universiti Malaysia Perlis
- Member, Industrial Advisory Board of Universiti Kuala Lumpur

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

> None

#### Non-Listed

> None

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)



#### TAN SRI HASMAH ABDULLAH

Senior Independent Non-Executive Director

#### **BOARD COMMITTEE MEMBERSHIPS**

- Nomination & Remuneration Committee (Chairperson)
- > Integrity & Whistle-Blowing Committee (Chairperson)
- > Audit Committee
- > Risk Management Committee

NATIONALITY Malaysian AGE/GENDER 69/Female DATE OF APPOINTMENT 2 September 2013 DATE OF LAST RE-ELECTION 23 May 2019 LENGTH OF SERVICE (as at 17 April 2020) 6 years 6 months BOARD MEETINGS ATTENDED 7/10

#### AREA OF EXPERTISE

Public Administration and Taxation

#### **RELEVANT EXPERIENCE**

Formerly the Chief Executive Officer and Director-General of the Inland Revenue Board (**IRB**), she had a distinguished career with IRB spanning over 37 years. At IRB, she had led the Malaysian delegation to various international conferences and represented Malaysia on the Management Committee of the Commonwealth Association of Tax Administrators in London from 2007 to 2009. Under her leadership, IRB was awarded the inaugural Prime Minister's Innovation Award in 2009 in recognition for the vast improvements and innovations introduced to the tax-paying public. She was also a Tax Advisor to PricewaterhouseCoopers Taxation Services Sdn Bhd and a Commission Member of the Securities Commission of Malaysia.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- > Bachelor of Arts (Hons), University of Malaya> Senior Management Development Programme,
- Senior Management Development Programme, Harvard Business School, Alumni Club of Malaysia
- Fellow Member, The Chartered Tax Institute of Malaysia

#### PRESENT APPOINTMENTS

- Member, Board of Trustees of the Malaysian Tax Research Foundation, Dana Amal Jariah and Yayasan Allammiyyah
- Executive Council Member, Selangor and Federal Territory Association for the Mentally Handicapped
- Member, Board of Trustees of Alzheimer Disease Foundation Malaysia
- > Chairperson, Tax Reform Committee, Malaysia

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

Panasonic Manufacturing Malaysia Berhad

#### Non-Listed

> None

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

None

### **BOARD OF** DIRECTORS' PROFILE



#### DATO' ESHAH MEOR SULEIMAN

#### Independent Non-Executive Director

#### **BOARD COMMITTEE MEMBERSHIPS**

- > Risk Management Committee (Chairperson)
- > Nomination & Remuneration Committee
- > Integrity & Whistle-Blowing Committee



#### AREA OF EXPERTISE

Public Administration and Economics

#### **RELEVANT EXPERIENCE**

Began her career with Public Service in 1981 as the Assistant Director, Macro Economic Section, at the Economic Planning Unit of the Prime Minister's Department before serving as the Assistant Secretary at the Government Procurement Management Division, Ministry of Finance (**MOF**) in 1991. During her tenure in MOF, she held various key positions, including as Principal Assistant Secretary, Deputy Under Secretary and Under Secretary of Investment, Minister of Finance (Incorporated) and the Privatisation Division of MOF. In January 2014, she was assigned as the Under Secretary of Statutory Bodies Strategic Management Division of MOF prior to her retirement on 1 November 2014.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- Master of Business Administration, Oklahoma City University, USA
- Bachelor of Economics (Hons), University of Malaya
- > Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia

#### PRESENT APPOINTMENT

> None

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

> None

#### Non-Listed

> None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

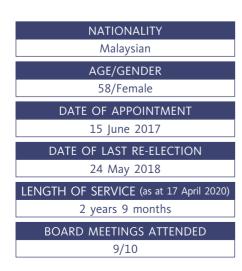


#### DATIN PADUKA KARTINI HJ ABDUL MANAF

Non-Independent Non-Executive Director

#### **BOARD COMMITTEE MEMBERSHIPS**

- > Investment Committee
   (Chairperson)
- > Nomination & Remuneration Committee



#### AREA OF EXPERTISE

Investment, Corporate Strategy and Fund Management

#### **RELEVANT EXPERIENCE**

Formerly the Deputy President of Strategic Investments at Permodalan Nasional Berhad (**PNB**), she had served PNB in various capacities for over 30 years until her retirement on 31 December 2019. At PNB, she had served in various key positions, which were primarily related to investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- Master of Business Administration, Ohio University, USA
- Bachelor of Business Administration, Ohio University, USA
- > Diploma in Banking Studies, Universiti Teknologi MARA, Malaysia

#### PRESENT APPOINTMENT

> Director, Universiti Malaysia Kelantan

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

> None

#### Non-Listed

> None

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

### **BOARD OF** DIRECTORS' PROFILE



### DR. VEERINDERJEET SINGH Independent Non-Executive Director

**BOARD COMMITTEE MEMBERSHIPS** 

- > Audit Committee (Chairman)
- > Investment Committee

### NATIONALITY Malaysian AGE/GENDER 63/Male DATE OF APPOINTMENT 15 June 2017 DATE OF LAST RE-ELECTION 24 May 2018 LENGTH OF SERVICE (as at 17 April 2020) 2 years 9 months BOARD MEETINGS ATTENDED 10/10

#### AREA OF EXPERTISE

Taxation, Accounting and Audit

#### **RELEVANT EXPERIENCE**

Currently the Non-Executive Chairman of Axcelasia Inc, a Singapore listed holding company offering integrated professional services and has extensive tax experience from, having been a tax partner in international accounting firms and having worked with the Inland Revenue Department of Malaysia. Has been involved in a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects. He has written more than 100 publications, including books and articles in local newspapers and in local and international tax, law and accounting journals.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- Bachelor of Accounting (First Class Hons), University of Malaya
- > Ph.D, Universiti Putra Malaysia
- Member, Malaysian Institute of Certified Public Accountants (MICPA)
- > Member, Malaysian Institute of Accountants
- > Member, Chartered Tax Institute of Malaysia

#### PRESENT APPOINTMENTS

- Member, Tax Reform Committee, Malaysia
   President and Executive Committee member,
- MICPA > Board of Trustees, International Bureau of
- Fiscal Documentation, based in Amsterdam > Commission on Taxation, International
- Chamber of Commerce, based in Paris

# PRESENT DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

#### Listed

Axcelasia Inc, Singapore

#### Non-Listed

- Malaysian Rating Corporation Berhad
- > AmBank (M) Berhad

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

> 66 shares in UMW Holdings Berhad



#### **SALWAH ABDUL SHUKOR**

#### Non-Independent Non-Executive Director

#### **BOARD COMMITTEE MEMBERSHIPS**

- > Risk Management Committee
- > Integrity & Whistle-Blowing Committee

### NATIONALITY Malaysian AGE/GENDER 51/Female DATE OF APPOINTMENT 15 June 2017 DATE OF LAST RE-ELECTION 24 May 2018 LENGTH OF SERVICE (as at 17 April 2020) 2 years 9 months BOARD MEETINGS ATTENDED 9/10

#### AREA OF EXPERTISE

Legal and Corporate Finance

#### **RELEVANT EXPERIENCE**

Began her career with Arthur Andersen & Co, London and currently a Senior Partner and the Head of Corporate Department and Intellectual Property at Zain & Co, the firm she joined since 1994. She has specialised experience in mergers and acquisitions, initial public offerings and intellectual property advisory. She has been consistently ranked as a leading lawyer by Chambers Global and Asia Pacific-Legal 500 in the area of Mergers & Acquisitions.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- Bachelor of Law (LLB) (Hons), University of Bristol, UK
- > Diploma in Shariah Law and Practice, International Islamic University Malaysia

#### PRESENT APPOINTMENTS

- Member, Bursa Malaysia Listing CommitteeMember, Disciplinary Committee Panel of the
- Advocates and Solicitors Disciplinary Board > Director, National Film Development
- Corporation Malaysia Berhad (FINAS) > Trustee, Board of Generating Employment for the Learning Disabled (GOLD)
- > Trustee, Advisory Board of Charity Right

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

Listed

> None

#### Non-Listed

> None

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

### **BOARD OF** DIRECTORS' PROFILE



#### LIM TZE SEONG

Non-Independent Non-Executive Director

#### **BOARD COMMITTEE MEMBERSHIP**

> Investment Committee

### NATIONALITY Malaysian AGE/GENDER 54/Male DATE OF APPOINTMENT 1 January 2018 DATE OF LAST RE-ELECTION 24 May 2018 LENGTH OF SERVICE (as at 17 April 2020) 2 years 3 months BOARD MEETINGS ATTENDED 10/10

#### AREA OF EXPERTISE

Investment and Fund Management

#### **RELEVANT EXPERIENCE**

Currently the Head, International Equity Department of Employees Provident Fund **(EPF)**, responsible for managing international equity investments through internal portfolio managers. Before assuming his present position in EPF, he had previously held the position of Manager, Equity Department and Senior Manager, International Equity Department. Prior to joining EPF in 2006, he held senior positions in Malaysia's leading fund management companies from 1997 to 2006 with responsibilities over diverse investment mandates. He also served as an investment analyst in a major investment bank from 1991 to 1997.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- > Master of Business Administration, University of Wales, UK
- Chartered Institute of Management Accountants, UK

#### PRESENT APPOINTMENT

> None

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### *Listed* → None

. .....

#### Non-Listed

> None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)



#### **RAZALEE AMIN**

#### Independent Non-Executive Director

#### BOARD COMMITTEE MEMBERSHIPS

- > Audit Committee
- > Risk Management Committee
- > Integrity & Whistle-Blowing Committee

NATIONALITY	
Malaysian	
AGE/GENDER	
66/Male	
DATE OF APPOINTMENT	
1 September 2019	
DATE OF LAST RE-ELECTION	
Not Applicable	
LENGTH OF SERVICE (as at 17 April 2020)	
7 months	
BOARD MEETINGS ATTENDED	
2/2	

#### AREA OF EXPERTISE

Audit and Corporate Recovery, Banking and Finance

#### **RELEVANT EXPERIENCE**

He is a licensed auditor and an approved liquidator, who has more than 42 years' experience in various management positions and directorships in public listed companies with areas of expertise in audit, corporate recovery, finance, banking and investment acquisition. He started his career at Messrs. Hanafiah Raslan & Mohamad, a Chartered Accountants firm. In 1983, he joined Sateras Resources (Malaysia) Berhad as the Group Financial Controller before being appointed as the Senior Vice President of the Investment and Acquisition Division of MBf Finance Berhad in 1987. He subsequently served Damansara Realty Berhad as its Senior General Manager from 1994 until 1996, when he set up his own Chartered Accountants firm, Razalee & Co, where he is presently the Managing Partner.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- Bachelor of Economics (Hons)(Accounting), University of Malaya
- Postgraduate Diploma in Accounting, University of Malaya

- Member, Malaysian Institute of Certified Public Accountants
- > Member, Malaysian Institute of Accountants
- Member, Financial Planning Association of Malaysia

#### PRESENT APPOINTMENT

> None

>

# PRESENT DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

#### Listed

- > Velesto Energy Berhad
- > Duopharma Biotech Berhad

#### Non-Listed

> None

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

## **BOARD OF** DIRECTORS' PROFILE

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#### DATO' SERI PROF. DR. IR. ZAINI UJANG

#### Independent Non-Executive Director

#### **BOARD COMMITTEE MEMBERSHIPS**

- > Nomination & Remuneration Committee
- > Investment Committee

NATIONALITY	
Malaysian	
AGE/GENDER	
55/Male	
DATE OF APPOINTMENT	
1 November 2019	
DATE OF LAST RE-ELECTION	
Not Applicable	
LENGTH OF SERVICE (as at 17 April 2020)	
5 months	
BOARD MEETINGS ATTENDED	
1/1	

#### AREA OF EXPERTISE

Environmental Engineering and Management; Innovation and Sustainability

#### **RELEVANT EXPERIENCE**

He is a professional environmental engineer-cumscientist, especially concerning river rehabilitation and environmental sustainability in developing countries. His interest in the field leads him to collaborate with leading scholars worldwide, particularly in membrane bioreactor, granulation process and membrane biofouling control. He is a Fellow of various professional bodies and a Visiting Professor at the Imperial College London (UK), Lund (Sweden) and Tsukuba (Japan). He received the Honorary Doctor of Science from Newcastle University (UK) (2018) and was also Vice Chancellor of Universiti Teknologi Malaysia from 2008 to 2013 and later became the Secretary General of three ministers from 2013 to 2018. He has also registered more than 20 intellectual property rights and published more than 300 technical papers and 40 books.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/ MEMBERSHIPS

- > Honorary Doctor of Science in Environmental Engineering, Newcastle University, UK
- > Advanced Management Programme (Harvard Business School) USA
- Doctor of Philosophy in Environmental Engineering, Newcastle University, UK
- Master of Science in Environmental Engineering, Newcastle University, UK
- Bachelor of Chemical Engineering (Hons), Universiti Teknologi Malaysia

- Fellow, Royal Physiographic Society of Lund (Sweden)
- Fellow, Chartered Institution of Water and Environmental Management (UK)
- Fellow, Academy of Sciences Malaysia
- Fellow, Institution of Chemical Engineers (UK)
- > Fellow, Institution of Engineers (Malaysia)
- > Chartered Engineer (UK Engineering Council)
- > Chartered Scientist (UK Science Council)
- Chartered Water and Environmental Manager (Chartered Institute of Water and Environmental Management, UK)
- ASEAN Chartered Professional Engineer (ASEAN MRA)
- Visiting Professor at Imperial College London (UK), Lund (Sweden) and Tsukuba (Japan)

#### PRESENT APPOINTMENTS

- Secretary General, Ministry of Environment and Water
- > Member, Board of Trustees of Yayasan Petronas

# PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

Listed

>

> None

#### Non-Listed

> None

#### INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

None

#### Notes

- Save as disclosed below, none of the Directors has any family relationship with and is not related to any Director and/or major shareholder of the Company, nor has any personal pecuniary interest in any business arrangement involving the Company -
  - Tan Sri Dato' Sri Hamad Kama Piah Che Othman, Datin Paduka Kartini Hj Abdul Manaf and Salwah Abdul Shukor are nominees of Permodalan Nasional Berhad.
  - Lim Tze Seong is a nominee of Employees Provident Fund Board.
- 2) None of the Directors has any conflict of interest with the Company. Other than traffic offences, none of the Directors has any conviction for offences within the past five (5) years nor public sanctions or penalties imposed by the relevant regulatory authorities during the year under review.
- 3) None of the Directors has transacted in any of the Company's securities during the year under review.

# MANAGEMENT COMMITTEE'S PROFILE



#### **BADRUL FEISAL ABDUL RAHIM**

President & Group Chief Executive Officer Male, Age 50, Malaysian

C The profile of Badrul Feisal Abdul Rahim is presented on page 22 of this Integrated Annual Report.



#### **RAVINDRAN KURUSAMY**

President, UMW Toyota Motor Sdn Bhd Male, Age 56, Malaysian

#### DATE OF APPOINTMENT

> 1 January 2017

#### **RELEVANT EXPERIENCE**

He has served UMW Toyota Motor Sdn Bhd for almost 30 years in various capacities, during which he initiated and completed several projects that enhanced the supply chain and logistics network for the company. Through various initiatives, he continues to strengthen the company's rapport with its business partners in Malaysia and throughout the ASEAN region as well as driving range and transformation of the business.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIPS

- Master in Business Administration, Western International University, USA
- > Bachelor of Science in Business Administration (Finance), Northern Arizona University, USA

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

- Listed
- > None

#### Non-Listed

> None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)



#### MEGAT SHAHRUL AZMIR NORDIN

**President, Equipment Division** Male, Age 50, Malaysian

#### DATE OF APPOINTMENT

> 1 January 2012

#### **RELEVANT EXPERIENCE**

Began his career as an engineer with a global digital technology enterprise and in his previous attachment in a global industrial conglomerate, focused mainly on country strategy, business development and enterprise selling for Malaysia, where he later became the Asia-Pacific Marketing Director for Power & Water business and led the strategic development and execution for 17 countries in the Asia-Pacific region. He has over 27 years of skill sets in strategy and growth, turnaround, business development, sales and marketing, manufacturing and management consulting. During his employment with a leading global consulting company, he led various engagements to enhance strategy, technology, processes and organisations. He has core experiences in the areas of corporate strategy, programme management, turnaround, business reengineering and business integration in multiple industries, including automotive, oil & gas, banking, telecommunications, manufacturing and the public sector.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP

 Bachelor of Science in Electrical Engineering, Widener University, USA

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

- > None
- Non-Listed
- > None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)



#### DATO' ABDUL RASHID MUSA

**President, Manufacturing & Engineering Division** Male, Age 54, Malaysian

#### DATE OF APPOINTMENT

> 1 January 2019

#### **RELEVANT EXPERIENCE**

He is no stranger to the automotive industry with over 28 years of experience in the automotive field, Dato' Rashid was involved in various projects and organisations ranging from research & development and production to sales and distribution at DRB-Hicom. During his stint as the Chief Technical Officer at Proton, he held several portfolios, including being instrumental in the development of the four (4) new models launched in 2016. As CEO of Proton Edar, he played a leading role in the launching of various successful models for Proton, including the latest X70. With his vast expertise, he currently spearheads the Manufacturing & Engineering Division at UMW covering three primary business segments, namely, aerospace, automotive components and lubricants.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIP

> Bachelor of Mechanical Engineering (Hons), University of Malaya

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

- Listed
- > None

#### Non-Listed

> None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

> None

#### MANAGEMENT COMMITTEE'S PROFILE



#### NIK AZLAN NIK ABDUL AZIZ

#### Group Chief Financial Officer

Male, Age 47, Malaysian

#### DATE OF APPOINTMENT

> 1 June 2019

#### **RELEVANT EXPERIENCE**

He was previously the Chief Financial Officer of Malaysia Marine & Heavy Engineering Holdings Berhad and held several key positions, including as Senior General Manager, Group Finance & Treasury of MISC Berhad and Chief Operating Officer of Terengganu Inc, the Terengganu state investment holding company. His other past employments included Affin Investment Bank Berhad, Business Associates Consulting, Ernst & Young, PETRONAS, KPMG and Barcant Beardon.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIPS

- > Bachelor of Science in Economics & Accounting (Hons), University of Bristol, UK
- > Fellow, Institute of Chartered Accountants in England & Wales
- > Member, Malaysian Institute of Accountants

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

- > None

Non-Listed

#### > None

# INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

> None



#### ZAILANI ALI

Group Chief Human Resources Officer Male, Age 54, Malaysian

#### DATE OF APPOINTMENT

> 1 October 2016

#### **RELEVANT EXPERIENCE**

He has more than 25 years of human resource experience with local and multinational companies spanning across various industries such as telecommunication, insurance, automotive and banking. Prior to joining UMW, he held several senior positions, namely, Director of HR of Maxis Berhad, Senior Vice President/Head of Group HR of International Netherland Group (ING) Malaysia and Member of the Global HR Business Council, Head of HR & Administration of DaimlerChrysler Malaysia, Vice President HR of Citibank Berhad, Regional (Southeast Asia) Manager of Bestfood International, Group HR Manager of DRB Hicom Berhad and Compensation & Benefits Manager of Telekom Malaysia Berhad. He brings with him strategic HR initiatives in the areas of leadership and management development, business transformation and change management, high performance culture, merger and acquisition, reward and performance, workforce data analytics and coaching and mentoring culture.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIPS

- > Bachelor of Arts (Hons) in Social Science, Universiti Kebangsaan Malaysia
- > Certified 360° Coach from Assessment Plus, USA

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

> None

#### Non-Listed

> None

# INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)



#### **MUZAFAR MUNZIR**

Senior Group General Counsel/Head of Group Corporate Services Male, Age 54, Malaysian

#### DATE OF APPOINTMENT

> 1 February 2016

#### **RELEVANT EXPERIENCE**

He was admitted to the Malaysian Bar in May 1990 and practiced as an Advocate and Solicitor from May 1990 to March 2010. In April 2010, he joined UMW and subsequently appointed as the Group General Counsel. He was promoted to the position of Senior Group General Counsel on 1 January 2015 and subsequently also assumed the position of Head of Group Management Services Division, effective 1 February 2016.

#### ACADEMIC/PROFESSIONAL QUALIFICATION/MEMBERSHIPS

- > Advanced Diploma in Law, Universiti Teknologi MARA
- > Diploma in Law, Universiti Teknologi MARA

#### PRESENT DIRECTORSHIP OF OTHER PUBLIC COMPANIES

#### Listed

> None

#### Non-Listed

> None

## INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 17 April 2020)

> None

#### Notes

- Save as disclosed, none of the Management Committee members has any family relationship with any Director and/or major shareholder of the Company.
- 2) None of the Management Committee members has any conflict of interest with the Company or any conviction for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed by any regulatory body in the year under review.
- None of the Management Committee members has transacted in any of the Company's securities in the year under review.

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#### A. Strategic Review

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- 042 Our Value Creating Business Model
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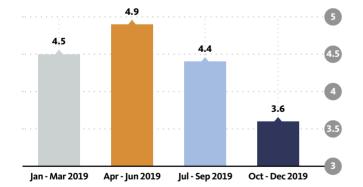




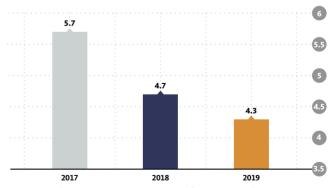
#### **MARKET REVIEW & OUTLOOK**

**Year Under Review:** In 2019, Malaysia's full-year GDP grew by 4.3%, which was supported by robust household and public spending amid stable local conditions (*Source: Department of Statistics Malaysia*). Over a three-year period, 2019 was a slower lull for the Malaysian economy. However, private consumption grew to 7% and it was the primary contributor of GDP growth (*Source: Focus Economics*).

Despite broadly steady growth last year, economic drivers such as global trade relations, demand and supply trends in other industries and market sentiments impacted our performance. Regulatory drivers from policy changes in the countries where we operate have the potential to affect our growth strategy and focus areas. Product, pricing and financing competition as well as industry disruptions prompt UMW Group to innovate and constantly seek improvements in the way we work. **Outlook:** The Group expects to operate in a highly challenging operating environment in 2020 amid the unprecedented and evolving impact of the COVID-19 pandemic worldwide. In its Economic Monetary Review, Bank Negara Malaysia has revised Malaysia's 2020 GDP forecast to be within a range of -2.0% to 0.5%; as it contends with global supply and demand shocks, as well as lower domestic private consumption due to the imposition of the Movement Control Order (MCO). This could impact demand for the range of UMW's products and services across the automotive, manufacturing and engineering and equipment businesses. Nonetheless, governments around the world have begun to implement strong and robust supportive measures to shore up economic growth and safeguard jobs and these could contribute to mitigating and softening the near-term repercussions. Such policies could provide targeted growth opportunities for UMW this year and establish a springboard for improved performance leveraging on the upturn in economic activity once the COVID-19 pandemic has been contained.



#### Malaysia's GDP Growth



Source: Trading Economics, Department of Statistics Malaysia

#### **Automotive Sector**

**Year Under Review:** Growth in the Malaysian automotive sector was flat. Total vehicle production in Malaysia saw a modest increase from 564,971 units to 571,632 units, mainly due to the slight rise in passenger car production. Commercial vehicles experienced a decline in production.

## Summary of Passenger & Commercial Vehicles Produced and Assembled in Malaysia for the years 2010 to 2019

Year	Passenger Cars	Commercial Vehicles	Total Vehicles
2010	522,568	45,147	567,715
2011	488,261	45,254	533,515
2012	509,621	59,999	569,620
2013	543,892	57,515	601,407
2014	545,122	51,296	596,418
2015	563,833	50,781	614,664
2016	503,691	41,562	545,253
2017	459,558	40,081	499,639
2018	522,392	42,579	564,971
2019	534,115	37,517	571,632

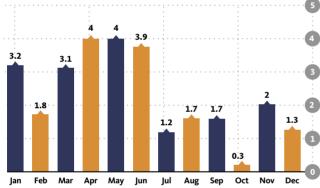
Source: Malaysian Automotive Association

**Outlook:** Total Industry Volume (**TIV**) performance in 2020 may be challenging taking into account the still unfolding COVID-19 pandemic and its full term effects are still being understood. UMW Toyota Motor Sdn Bhd is confident, as we are using this experience, to generate positive change in the company. We have become leaner and more efficient in our processes. There is also a constant pipeline of exciting new models coming onstream within the next 12 months. Investments have already begun in earnest to prepare for what we eagerly anticipate will be a very exciting decade for the company.

Over the medium term, the rollout of the National Automotive Policy (**NAP**) 2020 provides a catalyst for industry growth as NAP 2020 highlighted transformational trends taking place in the automotive sector including Mobility as a Service (MaaS). Consumers and businesses are gradually shifting from vehicle ownership to service-based transportation, powered and underpinned by the emergence of new mobility service providers such as e-hailing and car sharing services. Meanwhile, technological disruptions such as electrification and autonomous are factors driving the Government's aspiration to make Malaysia as a regional hub for next generation vehicle (NxGV). This will incorporate a minimum of Level 3 vehicle automation and also meet the energy-efficient vehicle (EEV) classification such as fuel-efficient internal combustion engine vehicles, hybrids and electric vehicles.

#### Equipment

**Year Under Review:** Malaysia's Industrial Production Index (IPI), which measures the factory output of major industrial sectors, grew by 2.7% in the first quarter as compared to the same period in 2018, 3.9% in the second quarter, 1.6% in the third quarter and an overall 2.4% for the entire year (*Source: Department of Statistics Malaysia*).



**Industrial Production in Malaysia** 

Source: Trading Economics, Department of Statistics Malaysia (2019)

**Outlook:** In the near term, the ongoing COVID-19 pandemic presents challenges. However, we recognise there are opportunities for the operating companies, thus we will leverage on the current situation and offer new products, services and business models that best fits our customers' needs. On top of this, UMW will strengthen its fleet management capabilities thereby increasing our value chain towards becoming the total solution provider for our clients regionally.

Underpinned by the joint venture with Komatsu in heavy equipment, our growth strategies will centre around the development of highperformance, fuel-efficient equipment, retail financing scheme for leasing and improved provision of solutions throughout the product life cycle, among others.

Meanwhile, to diversify our revenue streams and to defend market share against foreign competition, the Industrial Equipment segment's strategy includes the refurbishment of ex-rental forklifts to expand market coverage and retain customers. The power generation set business will enter new regional markets such as Indonesia, as a one stop solution provider for the commercial and industrial sectors. These solutions will fulfil critical back-up power needs of those markets. Overall, with the ongoing process improvement and cost optimisation, we expect to sustain growth and profitability in the year ahead.

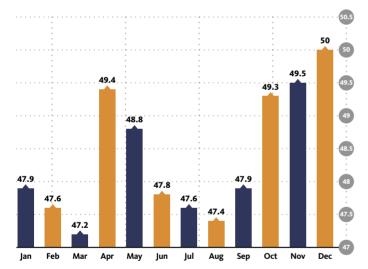


#### **Manufacturing & Engineering**

Year Under Review: Malaysia's manufacturing sector improved in the fourth quarter of 2019, with a mean average of 49.6 for the Manufacturing Purchasing Manager's Index (PMI), the highest average since the third quarter of 2018 (*Source: Markit Economics*).

The PMI increase reflects the annual production growth of 5.5% (IHS Markit). Local market conditions helped offset the challenging external conditions caused by the decline in export orders, particularly to China and Europe.

Overall, the Malaysian manufacturing sector experienced a 2.2% increase in sales value, which currently stands at RM74.6 billion. (*Source: Department of Statistics Malaysia*).



Source: Trading Economics, Department of Statistics Malaysia

**Outlook:** Although the airlines business is badly affected by COVID-19 pandemic due to decline in global air passenger traffic, the demand for aerospace components is likely less impacted. UMW Aerospace as a Tier 1 supplier to Rolls-Royce can expect a variation to its short term order.

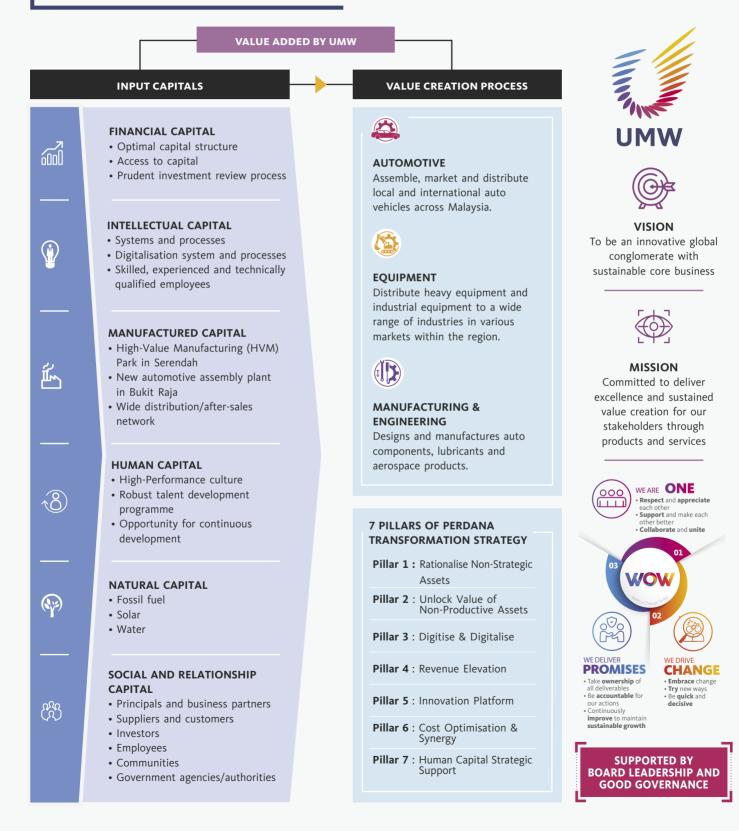
The trend in global automotive sales including Malaysia will likely have an impact on auto components business as well. This will especially be reflected in lower factory requirements as carmakers adjust production in response to weaker demand outlook. However, government measures to safeguard employment and household income could cushion the decline in TIV sales. The stable outlook for aftermarket/replacement parts requirements will be able to mitigate revenue drop for our auto component companies. The KYB-UMW business competitiveness and sustainability are underpinned by the ongoing roll-out of new models for the replacement segment and exports with the introduction of competitive technologies adopted by its new plant.

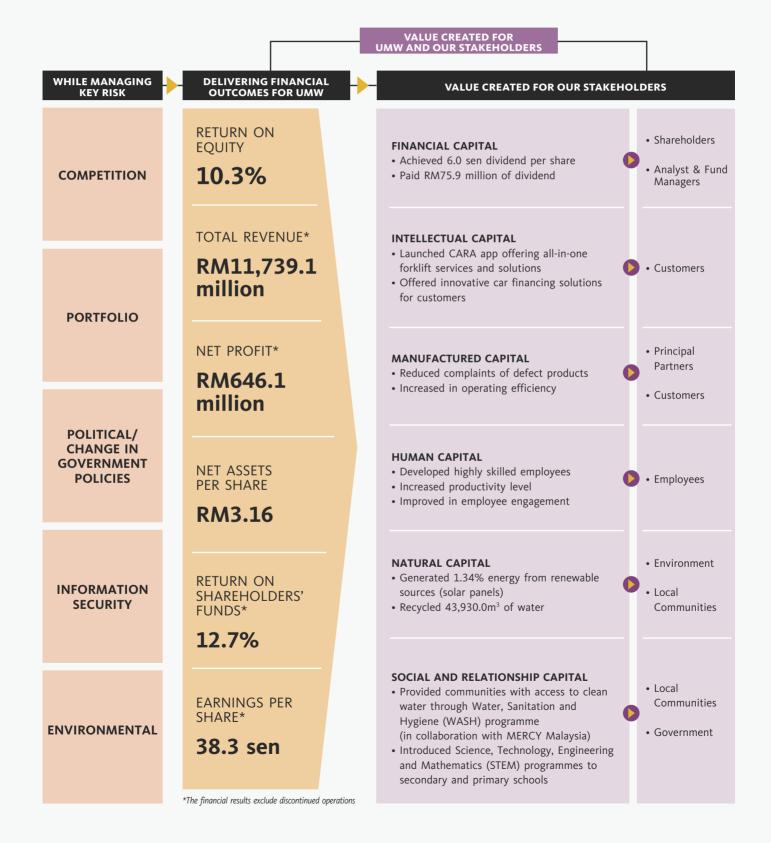
Consumer behaviour change brought along by COVID-19 pandemic may also have an influence to our lubricant business. This may result in lower overall demand due to lower mileage per vehicle and prolonged service intervals. Nevertheless, the Malaysian Government's economic stimulus package could potentially mitigate the negative impacts to consumer spending. At the same time UMW's lubricants business will continue to leverage on its OEM partners and strengthen its high-street segment for domestic sales and export to the ASEAN countries.





#### OUR VALUE CREATING BUSINESS MODEL





#### STAKEHOLDER ENGAGEMENT

Our long history is built on the trust and support given to us by our key stakeholders. Our stakeholders are the reason for our 100-year success as we strive to deliver value to them. Effective stakeholder relations improve their trust in UMW and resolve any issues that may otherwise affect the relationship. Our stakeholders have a choice of many diverse channels through which they can voice their concerns. Most of these are direct engagement at different levels and frequencies.

STAKEHOLDERS	METHODS OF ENGAGEMENT	FREQUENCY
PRINCIPAL PARTNERS	<ul> <li>Principal engagement – seminars, conferences and meetings</li> </ul>	<ul><li>Monthly</li><li>Quarterly</li></ul>
CUSTOMERS	<ul> <li>Marketing plan – roadshows and events</li> <li>Customer Satisfaction Survey</li> <li>Customer feedback/complaints channel – phone-ins, walk-ins, meetings or events</li> </ul>	<ul><li>Daily</li><li>Monthly</li></ul>
EMPLOYEES	<ul> <li>Trade unions</li> <li>Events, functions and newsletters</li> <li>Townhall</li> <li>Employee Engagement Survey</li> </ul>	<ul> <li>Monthly</li> <li>Bi-Monthly</li> <li>Quarterly</li> <li>Annually</li> </ul>
SHAREHOLDERS	<ul> <li>Annual General Meeting</li> <li>Regular updates and communications – E-mails, phone-ins and one-on-one meetings</li> </ul>	<ul><li>Annually</li><li>Needs-be basis</li></ul>
REGULATORS/ AUTHORITIES	<ul> <li>Regular updates and communications – E-mails, phone-ins, interviews and one-on-one meetings</li> </ul>	• Needs-be basis
	<ul><li>Charity events</li><li>Volunteer programmes</li><li>Events and road shows</li></ul>	• Monthly
ANALYSTS	<ul> <li>Analysts' briefing</li> <li>One-on-one meetings</li> <li>Investor conferences</li> </ul>	<ul><li>Monthly</li><li>Quarterly</li></ul>
MEDIA	<ul><li>Events and press conferences</li><li>Media briefings/press releases</li></ul>	• Quarterly

It is critical to regularly engage with stakeholders to aptly capture their expectations and better understand how we can create value for them. Consultation with our stakeholders is meaningful, as they hold influence over our business and performance. Systematic management of stakeholder relations mitigates various risks and also improves our preparedness to overcome any potential challenges. The table below details our stakeholder engagement efforts for the year, as well as our approach to addressing their main concerns.

ISSUES/CONCERNS RAISED	
<ul> <li>Operational and business performance</li> <li>Quality &amp; compliance</li> <li>Health &amp; Safety</li> <li>Environment impact</li> </ul>	<ul> <li>Conducted regular "Kaizen" or continuous improvement activities         <ul> <li>process, systems, quality improvements, promote innovative culture, etc.</li> <li>Embarked on Health, Safety &amp; Environment (HSE) initiatives</li> </ul> </li> </ul>
<ul><li>Product and service quality</li><li>Health &amp; Safety</li></ul>	<ul> <li>Conducted continuous improvement activities towards enhancing customer experience and addressing customer needs</li> <li>Provided Health &amp; Safety training for customers</li> <li>Provided channels for customer feedback/complaints</li> </ul>
<ul> <li>Company vision, strategy and direction</li> <li>Operational performance &amp; productivity</li> <li>People development</li> <li>Employee rights &amp; wellbeing</li> <li>Collective agreement</li> <li>Remuneration matters</li> <li>HSE</li> </ul>	Embarked on the Group Human Resource Strategic framework to be the "Best-in-Class" employer
<ul><li>Business strategy and direction</li><li>Financial/economic performance</li></ul>	<ul> <li>Provided regular updates on business, financial and operational developments, including information on various launches, sales campaigns, etc.</li> </ul>
Governance & regulatory compliance	• Put in place various internal controls to ensure compliance
<ul> <li>Corporate social responsibilities         <ul> <li>community education &amp; investments</li> <li>Volunteerism</li> <li>Environmental impact</li> </ul> </li> </ul>	Encouraged volunteerism and participation in community engagements amongst our employees
<ul> <li>Business strategy and direction</li> <li>Financial/economic performance</li> <li>Insights on the market and industry</li> </ul>	<ul> <li>Provided regular updates on business, financial and operational developments, including information on various launches and sales campaigns, etc.</li> </ul>
<ul><li>Business strategy and direction</li><li>Financial/economic performance</li><li>Insights on the market and industry</li></ul>	<ul> <li>Provided regular updates on business, financial and operational developments, including information on various launches, sales campaigns, etc.</li> </ul>

#### **MANAGING OUR MATERIAL TOPICS**

Engineering sustainable business within UMW refers to issues that are most important to our stakeholders. The material topics cover aspects that influence stakeholders' decisions and have an economic, environmental and social impact. This process helped us to formulate plans and design policies that ensure long-term value creation and growth for all our stakeholders. We aim to improve our materiality assessment process every three (3) to five (5) years for greater accuracy and fair representation of stakeholders as well as their interests and expectations of UMW.

**Methodology:** In FY2019, we reviewed and analysed new data collected from our stakeholder engagement channels. From this exercise, UMW identified the top material matters that are most important to the business and our stakeholders. Going forward, we intend to undertake a comprehensive prioritisation assessment of our material topics. For FY2019, we are disclosing our material matters in no particular order, pending the upcoming prioritisation exercise.

#### MANAGEMENT APPROACH

The Group's material topics are tabled below, along with a description of their risks and opportunities in the context of our business. Our management approach to these material topics focuses on strategies that protect UMW's businesses from potential risks and to leverage on the opportunities, which results in value creation for our stakeholders.

MATERIAL TOPICS	RISKS	OPPORTUNITIES		VALUE CREATED
Training and development	• High-value manufacturing and automation renders some skills to be retrained	<ul> <li>Talent development and upskilling opportunities increases workforce capacity</li> <li>Well-trained employees improve the Group's resilience against future trends and market changes</li> </ul>	• Develop a dynamic and agile workforce trained with adequate and future relevant skills to drive the Group's growth	<ul> <li>Developed talent capabilities through technical and leadership development programmes</li> <li>Delivered skills training in key material areas of operations</li> </ul>
Productivity and efficiency improvements	<ul> <li>Operational inefficiency affects earnings margin</li> </ul>	<ul> <li>Optimising efficiency in pockets of the Group</li> </ul>	<ul> <li>Focus on optimising operations via inefficiency elimination</li> </ul>	<ul> <li>Over RM60 million savings achieved this year from concerted cost-saving initiatives</li> </ul>
Growth of automotive market	<ul> <li>Slowdown of total industry volume; stagnant automotive market</li> </ul>	<ul> <li>Capture higher market share by increasing product attractiveness and variants</li> </ul>	<ul> <li>Increasing capacity in Bukit Raja plant via introduction of new models</li> </ul>	<ul> <li>Increased market share from 49.1% in FY2018 to 51.4% in FY2019</li> </ul>
Principal-based business	Reliance on principal- based business	Collaborative product innovation	Engage with principal partners for value creation opportunities	• Fulfilled order books for fan cases

MATERIAL TOPICS	RISKS	OPPORTUNITIES		VALUE CREATED
Building capabilities	<ul> <li>In-house engineering capabilities is required for the innovation process</li> </ul>	<ul> <li>Innovative developments and ownership of Intellectual Property (IP) and proprietary technologies</li> </ul>	<ul> <li>Develop in-house capabilities by nurturing a culture of innovation and high-performance</li> </ul>	<ul> <li>Formalised innovation process and established the Center of Excellence</li> </ul>
Environmental stewardship	• Consumer and investor expectations for visibility and transparency of operations and our environmental impact	<ul> <li>Tap the market for low-carbon vehicles</li> <li>Leadership in environmentally efficient manufacturing and fulfilment of UMW's vision to engineer sustainable business</li> </ul>	<ul> <li>Conduct energy and waste management audits regularly to mitigate the risks, comply with applicable laws and regulations, as well as community engagement on environmental stewardship</li> </ul>	<ul> <li>3,505 trees planted under UMW tree-planting initiatives</li> <li>1.34% energy generated from renewable sources (solar panels)</li> </ul>
Social impact	<ul> <li>Reputational risks arising from real or perceived concerns around issues such as human rights, labour standards and community contributions</li> <li>Supply chain disruptions</li> </ul>	<ul> <li>A safe working environment in which employees can thrive favours talent attraction and retention as well as investor confidence</li> </ul>	<ul> <li>Enhance HSE through a dedicated HSE taskforce and a five-year HSE Transformation Plan</li> <li>Community development initiatives that nurture future generations and equip youths with industry-ready skills such as the PROTÉGÉ programme</li> </ul>	<ul> <li>Zero lost time injury rate in the M&amp;E Division</li> <li>RM1 million awarded in scholarships</li> </ul>
Competition from lower- cost economies	<ul> <li>Potential loss of market share</li> <li>Potential erosion of earnings margin</li> </ul>	<ul> <li>Capitalise on the core strengths of our products, in terms of functionality, reliability, and lower lifecycle costs</li> </ul>	<ul> <li>Upgrade our products with greater capabilities including analytics and predictive features</li> </ul>	<ul> <li>Improved internal capabilities in Internet of Things (IoT)</li> </ul>
Sectoral shift in the region	<ul> <li>Sectoral shift in the equipment industry from logging and mining to urbanisation</li> </ul>	<ul> <li>Tap emerging and rapidly growing sectors</li> </ul>	<ul> <li>Focus on more urbanised sectors         <ul> <li>construction &amp; mega infrastructure projects</li> </ul> </li> </ul>	Expanded product lineup

#### **KEY RISKS AND MITIGATION**

UMW's Enterprise Risk Management (**ERM**) framework is aligned with the Group's vision and mission that integrate risk management activities into the culture, business activities and decision-making processes of the Group. It aims to manage risks pragmatically and respond to all uncertainties to the changing operational, social, environmental and regulatory requirements proactively. The risk team has implemented a robust and sustainable ERM framework across the Group and as thus far reasonably identified, analysed, managed and monitored risks. In dealing with risks, the Board understands that it is not always possible to eliminate risk all together.

A cost-benefit approach is taken where the returns commensurate with the risks taken and reduce cost of risk controls. The Group has identified the top five (5) risks that could have significant impact on the business and mapped them against our strategic pillars (details on pages 52 to 54), material topics, and stakeholder groups.

TYPE OF RISK AND STAKEHOLDERS AFFECTED	RISK DESCRIPTION				
Competition Stakeholders Affected • Customers • Analysts and Fund Managers • Principal Partners • Shareholders	Manufacturing industries face obvious competition from cheaper substitutes. Competing products from low-cost, emerging economies are a constant threat to market share. New disruptive technologies and service provisions are also new forms of competition that must be faced by the Group.				
MITIGATION STRA	TEGY	RESULTS			
<ul> <li>Upgrade and expand our infr production efficiency and impro</li> <li>Innovate and implement prac provide alternative revenue maximisation.</li> <li>Engage regularly with partners to value proposition for better procession</li> </ul>	we quality. tices and strategies to streams and for cost to improve and optimise	<ul> <li>The UMW Toyota Motor assembly unit commenced operations at the new Bukit Raja plant in 2019 which is more automated and geared towards higher efficiency and cost optimisation.</li> <li>Implemented a Group-wide cost-savings programme that has yielded improving results in the last three (3) years.</li> <li>For the Equipment arm, in addition to outright sales where lower price is the major competing point, more focus is put into the rental/leasing sector where quality service delivery gives us an advantage over the competition.</li> </ul>			
	LINK TO MATERIAL	OPICS AND STRATEGIC PILLARS			
Material Matters Building Capabilities Competition from Lower-Cos Economies		and Development Innovation Platform ity and Efficiency ients			

#### TYPE OF RISK AND STAKEHOLDERS AFFECTED

#### **RISK DESCRIPTION**

#### **Portfolio Risk**

Stakeholders Affected

• Analysts and Fund Managers

- Employees
- Shareholders

In a global and dynamic business environment organisations may be impacted by any economic or even sectoral downturns. Diversification is an available option to mitigate or disperse the risk impact.

MITIGATION STRATEGY	RESULTS		
<ul> <li>Launched adjacent businesses to complement the core divisions and initiated innovation programmes while sourcing for new business opportunities.</li> </ul>			
• Enhanced strategic relationship with key partners by supporting events organised by the principal partners.	<ul> <li>UMW Development is already set-up and is in the midst of developing our Serendah land bank for our internal needs and also for other customers.</li> </ul>		
LINK TO MATERIAL TO	PICS AND STRATEGIC PILLARS		
Material Matters               Sectoral Shift in the Region          Growth of          Principal-Based Business	Strategy Pillars         Automotive Market       Igitise and Digitalise         Image: Strategy Pillars       Image: Strategy Pillars         Image: Strategy Pillars       Image:		

#### TYPE OF RISK AND STAKEHOLDERS AFFECTED

#### **RISK DESCRIPTION**

#### **Political/Policy Change**

Stakeholders Affected

- Authorities
- Local Communities
- Principal Partners
- Employees

#### **MITIGATION STRATEGY**

- Kept abreast of all developments in the countries in which we operate.
- Employed competent local talent and relied on advice • from the corporate headquarters.

#### More countries are raising the bar on regulatory compliance with measures that could affect the ability of a business to continue operations in a country.

Our operations span eight (8) countries with different laws and regulations governing business activity. Changes to laws and regulations may impact the Group's ability to operate profitably.

#### RESULTS

UMW has processes in place, together with engagements with . local partners and our principals, to allow early awareness of possible events for better planned interventions. An example for this, UMW has shifted its production focus to cater to non-jade mining sectors, in response to new law on jade mining.

LINK TO MATERIAL TOPICS AND STRATEGIC PILLARS					
Material Matter	Strategy Pillar				
Social Impact	🕮 Human Capital Strategic Support				

#### **KEY RISKS AND MITIGATION (cont'd.)**

#### TYPE OF RISK AND **STAKEHOLDERS AFFECTED RISK DESCRIPTION Information Security Risk** As more operations are digitised and digitalised organisations need to ensure organisational information security as cyber risk poses a potential financial loss to organisations, in addition Stakeholders Affected to reputational loss. • Employees Customers Authorities **MITIGATION STRATEGY** RESULTS Continuous efforts by UMW towards security awareness. The IT security project has commenced and should be completed as per the project timeline. Invested in IT security and moving towards Information Security Management System (ISO 27001 certification). LINK TO MATERIAL TOPICS AND STRATEGIC PILLARS

Mate	erial Matters	:	Strategy Pillar
Ø	Building Capabilities		🔅 Digitise and Digitalise
Ð	Productivity and Efficiency Improvement		
	Social Impact	:	

#### TYPE OF RISK AND STAKEHOLDERS AFFECTED

#### **RISK DESCRIPTION**

#### **Environmental Risk**

Stakeholders Affected

Local Communities

Authorities

Manufacturing companies recognise the gravity of a breach of environmental laws and the resulting regulatory penalties and reputational damage. Non-sustainable and inefficient use of resources could eventually disrupt materials supply.

## 

- UMW actively pursues conformance to international environmental management standards.
- UMW promotes "Green" policies in many areas of its operations.

#### RESULTS

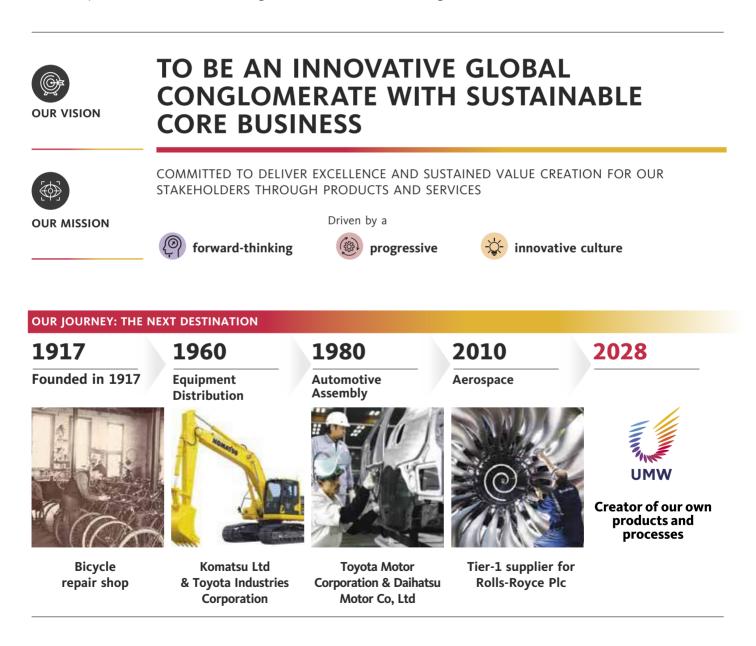
- UMW became a constituent of the FTSE4Good Bursa Malaysia Index in 2019.
- UMW business units achieved ISO 14001:2015 certification on Environmental Management Systems in production plants.
- Our procurement processes are guided by "Green" policies.
- Established a Group-wide Health, Safety and Environment policy.

LINK TO MATERIAL TOPICS AND STRATEGIC PILLARS					
Material Matter Strategy Pillars					
<ul> <li>Environmental Stewardship</li> </ul>		É.	Digitise and Digitalise		
			Cost Optimisation and Synergy		

#### OUR STRATEGY

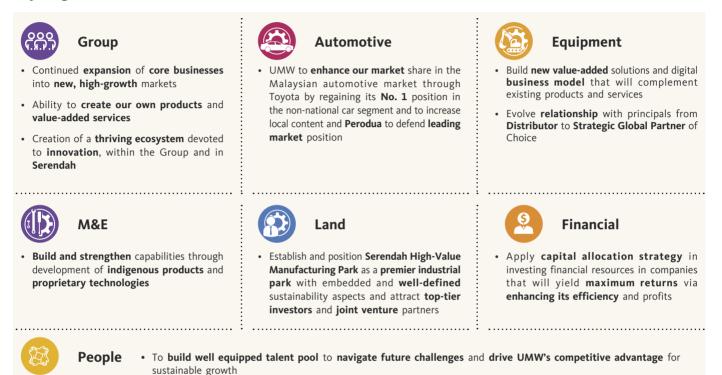
Our corporate strategy provides the framework for realising the fullest potential of the Group's vision and anchors us to our mission and goals. It provides assurance to our stakeholders of our ability and commitment to create value that is meaningful to them.

Approved by the Board in December 2017, the Perdana Transformation Pillars sharpens our business focus and articulates the business direction and expectations. It sets forth the approaches and changes required to enable the Group to execute its new strategic thrusts in 2020 towards growth and sustainable value creation.



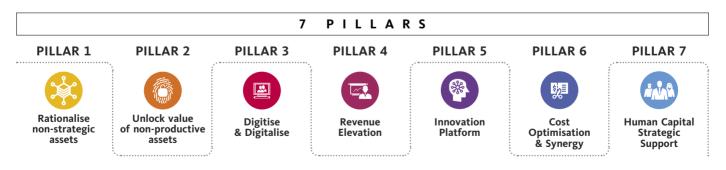
#### OUR STRATEGY (cont'd.)

#### Key targets of the Perdana Transformation Pillars



#### **Perdana Transformation Pillars Framework**

The Perdana Transformation Pillars combine measures that will result in immediate positive impact to the bottom line, as well as those which will increase and boost earnings in the long term.



#### PILLAR 1 – RATIONALISE NON-STRATEGIC ASSETS

The first pillar is on the rationalisation of the Group's non-strategic assets to enable and facilitate the refocusing of our resources on the enhancement and expansion of UMW's core businesses in segments with high-growth potential. Asset rationalisation will also further boost operational efficiency, reduce cost and streamline resources and therefore benefit the Group's bottom line. UMW is committed to a continuous review of our business portfolio through rigorous assessment and evaluation of their strategic importance to the Group's sustainability and future growth.

#### PILLAR 2 – UNLOCK VALUE OF NON-PRODUCTIVE ASSETS

The second pillar is focused on unlocking the value of our long-held assets which have hitherto yielded minimal or low returns, such as the Group's land bank in Serendah and Shah Alam. The unlocking of value will realise the monetisation of these assets which can be reinvested in new growth businesses. Furthermore, the establishment of the Serendah High Value Manufacturing Park is aligned with the Group's aspiration to create a technology and innovation ecosystem which builds and leverages on UMW's aerospace segment.

The third pillar represents UMW's path towards digital transformation of our systems and processes. The advent of Industry 4.0 has made digital evolution an imperative while the immense impact of the COVID-19 pandemic and related containment measures e.g. enforced lockdowns, working from home and contactless operations has further catapulted the need for businesses worldwide to accelerate and hasten their digital strategies. Moving forward, we will need agile technologies and capabilities as factories and supply chains adopt smart automation and software-based management in response to new business requirements. As such, manufacturing companies will establish smart factories which will be equipped by Industry 4.0 technologies to increase the level of automation, connectivity and deployment of big data analytics. Similarly, the Group's digitisation and digitalisation efforts are geared towards boosting connectivity,

#### PILLAR 3 - DIGITISE AND DIGITALISE

efficiency and productivity while increasing access to information to help us be more informed and make better decision.



#### OUR STRATEGY (cont'd.)

The fourth pillar aims for revenue elevation beyond a business-as-usual model for the Group's core businesses. The primary strategy of the respective UMW Division is to expand and diversify the range of products and services and tap into emerging markets, in line with the broader trend of businesses worldwide. This will be achieved

#### PILLAR 4 - REVENUE ELEVATION

by identifying and securing fresh growth opportunities through new verticals as well as segments adjacent to our core businesses.

#### PILLAR 5 – INNOVATION PLATFORM

Innovation is fundamental to the Group's growth and sustainability. It also fosters and ensures our resilience, key to fuelling our growth, sustaining and enlarging our market share and thus ultimately essential to value creation for the company. Therefore, ongoing and strengthened synergy between UMW businesses will drive the convergence of innovative ideas which push the boundaries of market expectations. The fifth pillar calls for UMW to develop in-house, value-added capabilities and this in turn will underpin the Group's broader goal to move up the value chain and emerge as a maker of its own proprietary products and services.

Cost reduction and process optimisation remains as one of the most effective ways to achieve short-term goals. New advancement in technologies presents an opportunity for productivity and efficiency gains. In our industry, where machinery maintenance is critical, any planned or unplanned downtime has significant costs to the company. Predictive maintenance can prevent downtimes, thus controlling for unplanned costs. UMW sixth pillar looks to optimise our operations for maximum output while maintaining affordable costs. These efforts will be focused on improving synergies between capacities and process optimisation. We believe that technologies can help to reduce costs in the long-run, and better utilisation of our capacities and assets will help us operate at higher efficiency.

PILLAR 6 - COST OPTIMISATION AND SYNERGY

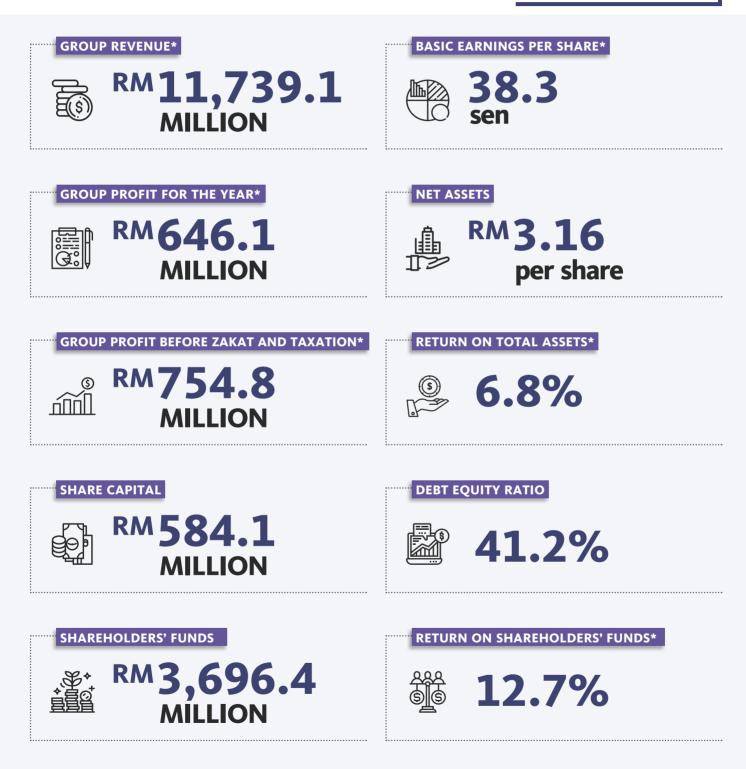
#### PILLAR 7 – HUMAN CAPITAL STRATEGIC SUPPORT

The seventh and final UMW pillar emphasises on human capital development. Our human capital is the most potent force in the company that pivots our transformation and propels our way forward. The role of human capital in smart manufacturing and Industry 4.0 is undergoing a unique transformation. The workforce in Industry 4.0 is required to work with a suite of advanced technologies which necessitates continuous upskilling and enhancement of competencies to apply these technologies to improve work processes.

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## MANAGEMENT DISCUSSION & ANALYSIS PERFORMANCE REVIEW

**FINANCIAL HIGHLIGHTS** 



\* The financial results excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

### **MANAGEMENT DISCUSSION & ANALYSIS**

**PERFORMANCE REVIEW** 

#### **FIVE-YEAR GROUP SUMMARY RESULTS**



\* The financial results have excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

#### FIVE-YEAR GROUP SUMMARY RESULTS

Year Ended 31 December	2015 (RM million)	2016* (RM million)	2017* (RM million)	2018* (RM million)	2019* (RM million)
OPERATING RESULTS					
Revenue	14,441.6	10,436.8	11,066.6	11,303.6	11,739.1
Profit/(Loss) Before Zakat and Taxation	269.7	(282.1)	266.6	800.3	754.8
Profit/(Loss) for the Year	2.2	(415.6)	144.9	676.2	646.1
Profit/(Loss) Attributable to Equity Holders of The Company	(37.2)	(536.0)	35.3	515.4	447.2
OTHER KEY FINANCIAL POSITION					
Shareholders' Funds	6,584.5	4,718.6	3,047.2	3,344.6	3,696.4
Total Assets	18,225.3	16,286.4	10,095.7	10,758.0	11,134.7
Total Liabilities	8,841.4	9,422.2	5,917.3	5,043.6	5,036.6
SHARE INFORMATION					
Per Share					
- Earnings/(Loss) (Basic) (Sen)	(3.2)	(45.9)	3.1	44.1	38.3
- Gross Dividend (Sen)	20.0	-	-	7.5	6.0
- Net Assets Per Share (RM)	5.64	4.04	2.61	2.86	3.16
Share Price Information					
– Share Price at Year End (RM)	7.87	4.57	5.20	5.47	4.49
- Market Capitalisation as at Year End	9,194.5	5,339.1	6,075.2	6,390.6	5,245.6
FINANCIAL RATIOS					
Return on Shareholders' Funds (%)	(0.6)	(9.5)	0.9	16.1	12.7
Return on Total Assets (%)	1.5	(1.7)	2.6	7.4	6.8
Debt Equity Ratio (%)	64.1	92.6	66.1	49.6	41.2
Dividend Rate – Gross (%)	40.0	-	-	15.0	12.0
Dividend Yield (%)	2.1	-	_	1.3	1.1
Dividend Payout Ratio <sup>#</sup>	>100	-	-	17.0	15.7

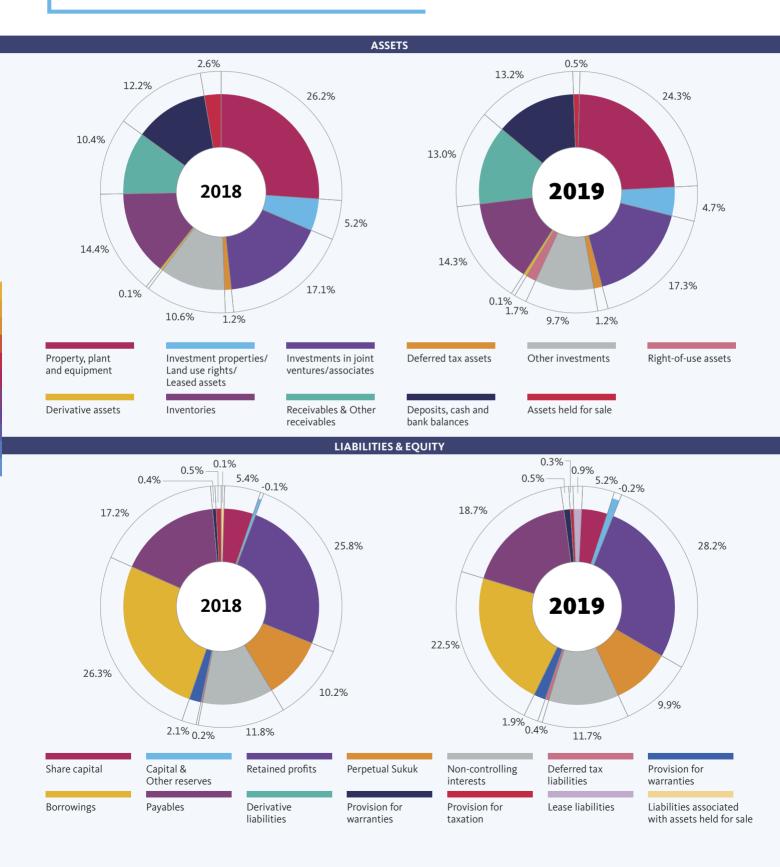
# The Group's dividend policy is for all its subsidiaries to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits and after taking into account any significant capital expenditure or Group expansion plan.

\* The financial results have excluded discontinued operations to arrive at amounts shown in the consolidated statement of comprehensive income.

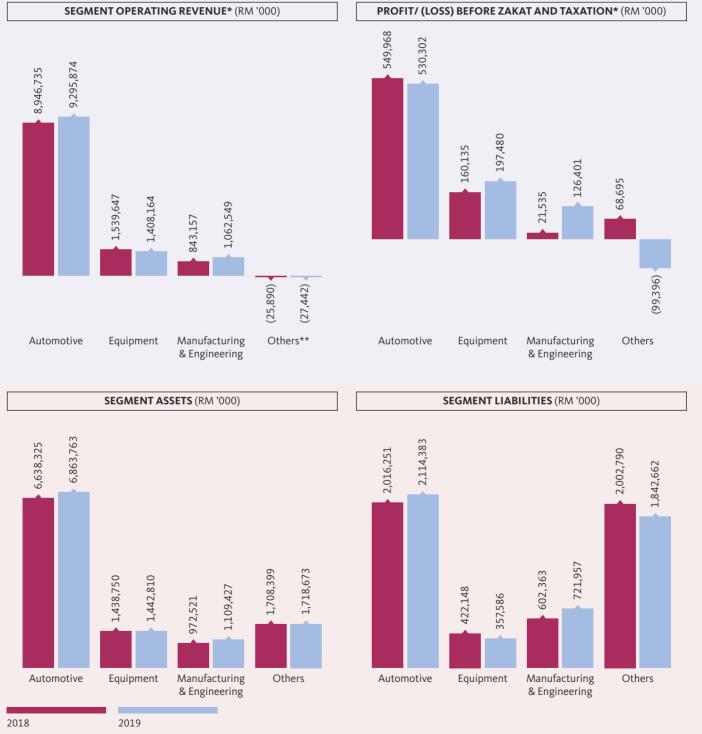
### **MANAGEMENT DISCUSSION & ANALYSIS**

**PERFORMANCE REVIEW** 

#### SIMPLIFIED STATEMENTS OF FINANCIAL POSITION



#### SEGMENTAL ANALYSIS



\* The financial results have excluded discontinued operations to arrive at amount shown in the consolidated statement of comprehensive income.

\*\* Including group elimination.

### **MANAGEMENT DISCUSSION & ANALYSIS**

**PERFORMANCE REVIEW** 

#### **STATEMENT OF VALUE ADDED**

STATEMENT OF VALUE ADDED	2019 RM million	2018 RM million
VALUE ADDED		
Revenue	11,760.2	11,376.0
Purchase of goods and services	(9,842.8)	(9,454.8)
Value added by the Group	1,917.4	1,921.2
Other operating income	338.6	105.9
Other operating expenses	(614.5)	(564.5)
Finance costs	(130.5)	(114.6)
Investment income	68.9	85.8
Share of results of associates and joint ventures	275.8	210.7
VALUE ADDED AVAILABLE FOR DISTRIBUTION	1,855.7	1,644.5
DISTRIBUTION OF VALUE ADDED		
To Employees		
Employee benefits	768.3	737.6
To Government		
Taxation & Zakat	112.5	125.1
To Shareholders		
Dividend paid to equity holders of the Company	75.9	58.4
Dividend paid to holders of Perpetual Sukuk	69.7	35.4
Non-controlling interest	104.6	120.0
Retained for reinvestment and future growth		
Depreciation and amortisation	346.2	281.9
Retained earnings	378.5	286.1
VALUE ADDED AVAILABLE FOR DISTRIBUTION	1,855.7	1 ,644.5

#### FINANCIAL CALENDAR

#### FINANCIAL CALENDAR

#### 27 February 2019

- Quarterly announcement on consolidated results for the financial period ended 31 December 2018
- Declaration of a final single-tier dividend of 2.5 sen per share for the financial year ended 31 December 2018

#### 15 April 2019

Notice of Book Closure for the final singletier dividend of 2.5 sen per share for the financial year ended 31 December 2018

#### 24 April 2019

Issuance of the Notice of 37<sup>th</sup> Annual General Meeting and Annual Report 2019 together with Circular to Shareholders on the Proposed Shareholders' Mandate for Existing Recurrent Related Party Transactions (**RRPT**) and Proposed New Shareholders' Mandate for Additional RRPTs of a Revenue or Trading Nature

#### 16 May 2019

Payment of the final single-tier dividend of 2.5 sen per share for the financial year ended 31 December 2018

#### 21 May 2019

Quarterly announcement on consolidated results for the financial period ended 31 March 2019

## 23 May 2019

37th Annual General Meeting

#### 27 August 2019

Quarterly announcement on consolidated results for the financial period ended 30 June 2019

#### 27 September 2019

\_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ .

Issuance of the Notice of Extraordinary General Meeting and Circular to Shareholders on the disposal of Shah Alam Land and the subsequent tenancy of part of the properties

#### 15 October 2019

Extraordinary General Meeting

#### 20 November 2019

Announcement on the amended quarterly announcement on consolidated results for the financial period ended 30 June 2019

#### 28 November 2019

- Quarterly announcement on consolidated results for the financial period ended 30 September 2019
- Declaration of a special dividend of 4.0 sen per share for the financial year ending 31 December 2019
- Notice of Book Closure for the special dividend for the financial year ending 31 December 2019

#### 23 December 2019

Payment of the special dividend of 4.0 sen per share for the financial year ending 31 December 2019

#### -----

#### 27 February 2020

- Quarterly announcement on consolidated results for the financial period ended 31 December 2019
- Declaration of a final single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2019
- Notice of Book Closure for the final singletier dividend of 2.0 sen per share for the financial year ended 31 December 2019

#### 31 March 2020

Payment of the final single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2019

## MANAGEMENT DISCUSSION & ANALYSIS

**PERFORMANCE REVIEW** 

#### **INVESTOR RELATIONS**

UMW recognises the importance of stakeholder perception to the business. Timely and transparent disclosures to investors about the Group's strategies and performance help to strengthen relationships and investor trust in UMW. Our Integrated Annual Report and Annual General Meeting serve as the primary channels of communication with investors. Announcements, circulars, press releases, dialogues and briefings are also crucial to communicate our Group's progress. In addition, we conduct investor meetings at roadshows and conferences to engage with the investment community, giving the chance for two-way dialogue.



Our investors require a long-term outlook and Environmental, Social and Governance (**ESG**) performance because they are critical for financial performance. Local funds are making a slow but sure move towards ESG investing. Recognising that the future of investment is ESG-oriented, we started publishing our annual Sustainability Report since 2016 in an effort to disclose information on the Group's management of sustainability risks and opportunities.

All communications with the public are carried out in accordance with Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (**MMLR**). All documents, presentations, financial statements, press releases and other disclosures made to Bursa Securities are in accordance with the UMW Investor & Media Relations Policies and the disclosure requirements of the MMLR and uploaded on the Company's website at <u>www.umw.com.my</u>. The "Investor Updates" section provides a monthly "Corporate Presentation", as well as the "Quarterly IR Updates" in the IR Resource Centre.

#### CALENDAR OF SIGNIFICANT EVENTS

Date	Event
27 February 2019	UMWH 4Q2018 results announcement
21 May 2019	UMWH 1Q2019 results announcement
27 August 2019	UMWH 2Q2019 results announcement
28 November 2019	UMWH 3Q2019 results announcement
27 February 2020	UMWH 4Q2019 results announcement

#### **ANALYST BRIEFINGS**

In recognising the impact of market perception assessments towards UMW's brand and business, we conducted three (3) analyst briefings with/for analysts, fund managers, and potential investors locally and abroad.

The President & Group Chief Executive Officer (**PGCEO**) and Group Chief Financial Officer presented the quarterly or annual performance in face-to-face briefings before opening the session to the floor for queries. The Group's senior management was also present and available to answer queries or issues raised relating to the operations of the Group.

Date	Event	Type of Meeting	
28 February 2019	4Q2018 & 2018 Results Briefing	Analyst Briefing	
28 August 2019	2Q2019 Results Briefing	Analyst Briefing	
28 November 2019	3Q2019 Results Briefing	Analyst Briefing	
27 February 2020	4Q2019 & 2019 Results Briefing	Analyst Briefing	

#### ANNUAL GENERAL MEETING/EXTRAORDINARY GENERAL MEETING

The Company held its 37<sup>th</sup> Annual General Meeting (**AGM**) on 23 May 2019. In accordance with good corporate governance practices, the notice of the 2019 AGM was issued 28 days prior to the AGM date. It is UMW's prerogative to send an administrative guide to counsel shareholders on registration procedures and polling administration. All polling is electronic and conducted by an appointed poll administrator with verification by independent observers.

All members of the Board were present at the meeting. The Group Chairman officiated the meeting by sharing that the Group's financial and overall performance is a result of the strategic realignment to UMW's areas of strength despite the global and regional challenges in 2019. The Chairman indicated that UMW remains committed to running a business that is value adding and sustainable, which led UMW to refocus its attention on the three (3) strongest core areas of experience and expertise, namely, Automotive, Equipment, and Manufacturing & Engineering (**M&E**).

The PGCEO then presented the overview and update on UMW Group's operations and performance for 2018. Responses were provided to matters raised by the Minority Shareholders Watch Group (MSWG). The issues raised include strategic and financial matters, Automotive segment's performance, Equipment Division's joint venture with Komatsu Ltd (**Komatsu**) of Japan, outlook and prospects for the M&E Division, and other corporate governance matters. The AGM minutes can be viewed at UMW's website.

#### **MANAGEMENT DISCUSSION & ANALYSIS**

**PERFORMANCE REVIEW** 

#### **INVESTOR RELATIONS (cont'd.)**

An enquiry box at the AGM is available for shareholders to deposit additional questions that will be answered in writing at a later date.

A press conference with the Group Chairman and PGCEO was held after each general meeting for the media to understand the outcome of the AGM, including key highlights of the Group.

The Malaysian Code on Corporate Governance (**MCCG**) 2017 recommends for companies to allow remote voting by shareholders in absentia. As a first step towards implementation, UMW has amended its constitution to allow general meetings to be convened in more than one location with the use of technology to enable participation and voting by remote shareholders. In 2019, no remote general meetings were held. However, in 2020, general meetings via Remote Participation and Voting (RPV) will be introduced.

Date	Event	
23 May 2019	37 <sup>th</sup> Annual General Meeting	
15 October 2019	EGM on the disposal of Shah Alam land	

#### CONFERENCE/ROADSHOW/INVESTOR MEETINGS/PLANT VISITS

In 2019, UMW participated in nine (9) investor conferences and roadshows in Malaysia, Singapore, and Hong Kong. A total of 27 investor meetings were conducted as compared to 38 in 2018. Our outreach and engagement efforts did not stop there, as four (4) teleconference meetings were held to engage investors from abroad. Apart from the events and meetings, the Group also held a visit to our assembly plants in Bukit Raja and Serendah to showcase to investors our high-value manufacturing facilities.

LIST OF EVENTS/MEETINGS/PLANT VISITS			
EVENTS			
Date	Event	Organiser	
25 January and 14 June	Corporate Access with UMW	CIMB	
4-5 March	Non-Deal Roadshow to Hong Kong	KAF & Jefferies	
13 March	Non-Deal Roadshow to Singapore	KAF & Jefferies	
19-20 March	Invest Malaysia	Bursa Malaysia	
25 April	Malaysia Consumer Day	Macquarie	
9-10 May	Invest Asia	Maybank	
11 December	Corporate Access with UMW	JP Morgan	
16 December	Corporate Access with UMW	Affin Hwang	
MEETINGS			
Investor Relations Teleconference			
Investor Relations Meetings			
PLANT VISITS			
Date	Plant Visit		
11 March and 18 July	Plant visit to ASSB Bukit Raja		
4 April and 21 November	Iovember Plant visit to UMW Aerospace Serendah		

#### **KEY INVESTOR CONCERNS AND MITIGATION RESPONSE**

Throughout our engagement with investors, we identified several key areas of focus which were addressed in the 2019 meetings and this will continue to be a priority for the Group to grow with our investors in mind.

Key Investor Concerns	Response From UMW	
Future prospects for the automotive market	<ul> <li>Automotive segment will continue to be major contributor to the Group's revenue and profit despite the slow growth in the industry.</li> <li>The new Bukit Raja plant to address capacity and productivity limits.</li> <li>Introduce new models in the SUV space.</li> <li>Increase operational efficiencies via new plant facilities and cost-reduction exercises.</li> <li>Venture into new business areas such as aerospace segment to diversify our business and product portfolio.</li> </ul>	
Future prospects for the equipment business	<ul> <li>Shift focus to tap new emerging markets such as Myanmar for heavy equipment and Vietnam for industrial equipment.</li> <li>Replaced the principal-distributorship relationship with Komatsu with a strategic venture to provide a wider offering to customers in the heavy equipment business.</li> </ul>	
Equitability of UMW's dividend policy	• UMW's policy requires a minimum payment of 50% of net profit as dividend but the Group has been paying more than 70% for a number of years. The payout ratio has reduced in the last few years. However, the Group endeavours to increase it in the future with better financial results.	
Clarifications on the aerospace business	• UMW's contract with our aerospace principal partner has strict terms on confidentiality with regard to the price and production numbers of fan cases. The Group is legally bound to abide by the contract terms.	

#### **CREDIT RATING**

Our rating agency RAM Rating Services Berhad had on 16 May 2019, reaffirmed a AA2 Stable Outlook rating for our RM2 billion Islamic Medium-Term Notes Programme (2013/2028) and A1 Stable Outlook rating for our RM2 billion Perpetual Sukuk Programme.

### **MANAGEMENT DISCUSSION & ANALYSIS**

**PERFORMANCE REVIEW** 

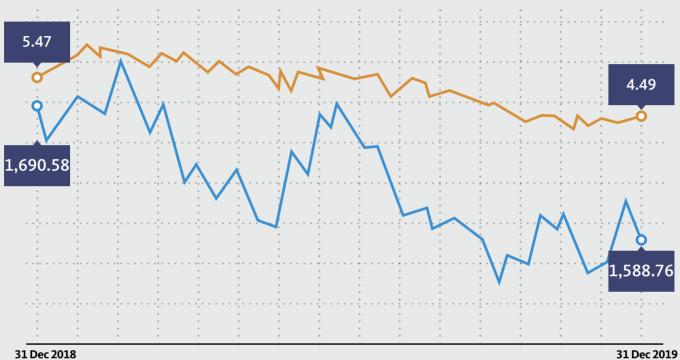
#### **INVESTOR RELATIONS (cont'd.)**

#### **RESEARCH COVERAGE**

UMW is one of the largest industrial corporations in Malaysia with a market capitalisation of RM5.2 billion as of December 2019, and thus receives considerable coverage by analysts. As of end December 2019, a total of 16 investment banks and research houses have coverage on UMW's stock, which served to guide investors in their investment-making decisions.

No	Organisation
1.	Affin Hwang Investment Bank Bhd
2.	AllianceDBS Research Sdn Bhd
3.	AmResearch Sdn Bhd
4.	CGS-CIMB Securities Sdn Bhd
5.	Citi Research
6.	CLSA Securities (Malaysia) Sdn Bhd
7.	Hong Leong Investment Bank Berhad
8.	JF Apex Securities Berhad
9.	KAF-Seagroatt & Campbell Securities Sdn Bhd
10.	Kenanga Investment Bank Berhad
11.	Maybank Investment Bank Berhad
12.	MIDF Amanah Investment Bank Berhad
13.	RHB Research Institute Sdn Bhd
14.	TA Securities Holdings Berhad
15.	UBS Securities Malaysia Sdn Bhd
16.	UOB Kay Hian Holdings Limited

#### **2019 SHARE PRICE MOVEMENT**



#### 31 Dec 2018

FBMKLCI Index

UMW Holdings Share Price

	31-Dec-18	31-Dec-19	Change	% Change
KLCI Index	1,690.58	1,588.76	(101.82)	-6.0
UMW Holdings	5.47	4.49	(0.98)	-17.9

#### **CONTACTS FOR INVESTOR RELATIONS**

#### Badrul Feisal Abdul Rahim **President & Group Chief Executive Officer**

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#### Nik Azlan Nik Abdul Aziz **Group Chief Financial Officer**

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#### S Vikneshwaran

General Manager – Investor & Media Relations

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## MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW





"UMW's market share increased from 49.1% in 2018 to 51.4% in 2019 due to higher number of vehicles sold. A total of 310,350 units were sold by the Automotive segment, which translates to a 5.6% increase from 2018. Revenue grew from RM8,946.7 million to RM9,295.9 million from FY2018 to FY2019, while PBT fell from RM550.0 million to RM530.3 million."

#### **ABOUT US**

UMW Toyota Motor Sdn Bhd (**UMWT**) is the sole distributor of Toyota and Lexus models in Malaysia. We have a longstanding partnership with Toyota Motor Corporation, Japan, where we assemble and market their vehicles. We are also the single largest shareholder of Perusahaan Otomobil Kedua Sdn Bhd (**Perodua**), Malaysia's top homegrown carmaker.

#### **KEY PRIORITIES & OUTCOMES**

In the long run, we aim to maintain our leading position in the automotive sector.

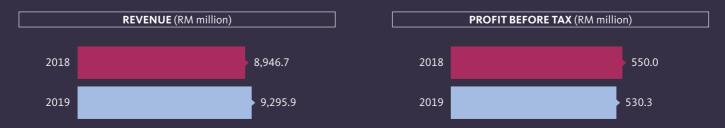
Key Priorities	Outcomes
Maintain and strengthen market penetration Perdana Transformation Pillar: Revenue Elevation	<ul> <li>Introduced seven (7) new/upgraded models (Vios, Yaris, Corolla, Avanza, Supra, Lexus ES and RX) to appeal to changing consumer preferences.</li> <li>Enhanced production, especially with our new Bukit Raja assembly plant which is fully operational and optimised.</li> </ul>
Increase local content Perdana Transformation Pillar: © Cost Optimisation and Synergy	<ul> <li>Increased sourcing of local parts and components.</li> <li>UMWT's automotive parts manufacturer unit won the "Perodua - Excellent Cost Competitiveness" award from Perodua.</li> <li>Maintained over 90% local content among Perodua models.</li> </ul>
Strengthen network of dealers Perdana Transformation Pillar: 🎲 Rationalise Non-Strategic Assets	Implemented network rationalisation of branches to dealers.

#### **OUR PERFORMANCE**

## RM 9,295.9 MILLION Revenue

## RM 530.3 MILLION Profit Before Tax

UMW's market share increased from 49.1% in 2018 to 51.4% in 2019 due to higher number of vehicles sold. A total of 310,350 units were sold by the Automotive segment, which translates to a 5.6% increase from 2018. Revenue grew from RM8,946.7 million to RM9,295.9 million from FY2018 to FY2019, while PBT fell from RM550.0 million to RM530.3 million.

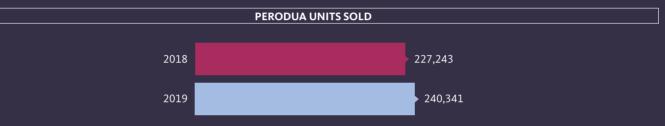


### MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

#### **OUR PERFORMANCE (CONT'D.)**

New model launches and the increased capacity from the local assembly plant at Bukit Raja helped to increase UMWT's performance. In 2019, seven (7) newly launched/facelifted Toyota and Lexus models were well-received by the market, with a total of 70,009 units sold. Energy-efficient vehicles (EEV) such as the All-New Yaris were added to our offerings in 2019.

Perodua sold a record 240,341 units in 2019 compared to 227,243 units in 2018. Perodua vehicles continued to attract demand due to their affordability and fuel-efficiency, boosted further by the launch of the new Perodua Aruz, which became Malaysia's best-selling SUV in its first year at 30,115 units sold. In 2019, Perodua commanded a market share of 39.8%, a 2% increase from 2018.



Perodua spent RM5.4 billion on automotive components from 185 local suppliers in 2019, contributing to the growth of the local automotive ecosystem.

#### **AWARDS & RECOGNITION** Awards Awards Awards 2019 Putra Brand Awards 2019 Star-Carsifu Editors' • Perodua – Excellent Cost - Gold (Automotive) Competitiveness Choice Awards • President's Safety Award Perodua Aruz – Best Compact SUV Awarding Body Awarding Body Awarding Body • Perodua Suppliers' Association MATRADE, Branding Association The Star Media Group • Perodua Auto Corporation of Malaysia, Malaysian Sdn Bhd Advertisers Association, Media Specialists Association Awards Awards Awards Jaguh – National Vendor **Best Cooperation Award** After Sales Award **Innovation Partnership Program** • Continuous Affordability Award Awarding Body Awarding Body Awarding Body Ministry of Entrepreneur **Proton Holdings Berhad** Honda Malaysia Sdn Bhd Development

## **CHALLENGES & MITIGATION STRATEGIES**

Challenges	Mitigation Strategies	Outcomes
Business Environment Stagnant market	<ul> <li>Introducing new models to cater for the emerging consumer segment.</li> </ul>	<ul> <li>Maintained consistent growth.</li> <li>Perodua defended its no. 1 market position.</li> </ul>
<b>Economics</b> Foreign exchange volatility	Hedging of currencies.	• Minimised foreign exchange impact.
Market Changing consumer and market behaviour	<ul> <li>Collaborating with ride hailing and mobility services companies.</li> </ul>	<ul> <li>Acquired new customers through several ridesharing platforms.</li> </ul>

## **OUTLOOK & PROSPECTS**

From 2020, the development of the Next Generation Vehicle technology ecosystem is expected to start penetrating the market and is a potentially high growth sector. In Malaysia, we are anticipating an exciting period for the company. UMWT is planning to roll out more exciting models to appeal to a wider audience. Automotive demand may be impacted by COVID-19 pandemic on consumer and business sentiment with the prospect of slightly softer car sales. But we expect this to be a short-term adjustment as we continue attracting a wider audience with a brand new product line up in the coming months.

Following the Perodua Aruz's remarkable performance, Perodua had launched the 2020 Perodua Bezza with an upgrade in specifications, safety features and comfort level in early 2020. It is the first mid-cycle update for the sedan model since it was first introduced in 2016 and is expected to further buoy Perodua's popularity in the market.

The Automotive segment will continue to focus on enhancing human capital capabilities, sustainable growth with an emphasis on clean energy, quality and cost efficiency.

## MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

# **BEQUIPMENT**

"Our Equipment Division recorded a profit before tax of RM197.5 million\* in 2019 as compared to RM160.1 million in the previous year. This profit was derived from the revenue of RM1,408.2 million compared to RM1,539.6 million in 2018. 2019 operating results was driven by the Industrial Equipment sub-segment which continued to show growth during the year."

KOMAYSU

JUMW

\* Inclusive of RM61.8 million gain on disposal of land and building.

## **ABOUT US**

UMW is a distributor of heavy, industrial and power equipment of internationally renowned brands covering a wide range of industries, across seven (7) Asia-Pacific countries, namely Malaysia, China, Brunei, Singapore, Vietnam, Myanmar and Papua New Guinea.

## **KEY PRIORITIES & OUTCOMES**

Key priorities of the Equipment Division are to increase its market leadership and market share, increase product and service offerings, create value-added digital solutions and improve the product life cycle value.

Key Priorities	Outcomes
Increase market leadership and offerings Perdana Transformation Pillar: Revenue Elevation	<ul> <li>Established new sales touchpoints.</li> <li>Introduced innovative and fuel-efficient products.</li> <li>Expanded product lineup and offerings through the refurbishment of existing rental equipment business.</li> </ul>
Improve product life-cycle value Perdana Transformation Pillars: Revenue Elevation Innovation Platform	<ul> <li>Optimised equipment performance through improved quality and fuel-efficiencies.</li> <li>Extended equipment life via refurbishment and better service.</li> <li>Eliminated redundancies and operational inefficiencies by applying Internet of Things (IoT) technology.</li> </ul>
Realise customer service excellence and digital touchpoints         Perdana Transformation Pillars:         Revenue Elevation         Digitisation and Digitalisation	<ul> <li>Developed CARA app for e-service to increase operational efficiency and improve customer touchpoints.</li> <li>Conducted proactive customer outreach through Komtrax monitoring and machine health check programme.</li> </ul>



## MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

## **OUR PERFORMANCE**

# RM 1,408.2 MILLION Revenue

# RM197.5 MILLION Before Tax

The material handling business maintained its leading position and market share in Malaysia, Singapore and Vietnam. Papua New Guinea showed encouraging growth and performance for the Heavy Equipment segment driven by the gold mining and construction sectors. In Myanmar, parts sales and profit from existing jade mining license holders remained strong due to a high volume of machines in operation.



## **AWARDS & RECOGNITION**

## Awards

- TMHI President's Award (Gold)
- TMHI Diamond Club Recognition
- TMHI Vision 2020 Award

## **Awarding Body**

Toyota Material Handling International (TMHI)



## **CHALLENGES & MITIGATION STRATEGIES**

Equipment Division's solid mitigation strategies have resulted in positive outcomes for the operating companies despite the challenges faced during the year.

Challenges	Mitigation Strategies	Outcomes	
<ul> <li>Business Environment</li> <li>Stiff competition</li> <li>Market uncertainty</li> </ul>	<ul> <li>Close engagement with principals for product and marketing support to improve competitiveness.</li> <li>Introduced aggressive extended warranty programmes.</li> </ul>	<ul> <li>Increased market share in our key operating markets.</li> </ul>	
<ul> <li>Regulatory Changes</li> <li>Introduction of new laws in countries we operate</li> <li>Changes in export and royalty tax on timber and coal</li> </ul>	<ul> <li>Reposition the marketing and business development activities to resource mining and infrastructure development sectors.</li> </ul>	<ul> <li>Improved success rate in resource mining and construction sectors sales.</li> </ul>	
<ul> <li>Industry 4.0</li> <li>Digital media, globalisation, and technological disruptions</li> </ul>	<ul> <li>Develop digital customer service application known as CARA.</li> </ul>	<ul> <li>Improved overall service performance and market coverage.</li> </ul>	

## **OUTLOOK & PROSPECTS**

We acknowledge the changing market trend towards digitalisation and automation and we are working closely with our principal partners and major clients to match the market needs and improve the services provided to our customers.

In the near term, the ongoing COVID-19 pandemic presents challenges. However, we do recognise that there are opportunities for the operating companies, thus we will leverage the current situation and offer new products, services and business models that best fit our customers' needs. On top of this, UMW will strengthen its fleet management capabilities thereby increasing our value chain towards becoming the total solution provider for our clients, regionally.

Overall, with the ongoing process improvement and cost optimisation, we expect to sustain growth and profitability in the year ahead.

## MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

"The Manufacturing & Engineering (M&E) Division recorded a profit before tax of RM126.4 million\* in 2019 against RM21.5 million profit in 2018. Meanwhile, in 2019, revenue grew by 26.0% from RM843.2 million in 2018 to RM1,062.5 million. 2019 also witnessed the turnaround of UMW Aerospace with ramped up of its fan case production. KYB-UMW also accomplished higher sales primarily due to new models launched and higher exports. The lubricants business in Malaysia achieved healthy PBT."

URING

## **ABOUT US**

The M&E Division manufactures aerospace parts, autoparts and lubricants products. We are the first Malaysian company to be a tier-1 aerospace engine component manufacturer to Rolls-Royce. We are the market leader for shock absorbers in the autoparts segment.

## **KEY PRIORITIES & OUTCOMES**

For M&E's sub-divisions, the key priorities for 2019 included the increased capacity utilisation at UMW Aerospace, expansion of production capacity at KYB-UMW, cost optimisation and increased efficiency.

Key Priorities & Strategic Thrusts	Outcomes
Capacity expansion and technology innovation Perdana Transformation Pillar: (*) Innovation Platform	<ul> <li>Leveraged on our internal engineering capabilities to move towards Industry 4.0 readiness.</li> <li>Implemented integrated plant modernisation project by KYB-UMW.</li> </ul>
Cost reduction and operational excellence Perdana Transformation Pillar: Cost Optimisation and Synergy	<ul> <li>Reduced total operation hours per fan case in the Aerospace segment.</li> <li>Designed alternative formulations that are cost effective in the lubricant segment.</li> <li>Reduced material costs through localisation and "Value Added &amp; Value Engineering" (VAVE) projects.</li> </ul>



## MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

## **OUR PERFORMANCE**

RM 126.4 MILLION Before Tax

# RM 1,062.5 MILLION Revenue

#### The Aerospace Group contributed to the improved revenue and Profit Before Tax (PBT) of the M&E Division.

The two-wheeler and four-wheeler OEM markets are on an uptrend while domestic and export sales for REM saw continuous growth from the launch of new models.

Automotive and motorcycle lubricants saw reasonable growth while demand for commercial vehicle lubricants weakened due to lower TIV volume.



## **AWARDS & RECOGNITION**

Awards	Awards	Awards
Business Continuity	Best Vendors Awards	Lab Excellent Award
Management system		(Lubricant Sector)
(ISO 22301:2012)		
Awarding Body	Awarding Body	Awarding Body
Cyber Security Malaysia	Hong Leong Yamaha Sdn Bhd	🦲 Institut Kimia Malaysia
		T T

## **CHALLENGES & MITIGATION STRATEGIES**

Challenges	Mitigation Strategies	Outcomes	
<b>SOLUTION</b> <b>Economics</b> • Weak consumer sentiment • Slowdown in global economy	<ul> <li>Focusing on high-end market and implementation of trade incentives, and volume rebates.</li> <li>Enhancing cost reduction and management measures.</li> </ul>	<ul> <li>Maintained market share and improved PBT.</li> </ul>	
<b>Production Capacity</b> <ul> <li>Limited capacity</li> <li>Ageing plant</li> </ul>	Embarking on plant modernisation.	<ul> <li>Increased production capacity and fulfilled 100% delivery plan and demand orders.</li> </ul>	

## **OUTLOOK & PROSPECTS**

While we adopt necessary measures to mitigate the effects of COVID-19 pandemic, UMW Aerospace will maintain its production at our dedicated High-Value Manufacturing Park, supported by a pipeline of orders.

For the Auto Components and Lubricants business, we do expect a decline in TIV. However, our revenue generation from REM and exports sales are expected to be less affected. Various government measures introduced to stimulate a quick recovery, especially through enhanced consumption may be able to mitigate consumer spending pattern.

Additionally, M&E's strategies to introduce new replacement parts models and targeted marketing for high-street lubricants segment in domestic and export markets will also abate the effects of the pandemic on our business.

**MANAGEMENT DISCUSSION & ANALYSIS** BUSINESS REVIEW

# **OTHERS**

"UMW's non-core businesses provide key support to achieving the objectives of the Perdana Transformation Pillars."

## **ABOUT US**

UMW's core businesses are supported by other non-core businesses which can be broadly categorised into property, financing, travel and technical support services.

## **KEY PRIORITIES & OUTCOMES**

Our priorities continue to be motivated by the success of UMW's core businesses, including improving our value-added services and increasing production capacity and market share.

Our property arm focused on the development of the High-Value Manufacturing (HVM) Park in Serendah, Selangor.

Key Priorities	Outcomes
Development of the High-Value Manufacturing Park in Serendah	• Sold plots of land in Precinct 1 to HVM/advanced manufacturing players.
<b>Perdana Transformation Pillar:</b> Olimits Unlock Value of Non-Productive Assets	
Maintain and capture market share Perdana Transformation Pillar: Revenue Elevation	<ul> <li>Toyota Capital launched its pilot Full Service Lease that integrated car usership and maintenance packages to give customers streamlined convenience.</li> <li>Toyota Capital enhanced its multi-tiered instalment product to cater to young professionals.</li> </ul>

## **OUR PERFORMANCE**

In line with the Perdana Transformation Pillars, HVM has become both a strategic and tactical focus that will accelerate UMW's prominence in manufacturing. Monetisation of non-productive assets, driven by UMW Development, resulted in the sale of our Shah Alam land and in the HVM Park in Serendah.

Flexible financing schemes offered by Toyota Capital boosted the automotive sales for UMWT.

## AWARDS & RECOGNITION

## Awards

Award for green initiatives for industrial building design

## Awarding Body

Majlis Daerah Hulu Selangor

**Awards** Global *Kaizen* Award 2019

## Awarding Body

Toyota Financial Services Corporation

## MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

## CHALLENGES & MITIGATION STRATEGIES

Challenges	Mitigation Strategies	Outcomes
<b>S</b> Pricing competition	<ul> <li>Designing innovative financing schemes and more accessible loan application process.</li> </ul>	• Achieved an increase in loan submissions.
Authority/ Regulatory Approvals	<ul> <li>Continually engaging with federal and state agencies for approvals.</li> </ul>	• Obtained fast track approvals.
Intense competition	Providing value added services via green park.	• Achieved an increase sales.

## **OUTLOOK & PROSPECTS**

UMW Development will continue to engage and maintain close collaborations with MIDA, MATRADE, and Invest Selangor in promoting UMW's enhanced High-Value Manufacturing capacity in overall trade missions and focused business-to-business meetings.

For our auto financing business, Toyota Capital will continue to look at financing options catered to the demand for easy ownership in 2020. Toyota Capital has been exploring disruptive mobility services as a business opportunity. A mobility programme is currently under development at UMW and is targeted to be launched in the second half of 2020. We are also testing the feasibility of customer mobile apps as a customer management strategy.





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# **GROUP CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE**

The Board of Directors (Board) of UMW Holdings Berhad and its subsidiaries (UMW or the Company) takes cognisance of the importance of good corporate governance and is fully committed to continue ensuring sustainability of the Group's business and operations by aligning best practices, ethics and business integrity into the strategies and operations of the Group.

"This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report"

The Board fully supports the adoption of best practices in good corporate governance beyond regulatory requirements. The Board believes that good governance with valuedriven objectives as its mainstay, contributes to raising values through enhanced accountability, strong risk and performance management, transparency and effective leadership. The Board believes that an effective corporate governance structure and culture lies at the core of the UMW Group's pursuit to achieve its vision and objectives. This includes among others, ethical conduct, business integrity, commitment to values, delivering sustainable values and managing stakeholders' expectations. The Board also believes these practices are fundamental in strengthening and delivering long-term shareholder value and sustainability of the Group.

The Company is driven to continuously stimulate and strengthen value-creation by subscribing to and premised on the following essential regulatory requirements, statutory provisions, policies, guidelines and best practices:

Companies Act 2016 (CA 2016);

Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities);

Malaysian Anti-Corruption Commission (Amendment) Act 2018 (MACCA);

Malaysian Code on Corporate Governance 2017 (MCCG 2017);

Corporate Governance Guide: Towards Boardroom Excellence (3rd Edition) by Bursa Malaysia Berhad (**CG Guide**);

Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance (**Green Book**);

Minority Shareholders Watch Group (MSWG); and

ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard)

The Company is fully committed to protect the interests of all its stakeholders by conforming to good corporate governance practices, including greater transparency and sustainable disclosure. This commitment is translated into a corporate culture that is manifested across the Group, from the Board to the Senior Management and all employees across the Group. This compliance culture fosters the Board and employees alike to embrace professional business ethics and to be self-adherent to internal and external requirements.

In view thereof, we are pleased to present, our application of the principles and recommendations of the MCCG 2017 (**CG Statement**) during the year under review. This CG Statement is to be read together with the Corporate Governance Report 2019 (**CG Report 2019**) which is accessible to the public at our corporate website at <u>www.umw.com.my</u>. This CG Statement should also be read in tandem with the Statement on Risk Management and Internal Control (**SORMIC**) and the Audit Committee Report (**AC Report**).

As a testament of our steadfast commitment in upholding the highest level of corporate governance, the Company was ranked at 11<sup>th</sup> place for "Top 100 Companies for Corporate Governance Disclosure" at the MSWG-ASEAN Corporate Governance Awards held in 2019 and was accorded with the "Excellence Award for CG Disclosure".

As at 31 December 2019, the Board has adopted and applied all recommendations of the MCCG 2017, except for the following –

#### Practice 4.1

The Board comprises a majority of independent directors.

#### Practice 12.3

Facilitating voting in absentia via electronic means.

We acknowledge the inherent value of good corporate governance practice and disclosure, and have provided consequently, in the CG Report 2019, cogent explanation for each departed Practice, the alternative measures in place during the year and the required timeline to adopt the said Practices.

### **OUR GOVERNANCE FRAMEWORK**

The UMW Group operates within a clearly defined Board approved governance framework. This framework elucidates on the clear governance practices and direction in relation to the decision-making process across the Group. The Board is committed to ensuring that there is a strong and effective system of corporate governance in place to support the successful execution of the Group's strategy.

The governance framework outlines a clear organisational structure with robust internal controls and risk management mechanisms which promote high standards of governance and of integrity, transparency and well-defined roles of the stakeholders, Board, Board Committees, management, external and internal auditors and others. Their roles are distinctly different but complementary in attaining the Group's core objectives.



C The Terms of Reference of each Board Committee is available at <u>www.umw.com.my</u>

A summary of UMW's Corporate Governance practices vis-à-vis the MCCG 2017's three (3) key Principles, namely, (i) Board Leadership and Effectiveness, (ii) Effective Audit and Risk Management and (iii) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders, is described in the following pages.

We have provided an explanation of what we have worked on during the year under review that summarily details our continued commitment to deliver transparent and sustainable value to all our stakeholders.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1. Principal Roles and Responsibilities of the Board

The Board is entrusted with the overall governance of the Company and is also responsible for exercising reasonable and proper care of its resources in the best interests of the shareholders as well as to safeguard the Group's assets.

In discharging its fiduciary and leadership functions, the main roles and responsibilities of the Board are as follows –

- Establish and review the strategic direction of the Company;
- Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- Review, challenge and decide on management's proposals for the Company and monitor its implementation by management;
- Ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Supervise and assess management performance to determine whether the business is being properly managed;
- Oversee and evaluate the conduct of the Company's businesses;
- Ensure there is a sound framework for internal controls and risk management;
- Identify and understand the businesses' principal risks, recognise that business decisions involve the taking of appropriate risks and ensuring that risks are properly managed;

- Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Establish orderly succession plan for the Board and senior management;
- Ensure that senior management has the necessary skills and experience;
- Ensure the existence of procedures to enable effective communication with stakeholders;
- Review the adequacy of the internal control policy; and
- Ensure the integrity of the Company's financial and nonfinancial reporting.

The above roles and responsibilities are clearly set out in the Board Charter.

#### 2. Board Charter

The Board Charter provides guidance to the Board in discharging its roles, duties and responsibilities effectively in line with the principles of good governance. The Board Charter sets out the principles and guidelines that are to be applied by the Board and Board Committees, the balance and composition of the Board, the authority of the Board and the schedule of matters reserved for the Board. It also serves as a source of reference and primary induction literature in providing insights to newly appointed Directors and Senior Management. The Board Charter is reviewed and updated from time to time to reflect relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the document remains relevant and consistent with the applicable rules and regulations and recommended best practices.

Due to the extensive reform and modernisation of corporate governance methodology and framework introduced under MCCG 2017, the Board Charter was reviewed to reflect relevant changes to the policies, procedures and processes to ensure that the document remains relevant and consistent with the applicable rules and regulations and recommended best practices. The revamped Board Charter was tabled and adopted by the Board on 28 November 2019. The Board Charter and the Terms of Reference (**TOR**) of the Board Committees are available on our corporate website at <u>www.umw.com.my</u>

#### 3. Board Committees

To assist the Board in discharging its duties, certain responsibilities have been delegated to Board Committees to ensure there is independent oversight of internal control and risk management, executive remuneration and Board appointments as well as investment/corporate proposals and strategic direction.

The Board has established several principal Committees to exercise oversight in specific areas. They are, the Audit Committee (**AC**), Nomination & Remuneration Committee (**NRC**), Investment Committee (**IC**), Risk Management Committee (**RMC**) and Integrity and Whistle-Blowing Committee (**IWBC**) (previously known as Whistle-Blowing Committee (**WBC**)) and all of which have specific responsibilities with authority to act on behalf of the Board as mandated in their respective clearly defined TORs.

An ad hoc Board Committee, known as the Value Group Execution Committee (**VGEC**) was established on 28 September 2017 to provide strategic guidance to management in making recommendations to the Board on the proposed action plans, resolutions and strategies to achieve the intended objective for the Group to exit the investments under its Oil and Gas unlisted segment. In view that the exit process of Value Group has come to a near completion, the Board had in May 2019, decided to disband VGEC and all updates and discussions related to the exit process at Value Group be reported directly to IC.

The responsibility of steering the UMW Group towards a sustainable future rests on the Board. In addition to adopting a sound ethical and governance framework and financial management policies, the Board also ensures that there are adequate resources to meet the Group's objectives.

The Board and Board Committees meet on a scheduled basis and additional meetings may be called by the Chairman of the Committees when required. Prior to each Board meeting, the Board receives reports from the Chairman of each Board Committee on the latter's deliberations and recommendations. The Chairman of each Board Committee then tables to the Board the Committee's report and its recommendations for the Board's approval. The Board will continually review the TORs of Board Committees to be in line with the latest provisions and recommended practices set out under CA 2016, MMLR of Bursa Securities, MCCG 2017, Whistle-blower Protection Act 2010 and MACCA. They will be enhanced and updated periodically to ensure that the Committees are properly guided in their operations, composition and decision-making process.

In line with the latest development in legislation landscape, the Board had incorporated the corporate liability provisions under MACCA into the revised WBC TOR. The Board acknowledges that whistle-blowing can greatly enhance corporate governance by helping to foster an environment where integrity and ethical behaviour are maintained, and any illegality, improper conducts and wrongdoings can be exposed. Hence, the Board endorsed WBC to also incorporate elements of integrity in its TOR for it to be renamed as IWBC, as the Board strongly believes on the needs to uphold and institutionalise integrity as a key factor in embracing sound governance. Enhancements to the TORs of Board Committees were tabled and adopted by the Board on 27 February 2019 and 21 May 2019, respectively.

The reports of the NRC, AC and the RMC for the year under review are set out on pages 87 to 97 of this CG Statement.

Further information on the Board Committees are available in the CG Report 2019 at <u>www.umw.com.my</u>

## 4. Individual Roles of Directors

Effective working of the Board is imperative to the long-term prospects and strategic objectives and goals of the Company. The Board achieves this through dynamic, strong and open working relationships between and among the Directors, in particular, the Group Chairman and the Senior Independent Director.

### 5. Division of Roles

#### **Non-Executive Directors**

The Non-Executive Directors (**NEDs**) possess the necessary expertise and experience to ensure that the strategies proposed by management are fully deliberated and examined, taking into account the interests of shareholders and stakeholders. They do not participate in the day-to-day management of the Group or engage in any business dealing or have any relationship with any companies in the Group.

## The Group Chairman, President & Group Chief Executive Officer and Senior Independent Director

The Board is led by a Non-Independent Non-Executive Chairman, whose principal responsibility is to ensure the smooth running of the Board. The Board practises a clear demarcation of duties between the Group Chairman and the President & Group Chief Executive Officer (**PGCEO**) to ensure a balance of power and authority in the Board. This segregation ensures an explicit distinction between the Group Chairman's responsibility to manage the Board and the PGCEO's responsibility to manage the Company's business. The positions of the Group Chairman and the PGCEO are held separately by Tan Sri Dato' Sri Hamad Kama Piah Che Othman and Encik Badrul Feisal Abdul Rahim, respectively.

Separation in the role of the Chairman and the PGCEO is imperative as both roles have different expectations and serve distinct primary audiences.

A summary of the roles and division of responsibilities of the Group Chairman, the PGCEO and the Senior Independent Director is set out below –

#### **Group Chairman**

- Leads in setting the values and ethical standards of UMW.
- Leads in the creation of an effective corporate governance system including the establishment of Board Committee structures and their TOR.
- Chairs the Board meetings and stimulates debates on issues and encourages positive contributions from each Board member.
- Consults with the Group Secretary in setting the agenda for Board meetings and ensures that all relevant issues are on the agenda.

- Ensures the provision of accurate, timely and clear information to Directors.
- Ensures that all Directors are properly briefed on issues arising at Board meetings and there is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranges for informal meetings prior to the Board meetings to enable thorough preparations to be made.
- Ensures appropriate procedures are in place to govern the Board's operation, decisions are taken on a sound and well-informed basis and dissenting views can be freely expressed and discussed.
- Allows every Board resolution to be voted on and ensures that a decision reflecting consensus of the whole Board is reached.
- Maintains a relationship of trust with and between the PGCEO and NEDs.
- Arranges evaluation of performance of Board members, Board Committees and their individual members, including assessment of the independence of Directors.
- Casts his votes in accordance with the prescribed provision under the Company's Constitution.
- Ensures that all Directors upon taking office, are fully briefed on the terms of their appointment, time commitment, duties and responsibilities and the business of the Company.
- Ensures effective communication with shareholders and relevant stakeholders.

For more information on the Group Chairman's profile, please refer to page 21 of this Integrated Annual Report.

#### PGCEO

- Develops and recommends to the Board the long-term business strategy, performance targets, goals and vision of the UMW Group that will lead to the creation of longterm prosperity and stakeholder value.
- Develops and recommends to the Board the business plan and budget that support the UMW Group's long-term strategy.
- Fosters a corporate culture that promotes ethical practices, encourages employee integrity and fulfilment of UMW's corporate social responsibilities.

- Maintains a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse workforce.
- Ensures high management competency as well as emplacement of an effective management succession plan.
- Recommends suitable management structures and operating authority levels which include delegations and responsibilities to the Management.
- Formulates and oversees implementation of major corporate policies.
- Accountable to the Board for the financial management and reporting, including forecasts and budgets of UMW.
- Ensures continuous improvement in quality and value of UMW's products and services.
- Serves as a conduit between the Board and Management and as spokesperson for UMW.

For more information on the PGCEO's profile, please refer to page 22 of this Integrated Annual Report.

#### Senior Independent Director (SID)

- Acts as an intermediary for other Directors when necessary and specifically between the Independent Non-Executive Directors (INEDs) and the Group Chairman on issues that may be deemed sensitive.
- Being available to confidential discussions with other NEDs who may have concerns which they believe have not been considered by the Board as a whole.
- Acts as a designated contact to whom shareholders' concerns or queries may be raised as an alternative to the formal communication channel of communication with shareholders.

Following the retirement of Dato' Siow Kim Lun as an INED as well as SID at the Company's 37<sup>th</sup> Annual General Meeting (**AGM**) in 2019, the Board appointed Tan Sri Hasmah Abdullah as the new SID effective 23 May 2019. Tan Sri Hasmah satisfies the prescribed criteria and level of seniority for the post of SID.

All queries relating to the Group can be channelled to the SID's email address at <u>hasmahabd@gmail.com</u> or directed to the following address –

Tan Sri Hasmah Abdullah Senior Independent Director UMW Holdings Berhad Level 6, Menara UMW Jalan Puncak, Off Jalan P. Ramlee 50250 Kuala Lumpur

For more information on the SID's profile, please refer to page 23 of this Integrated Annual Report.

#### 6. Board Balance and Composition

As at the date of this report, the Board comprises ten (10) members, consisting of five (5) INEDs, four (4) Non-Independent Non-Executive Directors and one (1) Executive Director, who serves as the PGCEO. Of the ten (10) Board members, four (4) are women who represent 40% of the Board composition. This is in line with the Government's aspirational target of 30% women representation in decision-making positions of Malaysian public companies. All five (5) INEDs who constitute 50% of the Board composition, satisfy the criteria of an independent director pursuant to the requirements of Paragraph 15.02 of the MMLR of Bursa Securities.

All Board members are persons of high integrity and calibre, exercise independent judgement at all times and have diverse professional backgrounds, sound knowledge and understanding of the Company's business.

The Board is of the view that the current established composition is an important driver of its effectiveness to lead. The current composition allows a breadth of perspective to be shared by its members and is considered optimal for a company of UMW's size and intricate operations.

Directors are required to notify the Chairman before accepting any new directorships and to indicate the time expected to be spent on their new appointment. In accordance with the MMLR of Bursa Securities, Directors are expected to serve in not more than five (5) listed issuers.

#### 7. Board Appointment Process

The Group has in place a formal and transparent procedure for the appointment of new Directors to the Board. The policies and procedures for appointment (including re-election and re-appointment) are detailed in the Board Charter.

The search for INEDs may also be made through engagement of a professional recruitment or from recommendations by existing Board members. In its selection of Board candidates, the NRC takes into account the mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively discharge his/her role as a director.

During the year under review, the Board continued to invest time and effort to improve the composition and dynamics of the Board by appointing, with the support of the NRC, Encik Razalee Amin and Dato' Seri Prof Dr Ir Zaini Ujang as INEDs, on 1 September 2019 and 1 November 2019, respectively. Encik Razalee Amin comes with extensive experience in audit, corporate recovery as well as banking and finance prior to joining UMW. Dato' Seri Prof Dr Ir Zaini Ujang's renowned expertise and achievements in the field of environmental engineering and science will significantly add to the Board's insight on the Group's Innovation, R&D and sustainability efforts.

For information on the profiles of Encik Razalee Amin and Dato' Seri Prof. Dr. Ir. Zaini Ujang please refer to page 29 and 30 of this Integrated Annual Report.

#### 8. Directors' Re-Election and Re-Appointment

Pursuant to the MMLR of Bursa Securities and Article 126 of the Company's Constitution, one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company, provided always that all Directors shall retire from office at least once in three (3) years but shall be eligible for re-election at the AGM. A Director appointed to fill a casual vacancy or as an addition to the Board shall hold office until the conclusion of the next AGM and shall be eligible for re-election.

In considering new appointments to the Board, the Board through the NRC takes into account corporate leadership skills, background, core competencies such as industry knowledge and experience required to advance the strategic direction of the Company. The NRC ensures that the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in keeping with the highest standards of governance.

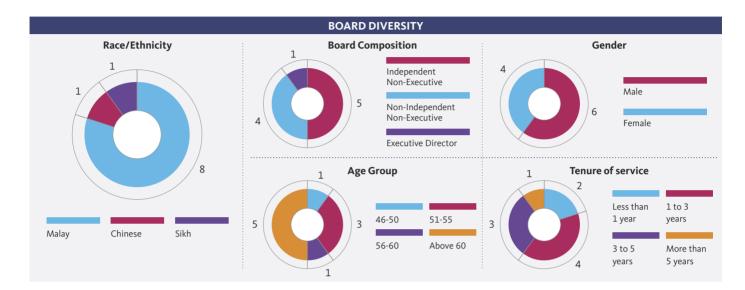
#### 9. Board Diversity

In managing diversity of the Board, the Board ensures that the mix and profiles of its members in terms of age and gender provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage on differences in knowledge, skill, regional and industry experience, age and gender all of which will ensure that UMW retains its competitive advantage.

The Directors bring with them years of experience in managing sustainable business growth and collectively represent a formidable leadership with diversity of perspectives that support effective decision-making. In a rapidly transforming and evolving business environment, diversity is important to remain relevant and sustainable.

Diversity that embraces gender, race and ethnicity at Board level is therefore a key consideration in our Board selection process and as one of the ways to drive and enhance board effectiveness. Other competencies such as individual skills, background, industry knowledge and experience, amongst other factors, will be taken into consideration. Appointments to the Board are ultimately made based on merit as the overriding principle to achieve a high-performance Board.

The NRC has been empowered by the Board to review and evaluate the composition and performance of the Board annually as well as assessing qualified candidates to occupy Board positions. In executing its role to create and maintain a diverse Board, the NRC adheres to the recruiting and sourcing process that seeks to include diverse candidates in any director search. The NRC also assesses the appropriate mix of diversity including gender, age, skills, experience and expertise required on the Board and address gaps, if any.



#### **10. Independence**

The Board is diverse in demographics, skills and experience. The Board comprises 50% of Independent Directors who promote independent judgement and diverse mind-sets and opinions. All Directors are expected to exercise their judgement independently, to act in the best interests of the Company and to exercise unfettered and independent judgement.

The Board is mindful that at 50%, the number of INEDs has not achieved the desired majority percentage required for Large Companies as recommended under MCCG 2017 in the year under review. Going forward, the Board will continue to make concerted efforts to source for suitable candidates for Board appointment.

All Directors are assessed annually via the Board Effectiveness Evaluation exercise.

The NRC also performed an internal assessment on the independence and effectiveness of the INEDs in office during the year under review and whether they have met the independence criteria as set out in the MMLR of Bursa Securities. Due consideration was made as to whether the INEDs could continue to bring independent and objective judgement to Board deliberations. The NRC is satisfied that the INEDs remain independent in character and judgement and are free from relationships or circumstances which are likely to impair or

could appear to impair their objective judgement and ability to act in the Company's best interests. The NRC also agrees that the continuous contributions of the INEDs are beneficial to the Board and the Company as a whole.

The Board Charter specifies that the tenure of an INED shall not exceed a cumulative term of nine (9) years. Encik Khalid Sufat, an INED who was appointed on 1 September 2010, retired upon reaching his nine-year term on 1 September 2019. As of the date of this report, none of the INEDs has served the Board for more than nine (9) years.

The independence status of the INEDs standing for re-election at the forthcoming AGM is disclosed in the Notice of the  $38^{th}$  AGM.

#### 11. Board Meetings and Attendance

The Board schedules meetings at least quarterly. The Board has a formal schedule of matters reserved at Board meetings which includes corporate plans, annual operational and financial performance reviews, major investments and investment decisions. Additional meetings are held as and when necessary to consider and deliberate specific issues that require expeditious review or consideration in between the scheduled meetings.

Meetings of the Board, Board Committees and AGM for the year under review were scheduled in October 2018 to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules as well as ensuring their full attendance at Board meetings. Aside from Board meetings, urgent matters will also be decided via written resolutions. Resolutions in writing signed by all Directors are valid and effectual as if they had been passed at a Board meeting.

The agenda for the Board meeting is drawn up after consultation with the PGCEO and the Group Secretary. Meeting materials are uploaded electronically into digital medium, which allows board papers and other information to be securely uploaded by management and remotely accessed by the Directors through dedicated applications in a timely and efficient manner. A comprehensive Board paper encompassing qualitative and quantitative information comprising the objectives, issues implications, risks, appropriate analysis/statistics, recommendations and other pertinent information is prepared to enable the Board to make informed and effective decisions.

The prior review allows the Directors to be advised of any matter and information that will be raised and deliberated at the meeting to ensure there is informed decision-making by the Board as a whole. The quality of information given to the Board is therefore important as it leads to good decisionmaking. Any Director may request matters to be included in the agenda and urgent papers may be presented and tabled at meetings under the item "Other Business", subject to the approval of both the Group Chairman and the PGCEO.

Relevant members of Senior Management and external advisers attend Board meetings by invitation and report to the Board on matters under their purview and pertinent to their areas of responsibility, to present new proposals or to brief on actions implemented pursuant to recommendations made by the Board.

In the event that a Director is unable to attend a meeting his/ her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. This enables each Director to make himself/herself available to fellow Directors and consequently contribute to all major decisions before the Board. The Board practices a culture of open debate at all meetings, engages in robust deliberations of matters in the agenda and is judicious in the decision-making process.

The minutes of each Board meeting are circulated in a timely manner. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Group Secretary.

Directors are required to make an immediate declaration if they have any interest in transactions to be entered into directly or indirectly with the Company. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. As interested parties, they must also abstain from participating in the deliberation and Board decision on the matter.

Board meetings are convened immediately following the finalisation of the Company's quarterly and annual results for the Board to review and approve prior to announcement to Bursa Securities.

The Board held ten (10) Board meetings during the year under review. Urgent matters were decided via three (3) Directors' Written Resolutions.

The Board is of the view that the provisions of the CA 2016 and MMLR of Bursa Securities are sufficient to ensure adequate commitment by the Directors to perform their duties and that each Directors is able to commit sufficient time to the Company.

The Directors' commitment in discharging their duties and responsibilities is reflected in their attendance at Board and Board Committee meetings held during the year under review. All Directors complied with the minimum attendance requirement of at least 50% of Board meetings held during the year pursuant to the MMLR of Bursa Securities. The Board is satisfied with the level of commitment given by the Directors in fulfilling their roles and responsibilities.

Director	No. of Meetings Attended	AC	NRC	IC	RMC	IWBC~		
Non-Independent Non-Executive	Non-Independent Non-Executive							
Tan Sri Dato' Sri Hamad Kama Piah Che Othman <sup>1</sup>	10/10	-	-	-	-	-		
Datin Paduka Kartini Hj Abdul Manaf <sup>2</sup>	9/10	_	11/11	7/7	-	-		
Salwah Abdul Shukor	9/10	_	-	2/2*	2/2	2/2		
Lim Tze Seong <sup>3</sup>	10/10	_	-	4/4	-	-		
Independent Non-Executive	Independent Non-Executive							
Tan Sri Hasmah Abdullah⁴	7/10	9/10	4/4	-	2/2	2/2		
Dato' Eshah Meor Suleiman⁵	10/10	-	11/11	-	2/2	2/2		
Dr. Veerinderjeet Singh <sup>6</sup>	10/10	9/10	-	3/3	1/1	-		
Razalee Amin <sup>7</sup>	2/2	3/3	-	-	1/1	-		
Dato' Seri Prof. Dr. Ir. Zaini Ujang <sup>8</sup>	1/1	_	2/2	1/1	-	-		
Dato' Siow Kim Lun <sup>9</sup>	5/5	5/5	7/7	3/3	-	-		
Khalid Sufat <sup>10</sup>	7/8	7/7	8/9	5/5	-	2/2		
Mohd Shahazwan Mohd Harris <sup>11</sup>	7/8	_	-	4/5	-	-		
Executive								
Badrul Feisal Abdul Rahim	10/10	9/10*	10/11*	7/7	2/2*	-		
Total meetings in 2019	10	10	11	7	2	2		

Details of attendance of each Director on the Board and Board Committees for the year under review are as follows -

#### Notes:

Meetings listed above did not include VGEC which was disbanded in May 2019.

- 1. Tan Sri Dato' Sri Hamad Kama Piah Che Othman is not member of any Board Committee.
- 2. Redesignated as the IC Chairperson with effect from (w.e.f.) 1 September 2019.
- 3. Appointed as IC member w.e.f. 23 May 2019.
- 4. Redesignated as the Senior Independent Director, appointed as NRC Chairperson and redesignated as RMC member w.e.f. from 23 May 2019.
- 5. Redesignated as the RMC Chairperson w.e.f. 23 May 2019.
- 6. Redesignated as the AC Chairman w.e.f. 1 September 2019, appointed as IC member w.e.f. 1 September 2019 and resigned as RMC member w.e.f. 1 September 2019.
- 7. Appointed as INED, AC member, RMC member and IWBC member w.e.f. 1 September 2019.
- 8. Appointed as INED, NRC member and IC member w.e.f. 1 November 2019.
- 9. Retired as INED and as NRC Chairman, AC member and IC member w.e.f. 23 May 2019.
- 10. Redesignated as IC Chairman w.e.f. 23 May 2019. Retired as INED and as AC Chairman, IC Chairman, NRC member and IWBC member w.e.f. 1 September 2019.
- 11. Resigned as INED and IC member w.e.f. 31 August 2019.
- \* Attended as invitee to the meeting
- ~ In tandem with the expanded function/role of the WBC to include areas on integrity and the provisions under the Whistleblower Protection Act 2010 as well as MACCA, WBC was renamed to IWBC w.e.f. 21 May 2019.

#### 12. Information and Support

In the discharge of their duties, all Directors have direct access to the Senior Management and have unrestricted access to information relating to the Company's business affairs. The Directors also have direct access to the advice and services of the Group Secretary and are regularly updated on new statutory and regulatory requirements relating to their duties and responsibilities as Directors.

Access to Board papers is carried out online through a collaborative software which allows the Directors to securely access, read and review Board documents and collaborate with other Directors and the Group Secretary electronically at any time.

The Directors, whether as a full Board or in their individual capacity, may seek independent professional advice at the Company's expense in furtherance of their duties.

#### 13. Board Performance Evaluation 2019

The annual Board Performance Evaluation (**BPE**) process undertaken by the Board via the NRC is used not only to assess whether Board members, its Committees and its members have satisfactorily performed their required duties and responsibilities. It is also designed to rigorously test whether the Board's composition, dynamics, operations and structure are effective for the Company and its business environment, both in the short and long-term. Additionally, BPE is intended to improve the Board's effectiveness and to draw the Board's attention to key areas that need to be addressed in order to maintain Board cohesion and diversity.

The Board with the assistance of the NRC undertook in the year under review, a formal and extensive BPE of its own performance, its Board Committees and individual Directors.

It was facilitated internally by the Group Secretary and the Group Secretarial & Corporate Governance Division (**GSD**) based on a detailed questionnaire adopting the latest corporate governance framework and best practices. Confidentiality of the candid assessment and the feedback was essential to ensure the BPE was successfully carried out. The 2019 BPE was carried out electronically (**e-BPE**) via web-based application to provide Board members with the ease of accessibility and convenient. With the e-BPE, it provides GSD with significant

improvement in turnaround time for the administration of data collection and process. The e-BPE has also enabled GSD to gather all responses/comments to questionnaires in a realtime environment using one integrated web system.

The assessment was analysed and the findings presented to the NRC, AC and Board for discussion. In reviewing the performance of the Board and the contribution of the Group Chairman and individual Directors, performance was assessed and measured against among others, the Group's strategic plan, principal duties expected of the Board, the Chairman and Directors, obligation to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution.

Having analysed the 2019 BPE Report, the Board was satisfied with the findings and objectivity rendered. The 2019 BPE Report revealed that the Board had carried out its duties well in these challenging times, remained highly effective and had consistently met high performance standards and expectations. The Board agreed with its overall performance and has identified some areas of improvements for the effectiveness of its operations.

The 2019 BPE Report had also included Directors' Self and Peer Assessments. The results in general reflected the Board's consensus that each Director's level of performance was good and that they had also met the prescribed performance criteria. The results for the respective Board Committees showed that they have been effective in assisting the Board to carry out its duties.

The Board took note of Practice Note 5.1 of the MCCG 2017 which recommends Large Companies to engage independent experts periodically to facilitate objective and candid board evaluation. Going forward, the Board has agreed to engage an independent consultant to carry out the annual BPE for 2020.

In conclusion, the Board and Board Committees are satisfied with their existing composition and are of the view that with the current mix of skills, knowledge and experience the Board and the respective Board Committees are able to discharge their duties effectively.

The detailed activities of the NRC are described on pages 38 to 40 in the CG Report 2019.

#### 14. Directors' Indemnity

UMW provided and maintained indemnification to its Directors throughout the year under review as allowed for under the CA 2016 to the extent it is insurable under the Directors' and Officers' Liability Insurance (D&O) procured by the Company. Directors and Officers are indemnified against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company.

## **15.** Onboarding and Continuing Development Programme for Directors

All new Directors appointed to the Board receive a comprehensive onboarding programme covering key areas of the Company's business, corporate governance framework within the Group, the Group's financial risk management processes, internal audit function and reporting procedures on which they are continuously updated. During the year under review, the Company conducted an onboarding programme for two (2) newly appointed Directors, Encik Razalee and Dato' Seri Prof. Dr. Ir. Zaini Ujang.

As at the date of this report, all the Directors have attended the Mandatory Accreditation Programme as required under the MMLR of Bursa Securities.

The Directors are regularly updated on the Group's business activities and the competitive and regulatory environment which the Group operates.

The Group Secretary keeps under review the suitability of courses so that any needs identified, either through the evaluation process or on an ad hoc basis, can be addressed.

In line with Paragraph 15.08 of the MMLR of Bursa Securities, Directors participated in training programmes to further enhance their skills and knowledge that covered areas of corporate governance, finance, global business developments, sustainability reporting and relevant industry updates, details of which are provided in the CG Report 2019.

#### 16. Qualified Company Secretary

The Group Secretary of UMW is qualified to act as company secretary under Section 235 of the CA 2016. The Group Secretary, Mohd Nor Azam Mohd Salleh is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and has extensive experience in corporate secretarial, governance and compliance matters. The Group Secretary acts as an advisor to the Board particularly with regard to UMW's Constitution, Board policies and procedures and its compliance with regulatory requirements, codes, guidance and legislations.

The Group Secretary ensures that discussions and deliberations at the Board and Board Committee meetings are well documented and subsequently communicated to the management on the follow-up of its decisions and recommendations.

The Board has unhindered access to the advice and services of the Group Secretary who is responsible for ensuring that Board meeting procedures are adhered to and are in compliance with applicable rules and regulations. The Group Secretary keeps himself constantly abreast and updated of the evolving regulatory changes and developments in corporate governance through continuous training.

## 17. Remuneration

UMW's remuneration policy ensures that the remuneration mix is market competitive and equitable and is aligned with the Company's strategic thrusts and value drivers. It must also be able to attract and retain Directors of such calibre who are able to provide the necessary skills and experience that commensurate with the responsibilities for the effective management of the Group as well as to support the philosophy of value-based management.

The NRC has been entrusted with discharging remuneration strategies as defined in its TOR which can be referred to on the Company's website at <u>www.umw.com.my</u>. Detailed information on the role of the NRC in relation to the Board's remuneration policies and procedures can be found under Practice 6.1 and Practice 6.2 of the CG Report 2019.

The formal review included increase in Directors' fees and meeting allowance for NEDs and Directors' fees paid to Directors serving as Chairman and Directors of the boards of subsidiaries in the Group.

The review of Directors' fees is to ensure that the Company is able to attract and retain the right Board talent as well as motivate the Directors to drive the Company's long-term objectives. The remuneration takes into account the demands, complexities and performance of the Company as well as skills and experience required.

In cognisant of the compensation philosophy advocated by the Putrajaya Committee on GLC High Performance, which suggests that GLC Boards should regularly review the compensation of their Chairman and Directors and align them to the market and appropriate peer group, a formal review of Directors' remuneration is undertaken once every two years in accordance with the Board Charter. The last review on NEDs' remuneration was approved by shareholders at the 37<sup>th</sup> AGM of the company held on 23 May 2019.

The details of the Directors' remuneration (both Executive and Non-Executive) for the financial year ended 31 December 2019 can be found on page 230 of this Integrated Annual Report and under Practice 7.1 of the CG Report 2019.

The remunerations of the Group's Senior Management, comprising MC members, are disclosed in Practice 7.2 of the CG Report 2019, on a named basis and in the bands of RM50,000.00. The Board ensures that the remuneration of the MC members commensurate with the performance of the Company, with due consideration to attract, retain and motivate them. Excessive remuneration payouts are not made to any MC members in any instance.

#### 18. Succession Planning

The Group has in place a formal and transparent procedure for the appointment of Directors to the Board. The policies and procedures for recruitment or appointment, including re-election/ re-appointment of Directors, are set out in detail in the Board Charter. The NRC is guided by the Board Charter and its TOR in the nomination, selection and appointment process.

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the NRC.

The Board also oversees a clear and orderly succession plan for the PGCEO, the Group's key senior management through the NRC. The NRC is responsible for formulating nomination, selection and succession policies for the Group. The Board acknowledges that in a competitive global environment where securing talents is a challenge, more attention is needed in managing human capital development. In discharging its responsibility on succession planning, the NRC receives succession management updates from the Group Human Capital Division (**GHCD**) in accordance with the succession management framework. For this, a Group Talent Council (**GTC**) has been established to undertake a comprehensive review and assessment on potential talents and successors and monitoring of the appropriate development programmes to ensure the readiness of identified candidates in assuming critical positions within the Group.

# PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

#### **Audit Committee**

The Board has in place an AC that comprises three (3) NEDs all of whom are INEDs. The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of MMLR of Bursa Securities and are reflected in the TOR of the AC which is available on the Company's corporate website at <u>www.umw.com.my</u>

The Committee supports the Board with matters relating to financial reporting, external audit, internal control and internal audit process and review of related party transactions as well as conflict of interest situations. The AC is chaired by Dr. Veerinderjeet Singh, who is not the Chairman of the Board.

Collectively, the AC members are financially literate and qualified individuals who possess the necessary financial background, knowledge and experience and the required skills and expertise to discharge the AC's functions and duties. The AC members also attend continuous professional development to keep themselves abreast of the relevant and new developments in accounting and auditing standards, legislation, current commercial issues and risks, regulatory requirements and corporate governance.

Based on the results of the BPE 2019, the Board is of the view that the AC has shown commendable performance in the year under review with all members having demonstrated a high degree of independence, professionalism and integrity.

### **External Audit**

The Group conforms to the latest requirements of the MIA in ensuring that the Lead Partner of the external auditor is subjected to a 7-year rotation with a 5-year cooling-off period. Additionally, the AC has a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. None of the members is a former key audit partner within the cooling-off period of two (2) years. The AC is responsible for assessing the capabilities and independence of the External Auditor and to make recommendations to the Board on the appointment, reappointment or termination of the External Auditor.

Based on the evaluation of the External Auditor's performance and independence carried out for the year under review, the AC is satisfied with their performance, technical competencies, independence, level of calibre and professionalism demonstrated.

### **Internal Audit**

The AC oversees the Group Internal Audit Department (**GIAD**) function which operates under a charter mandated by the AC giving it unrestricted access to review all activities across the Group. The GIAD reports directly to the AC on all its activities as promulgated by Paragraph 15.27 of the MMLR.

The GIAD's main responsibility is to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance process. GIAD carries out its internal audit function objectively and independently of management.

The AC reviews and approves the GIAD's annual audit plan, its staffing requirements and audit activities, including appraisal of the Head of GIAD's performance.

Details of the summary of work performed by the AC during the year under review are provided in the AC Report on pages 116 to 121 of this Integrated Annual Report.

#### **Risk Management and Internal Control Framework**

The Board is responsible for establishing and maintaining a sound risk management framework and system of internal control to provide reasonable assurance of the effectiveness of the Group's business operations and risk management, to safeguard shareholders' investments and the Group's assets and to ensure sustainability of the Group. The system is designed to meet the Group's particular needs, to efficiently manage risks that may impede the achievement of the Group's objectives.

The Board's RMC provides oversight and governance of risks for the Group to ensure that the Group's risk management processes are functional and effective. The RMC consists of three (3) INEDs and is chaired by an INED. The RMC monitors the enforcement of the Enterprise Risk Management (**ERM**) Policy, reviews and endorses the risk parameters, risk appetite, risk treatment options risk action plans and risk indicators.

The Group has adopted an ERM Framework in line with the Principles and Guidelines of ISO31000: Risk Management. The Framework incorporates a well-structured systematic process to identify, evaluate and manage key risks to an optimal level and provide an integrated and organised approach Group-wide.

The Board has disclosed key features of its risk management and internal control systems as well as its adequacy and effectiveness in the SORMIC on pages 106 to 115 of this Integrated Annual Report.

#### **Group Compliance**

The Group Compliance Department (**GCOMP**) is tasked to enhance the internal control process across the Group. Its primary objectives are to provide better understanding of the relationship between business objectives, control environment and operational risks to achieve the said business objectives and to educate employees to analyse, evaluate and report on the effectiveness of the control mechanism.

Further information on the GCOMP is found in the SORMIC on page 113 of this Integrated Annual Report.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### **Communication with Stakeholders**

The Board acknowledges the importance of communication with shareholders, stakeholders and investors and endeavours to always maintain an open, accurate and timely dissemination of information on the Group's operations, performance and prospects.

The Board currently conducts its engagement with stakeholders through various mechanisms such as the publication of Integrated Annual Reports, Financial Reports, Corporate Governance Reports, Sustainability Reports, General Meetings, investors' conferences, analyst briefings, media briefings/press conferences and via electronic means, such as UMW's corporate website.

The Company's website at <u>www.umw.com.my</u> provides easy access to corporate information pertaining to the Group and its activities. Quarterly Investor Relations (IR) updates and information on the financial results and material events are uploaded on the corporate website immediately after announcements are made to Bursa Securities.

All communications with the media/public and disclosures made to Bursa Securities are in accordance with the UMW Investor & Media Relations Policies and the disclosure requirements of the MMLR of Bursa Securities.

#### **Contacts for Investor Relations Matters**

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### **Conduct at General Meetings**

The general meetings of the Company, particularly the AGM, serve as the principal forum for communicating with the shareholders of the Company. We view the rights of shareholders to attend and participate in general meetings as utmost important. As stewards of the Company we ensure that at all general meetings, shareholders have direct access to the Directors and are given the opportunity and time to raise questions or seek further information/clarification from the Directors with regard to the Group's operations, activities, performance, both financial and non-financial and general prospects as well as raise any issues of concern regarding the Group.

Shareholders may also submit any additional questions via an enquiry box placed at the venue of the general meeting so that these can be responded to in writing after the meeting. The Group's Senior Management and the Company's External Auditor are also invited to attend the general meetings and are available to answer questions or issues raised by the shareholders relating to the operations of the Company.

During the AGM, the PGCEO presents a comprehensive review of the Group's performance initiatives and value created for shareholders. This review is supported by a visual and graphical presentation of the key points and financial figures.

For the Company's 37<sup>th</sup> AGM, the notice of AGM was issued within 28 days, which gave shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxies to attend and vote on their behalf.

The notice of the AGM contains the details of the resolutions proposed to provide shareholders with a better understanding to enable them to make an informed decision in excising their voting rights.

All resolutions tabled during the general meetings are voted on by way of electronic poll in line with Paragraph 8.29A of the MMLR of Bursa Securities. A poll administrator was appointed to conduct the polling process and independent scrutineers were also appointed to verify the results of the AGM. Poll results were announced at the end of the AGM and these were submitted to Bursa Securities on the same day for the benefit of all shareholders.

Further information on corporate reporting and meaningful relationship with stakeholders can be found in the CG Report 2019.

#### **Online Communication**

The Company is supportive of the recommendation under MCCG 2017 to leverage on technology to allow voting by shareholders in absentia and remote participation at general meetings and currently being evaluated for implementation. In preparation for this, the Company's Constitution has been amended to accommodate convening of general meetings at more than one venue using technology that enables shareholders to participate and exercise their right to vote at different venues.

General meeting via Remote Participation and Voting (RPV) will be introduced at the forthcoming 38<sup>th</sup> AGM in 2020.

### **INTEGRITY AND ETHICS**

All Directors, including those in operating subsidiaries within the Group, adhere to the UMW Directors' Code of Ethics (**DCE**), Code of Business Conduct and Ethics (**CBCE**) and Board Charter, which provide guidance to recognise and deal with ethical issues and help foster a culture of honesty and accountability.

The DCE is formulated to enhance the standard of CG and corporate behaviour with a view to establishing a standard of ethical conduct for Directors based on acceptable beliefs and values, and to uphold the spirit of social responsibility and accountability in line with legislations, regulations and guidelines governing companies. The principles on which the DCE relies are those that concern transparency, integrity, accountability and corporate social responsibility.

The DCE will be reviewed from time to time to incorporate new regulatory requirements/developments in the framework and practices.

These codes/charters incorporate the Group's position with regard to integrity in conducting business, which emphasises and advances the principles of discipline, good conduct and integrity that are critical to the success and well-being of the Group. They contain detailed policy statements on the standards of behaviour and ethical conduct expected of each individual in the Group. It expressly prohibits improper solicitation, bribery and other corrupt activities by employees, directors and third parties performing work or services for or on behalf of the Group.

The DCE and CBCE are available on the Company's website at <a href="http://www.umw.com.my">www.umw.com.my</a>

#### Whistle Blowing Policy and Procedures

Mechanisms to report unethical conducts are encapsulated in the Whistle-Blowing Policy & Procedures (**WBPP**). It provides an accessible avenue for the Group's employees and members of the public to disclose any improper conduct, report any wrongdoing and malpractice at the earliest opportunity, in an appropriate manner and without fear of reprisal in accordance with the procedures as provided under the policy.

The WBPP are accessible to the public on the Company's corporate website at <u>www.umw.com.my</u>

#### **Insider Trading**

In line with the MMLR of Bursa Securities and the relevant provisions of the Capital Markets & Services Act 2007, the Board, key management personnel and principal officers of the Group are prohibited from trading in securities or any kind of properties based on price-sensitive information and knowledge which have not been publicly announced.

Notices on closed periods for trading in shares of UMW Holdings are circulated to the Board, key management personnel and principal officers who are deemed privy to any price-sensitive information and knowledge in advance of, whenever the closed period is applicable.

#### **Corporate Liability**

MACCA has been amended to include a corporate liability provision which imposes liability on a commercial organisation for corruption committed by persons associated with the organisation to obtain a business advantage. The corporate liability provision will take effect on 1 June 2020.

Taking cognisance of the MACCA, and in particular the implementation of the corporate liability provision that will take effect on 1 June 2020, the Group has taken proactive measures to ensure that it has adequate procedures in place by organising workshops to UMW management employees from various divisions to develop the Organisational Anti-Corruption Plan (**OACP**). The OACP will address integrity, good governance and anti-corruption concerns while combatting corruption at organisational level within the Group. It also aims to provide and allocate appropriate resources required for the fulfilment of the stated plan, specification of reasonable timeframe and the derivation of the path towards the achievement of strategic activities.

## STATEMENT ON COMPLIANCE

The Board is satisfied that the Group's CG Framework complies with the principles and recommendations of MCCG 2017 and MMLR of Bursa Securities. The Board endeavours to continuously raise the standards of governance in the Group and strives to uphold pledge, commitment and effort to enhance and promote the best practices of CG throughout the Group and to achieve the highest standards of transparency, accountability and above all, integrity.

This CG Overview Statement is made in accordance with the resolution of the Board dated 19 May 2020.

# ADDITIONAL COMPLIANCE

## UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

As at 17 April 2020, the status of the utilisation of sale proceeds from the disposal of industrial leasehold land together with all remaining buildings, structures and plants measuring in total 38.803 acres located in Shah Alam, which had been completed on 13 November 2019, was as follows –

	Proposed utilisation as set out in the circular dated 30 September 2019	Actual utilisation as at 17 April 2020		ation of the remaining I consideration
Utilisation purposes	Amount RM'000	Amount RM'000	Amount RM'000	Intended timeframe for utilisation
Capital expenditure	70,000	46,428	23,572	within 12 months
Settlement of maturing debt	150,000	-	150,000	within 8 months
Working capital of UMW Group	4,068	5,380*	-	utilised
Special cash dividend	46,732	46,732	-	utilised
Defray estimated expenses relating to the Proposals	16,900	15,588*	-	utilised
Total	287,700	114,128	173,572	

\* Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for working capital purposes.

## **NON-AUDIT FEES**

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2019 by the Company's external auditors or their affiliates is disclosed in Note 28 of the Audited Financial Statements.

## MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

The material contracts entered into by the Company and its subsidiaries involving interests of Directors and major shareholders, either subsisting as at 31 December 2019, or entered into since the end of the previous financial year ended 31 December 2018, are as follows –

 Joint Venture Agreement dated 2 February 1993 between UMW Corporation Sdn Bhd (UMWC), PNB Equity Resource Corporation Sdn Bhd (PERC), Med-Bumikar Mara Sdn Bhd, Daihatsu (Malaysia) Sdn Bhd (DMSB), Daihatsu Motor Co Ltd (DMC) and Mitsui & Co Ltd (MBK) in respect of a joint venture to set up Perusahaan Otomobil Kedua Sdn Bhd (Perodua) to undertake Malaysia's second national car project.

Supplement and Amendment Agreement dated 5 December 2001 between UMWC, DMC, MBM Resources Berhad (**MBM**), PERC, MBK and DMSB in respect of the setting up of Perodua Auto Corporation Sdn Bhd and the restructuring of the manufacturing subsidiaries of Perodua, i.e., Perodua Manufacturing Sdn Bhd (**PMSB**) and Perodua Engine Manufacturing Sdn Bhd (**PEMSB**) to enable the Perodua Group to acquire the ability to compete in the post-AFTA era with assistance from DMC, through DMC's management control in PMSB and PEMSB, in improving production efficiencies, reducing cost and enhancing quality and increasing Perodua's competitiveness in the industry.

Supplemental Agreement dated 22 April 2013 between UMWC, PERC, MBM, DMSB, DMC, MBK and Mitsui Co (Asia Pacific) Pte Ltd in respect of the setting up of a new manufacturing company, i.e., Perodua Global Manufacturing Sdn Bhd (**PGMSB**) and the construction of a new plant, to enable the Perodua Group to achieve global competitiveness in a shorter time with assistance from DMC's management control in PGMSB, by reforming corporate culture, exercising structural transformation of systems, including but without limitation, to procurement system and/or personnel system.

PERC is a wholly-owned subsidiary of Permodalan Nasional Berhad (**PNB**) and the PNB Group is a major shareholder of UMW Holdings Berhad, the parent company of UMWC.

 Joint Venture Agreement dated 5 July 2004 between UMW Corporation Sdn Bhd (UMWC), a wholly-owned subsidiary of UMW Holdings Berhad, Toyota Tsusho Corporation, Japan (TTC) and Toyota Tsusho (Malaysia) Sdn Bhd (TTM) for the setting up of a joint venture operation, under UMW Toyotsu Motors Sdn Bhd (UMW Toyotsu) in which UMW Toyotsu will become an authorised non-executive dealer of UMW Toyota Motor Sdn Bhd (UMWT), a 51%-owned subsidiary of UMWC.

Toyota Motor Corporation, Japan (**TMC**), a 39% shareholder of UMWT, owns 21.69% equity interest in TTC. TTC, a 10% shareholder of UMWT is also a 70% shareholder of TTM. TMC and TTC are deemed to be related parties by virtue of their direct interest in UMWT.

## CONTRACTS RELATING TO LOANS

There were no contracts relating to loans by the Company and its subsidiaries involving interests of Directors and major shareholders during the financial year ended 31 December 2019.

## ADDITIONAL COMPLIANCE INFORMATION

## **RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE**

At the 37<sup>th</sup> AGM of the Company held on 23 May 2019, the Company had obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature (**RRPT**).

In accordance with Paragraph 10.09(2)(b) of the MMLR, details of RRPT conducted during the financial year ended 31 December 2019 pursuant to the Shareholders' Mandate are as follows –

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Toyota Motor Corporation, Japan ( <b>TMC</b> )	TMC has 39% direct shareholding in UMW Toyota Motor Sdn Bhd ( <b>UMWT</b> ), a 51%-owned subsidiary of UMW Corporation Sdn Bhd ( <b>UMWC</b> ), which is in turn a wholly-owned subsidiary of UMW Holdings Berhad ( <b>UMWH</b> ).	<ul> <li>Purchase of vehicle parts by UMWT, a subsidiary of UMWC, from Denso.</li> </ul>	417,284
		• Purchase of vehicle parts by ASSB, a wholly-owned subsidiary of UMWT, from Denso.	140,994
<ul> <li>72.73% equity interest in Denso (Malaysia) (Denso). DIA is a wholly-owned subsidiary Corporation, Japan, a company in which TMC h equity interest.</li> <li>TMC has indirect interest in Daihatsu Perodu Manufacturing Sdn Bhd (DPEM), an 18.624 associated company of UMWC, vide its whol subsidiary, Daihatsu Motor Co Ltd, Japan (DM</li> </ul>	Denso International Asia Pte Ltd, Singapore ( <b>DIA</b> ) has 72.73% equity interest in Denso (Malaysia) Sdn Bhd ( <b>Denso</b> ). DIA is a wholly-owned subsidiary of Denso Corporation, Japan, a company in which TMC has 23.8%	• Purchase of engines by ASSB, a wholly-owned subsidiary of UMWT, from DPEM.	179,504
ТМС	TMC has 39% direct shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH. UMWT has 10% equity interest in JTEKT Automotive (Malaysia) Sdn Bhd ( <b>JAMSB</b> ). TMC has 22.5% equity interest in JTEKT Corporation, Japan, which in turn has 90% equity interest in JAMSB.	• Purchase of vehicle spare parts/ local parts by UMWT, a subsidiary of UMWC, from JAMSB.	121,269

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
ТМС	TMC has 39% direct shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH. UMWT has 100% equity interest in ASSB.	<ul> <li>Sale of completed vehicle seats, local vehicle original equipment (OE) parts by TBU to ASSB, a wholly-owned subsidiary of UMWT.</li> </ul>	262,973
	<ul> <li>TMC has indirect interest in Toyota Boshoku UMW</li> <li>Sdn Bhd (<b>TBU</b>), vide its 39% equity interest in UMWT</li> <li>and 39.66% equity interest in Toyota Boshoku</li> <li>Corporation, Japan (<b>TBC</b>). UMWT and TBC in turn have</li> <li>65% and 35% equity interests in TBU, respectively.</li> <li>TMC has 21.69% equity interest in Toyota Tsusho</li> <li>Corporation, Japan (<b>TTC</b>).</li> <li>TTC has 70% equity interest in Toyota Tsusho (Malaysia)</li> <li>Sdn Bhd (<b>TTM</b>).</li> </ul>	• Purchase of fabric and CKD seat component by TBU, a subsidiary of UMWT, from TTM.	108,992
TTC	<ul> <li>TMC has 39% direct shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH.</li> <li>TMC has 21.69% equity interest in TTC.</li> <li>TTC has 70% equity interest in TTM.</li> <li>TTC and TTM have 51% and 19% equity interests in UMW Toyotsu Motors Sdn Bhd (UMW Toyotsu), respectively, which in turn is a 30%-owned associated company of UMWC.</li> </ul>	<ul> <li>Sale of vehicles and parts by UMWT, a subsidiary of UMWC, to UMW Toyotsu.</li> </ul>	177,760

# ADDITIONAL COMPLIANCE

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
TMC	<ul><li>TMC has 39% direct shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH.</li><li>ASSB is a wholly-owned subsidiary of UMWT.</li><li>Toyota Daihatsu Engineering &amp; Manufacturing Co Ltd (TDEM) is a wholly-owned subsidiary of TMC.</li></ul>	<ul> <li>Purchase of machineries, equipment, machine parts, sample parts, provision of technical support, system implementation and training by ASSB, a wholly-owned subsidiary of UMWT, for the establishment of the new ASSB's manufacturing plant in Bukit Raja, Klang, Selangor, from TDEM/TMC.</li> </ul>	25,599
ТМС	<ul> <li>TMC has 39% direct shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH.</li> <li>TMC has indirect interest in Perodua Manufacturing Sdn Bhd (<b>PMSB</b>) by virtue of its 100% shareholding in DMC. DMC has 20% and 41% equity interests in Perusahaan Otomobil Kedua Sdn Bhd (<b>Perodua</b>) and Perodua Auto Corporation Sdn Bhd (<b>PCSB</b>), respectively.</li> <li>Perodua and PCSB in turn have 49% and 51% equity interests in PMSB, respectively.</li> </ul>	Purchase of assembled vehicles by UMWT from PMSB.	250,916
ТТС	TTC has 10% direct shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH.	• Sale of vehicle parts by UMWT to TLS for production of vehicle module component.	384,565
	TTC has indirect interest in Total Logistic Services (M) Sdn Bhd ( <b>TLS</b> ) by virtue of its 70% direct shareholding in TTM. TTM in turn has 22.95% shareholding in TLS.	• Sale of local vehicle parts by ASSB to TLS for production of vehicle module component.	249,627
		<ul> <li>Purchase of vehicle module component by ASSB from TLS for assembly of selected Toyota models.</li> </ul>	668,837

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Komatsu Ltd ( <b>Komatsu</b> )	Komatsu has direct and indirect interests in UMW Komatsu Heavy Equipment Sdn Bhd ( <b>UKHE</b> ) and its subsidiaries by virtue of its 26% direct shareholding in UKHE, a 74%-owned subsidiary of UMWC, which in turn is a wholly-owned subsidiary of UMWH.	<ul> <li>Purchase of industrial and heavy equipment and related spares by UMW EM, a wholly-owned subsidiary of UKHE, from Komatsu.</li> </ul>	10,841
	UMW (East Malaysia) Sdn Bhd ( <b>UMW EM</b> ) is a wholly- owned subsidiary of UKHE. UMW Equipment Sdn Bhd ( <b>UESB</b> ) is a wholly-owned subsidiary of UKHE.	• Purchase of industrial and heavy equipment and related spares by UESB, a wholly-owned subsidiary of UKHE, from Komatsu.	30,747
	UMW Niugini Limited ( <b>UMW NL</b> ) a 94.4%-owned subsidiary of UKHE.	• Purchase of industrial and heavy equipment and related spares by UMW NL, a 94.4%-owned subsidiary of UKHE, from Komatsu.	8,480

Notwithstanding the related party disclosures already presented in the audited financial statements in accordance with Malaysian Financial Reporting Standard 124 (**MFRS 124**), the above disclosures are made in order to comply with Paragraph 10.09 of the MMLR with regard to the value of RRPT conducted in accordance with the Shareholders' Mandate during the financial year, as the scope of related party relationships and disclosures contemplated by the MMLR are, to a certain extent, different from those of MFRS 124.

The shareholdings of the respective interested major shareholders as shown above are based on information disclosed in the Circular to Shareholders dated 25 April 2019 in relation to the Proposed Renewal of Shareholders' Mandate for Existing RRPT and Proposed New Shareholders' Mandate for Additional RRPT of a Revenue or Trading Nature.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2019

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UMW recognises its roles in maintaining a sound system of risk management and internal control within the Group. Through its Board of Directors (Board), UMW is committed to continue upholding and implementing a strong governance culture and environment for the proper conduct of the Group's business operations.

The Board's Statement on Risk Management and Internal Control (Statement) for the financial year ended 31 December 2019 outlines the nature and scope of risk management and internal control in all Group's operations except for associated companies and joint ventures.

## **BOARD'S RESPONSIBILITY**

The Board affirms its commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also strategic, operational, organisational, and compliance controls, and for reviewing the adequacy, effectiveness and integrity of these systems.

Implementations of these systems are undertaken by the management which regularly reports on risks identified along with actions taken to mitigate and/or minimise such risks. The oversight of these critical areas is carried out by the Risk Management Committee (**RMC**) and the Audit Committee (**AC**), which comprise Board members.

The risk management and internal control systems are designed to meet the Group's particular needs, to efficiently and effectively manage risks that may impede the achievement of its business objectives, and to provide information for accurate reporting and ensure compliance with regulatory and statutory requirements.

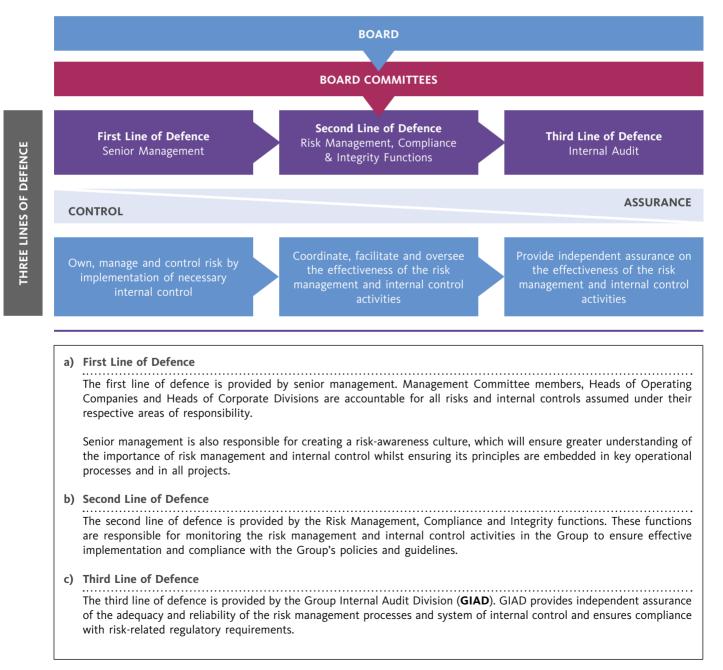
The process for the identification, evaluation, monitoring and managing of significant risks that may materially affect the Group's business objectives has been in place throughout the year under review and regularly appraised by the Board.

The Board recognises that these systems are designed to manage and mitigate, rather than eliminate the risk of not achieving the Group's business and corporate objectives within the risk appetite established by the Board and management. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

### **RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS**

The realisation of Risk Management & Internal Control Systems is undertaken by management. Regular reports on risks identified and actions taken to mitigate and/or minimise such risks and gaps in the internal control systems, if any, are presented to the RMC and AC and ultimately to the Board.

The key features of these systems are the three lines of defence with established and clear functional responsibilities and accountability for the management of risks and internal controls.

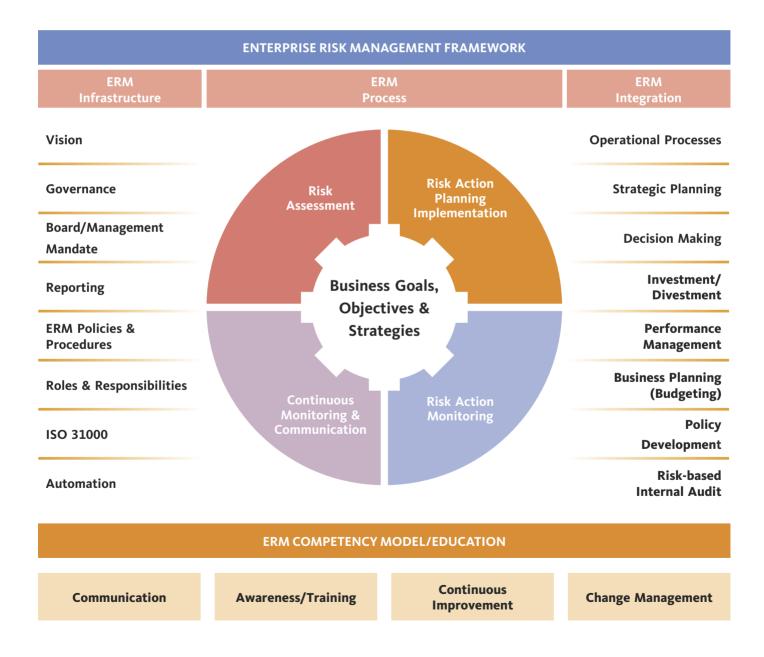


### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### **RISK MANAGEMENT**

The Group has established an Enterprise Risk Management (**ERM**) Framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this ERM framework aims to provide an integrated and organised approach group-wide.

It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000: Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks identified. The Group's ERM Framework is summarised as follows -

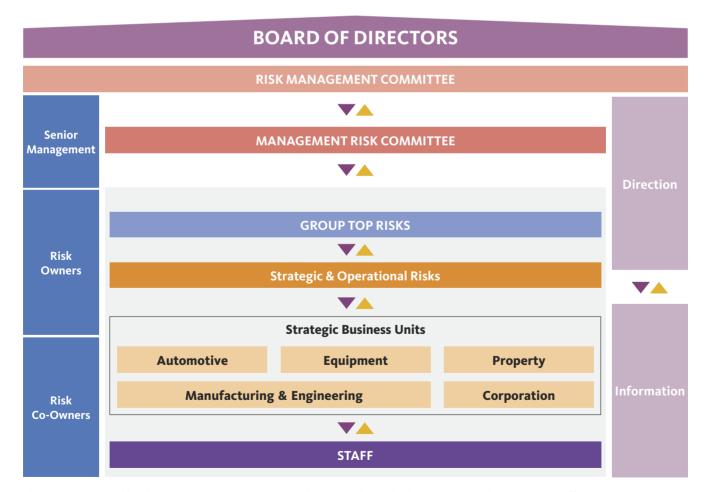


### (a) Risk Management Oversight

The oversight role of risk management is carried out by the RMC and the Board. Mandate and commitment from the RMC and the Board are key contributors to the success factors in the implementation of the ERM programmes. The RMC and the Board sets the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the RMC and the Board on risk management activities undertaken by management via the Management Risk Committee (**MRC**), keeps the RMC and the Board apprised and advised of all aspects of ERM, and significant individual risks and risk trends.

The MRC comprises members of the Management Committee (**MC**). The MRC maintains the risk oversight within the Group at the management level, as outlined in the ERM Framework. At the Board level, the RMC assumes the oversight and strategic role for ERM.

In addition to the reporting requirements to RMC and Board, the MRC has specific responsibilities which include, amongst others, to formulate and implement the ERM mechanism to comply with the requirements of the ERM policy and to articulate and challenge risk ratings. The level of Board and management participation and reporting structure is shown below –



The MRC is assisted by the Group Risk Management and Integrity (**GRMI**) whose primary role is to ensure effective implementation of the risk management and business continuity management framework, programmes and risk-related education across the Group, and provision of independent and objective assessment of risks as well as timely reporting to the MRC, RMC and the Board.

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### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### (b) Risk Management Policy

The Board recognises that risk is an inherent part of the Group's business, presenting both threats and opportunities. In order to achieve corporate goals and meet shareholders' expectations, the Board would have to make decisions which will involve some degree of risk. The following risk policy provides guidance as to the management of risks and applies across all Strategic Business Units (**SBUs**) and Corporate Divisions –

- To integrate risk management into the UMW culture, business activities and decision-making processes.
- To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.
- To require that all proposals submitted to the Board by management relating to strategy, key projects, significant action or investment must include a detailed risk assessment report.
- To implement a robust and sustainable risk management framework that is aligned with the Group's vision and mission and in accordance with best practices.

### (c) Risk Management Process

The Group's ERM Framework has a structured process for SBUs and Corporate Divisions to identify, analyse, evaluate, treat, communicate and monitor their risks. The risks are identified based on the Group's goals and objectives and assessed against the Group's risk parameters. Risks are reassessed and monitored on an ongoing basis to ensure appropriate actions are taken to manage such risks. A risk escalation procedure on significant changes to existing risks and emerging risks has also been established to escalate the risks for management's action.

There is a clear categorisation of the risk appetite. Individual risks are measured against set tolerance levels. Consistent risk parameters have been defined on a 3-tier basis and risk profiles are consolidated and aggregated from these tiers to facilitate a consolidated view of the risk exposure at the Group level.

#### (d) Management of Strategic and Operational Risks

The context within which the Group manages the risks and key focus of accountability is as follows –

- Strategic risks are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and President & Group CEO. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.
- Operational risks are inherent in the ongoing activities within the different SBUs of the Group. Typically, some of the risks cover foreign exchange, compliance, competency, technology, etc., senior management needs ongoing assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs and Corporate Divisions.

In this context, ERM aligns UMW's strategy processes, people, technology and knowledge with the purpose of evaluating and managing the risks that the Group faces as it creates value.

### (e) Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The reports include the risk profiles, risk action plans and status updates. During the year under review, these reports were presented to and deliberated by the MRC two (2) times and the RMC two (2) times. The same reports were also presented to the Board.

#### (f) Risk Management Activities

As part of the Group's effort to instil a proactive risk management culture and ownership the following activities were undertaken during the year under review –

- Rolled out a comprehensive ERM Education Programme which includes ERM technical briefings/trainings, awareness/refresher sessions and system trainings for SBUs and Corporate Divisions. This is part of the Group's effort to communicate and ensure the application of ERM in day-to-day business operations.
- Held discussions with Heads of SBUs and Corporate Divisions to obtain endorsement of their key risks.
- Provided risk advisory and independent assessment as well as facilitated eighty-six (86) assessments / workshops across the Group.
- Refinement of the risk depository system for purposes of risk tracking and monitoring.
- Rolled out a Business Continuity Management (BCM) programme for an SBU.

In 2019, Business Continuity Office (**BCO**) team continued to provide awareness and education programme in which fourteen (14) awareness sessions and twenty-three (23) training workshops were conducted for the appointed Crisis Execution Team and Business Continuity Leaders.

To date, the BCO team has implemented BCM Programs in nine (9) Operating Companies including UMW Corporation Sdn Bhd, comprising a total of seventy-nine (79) Business Impact Analysis and seventy-nine (79) Business Continuity Plans (**BCP**). The BCO team had also conducted seven (7) BCP testings (Simulation & Table top Exercise) for Lubetech Sdn Bhd, UMW M&E Sdn Bhd, UMW Equipment Sdn Bhd and UMW Advantech Sdn Bhd. Testings such as Email, Message Blast and Call Tree Test were also conducted to ensure they have the familiarity to respond to a range of threats.

UMW Corporation Sdn Bhd and KYB-UMW Malaysia Sdn Bhd have been awarded the BCMS ISO 22301:2012 certification on July 2019.

The BCO team will continue its effort in imparting knowledge on BCM across UMW Group to ensure UMW's resilience towards crisis.

### MAIN FEATURES OF INTERNAL CONTROL

The Board regularly appraises ongoing processes for identifying, evaluating, monitoring and managing significant risks of the Group throughout the year. The main features of the Group's internal control systems are described below –

### (a) Board and Board Committees

The Board, in discharging its duties, has established several committees namely the AC, Nomination & Remuneration Committee, Investment Committee, RMC and Integrity & Whistle-Blowing Committee (previously known as Whistle-Blowing Committee (**IWBC**). The Board Committees operate within clearly-defined terms of reference, procedures and authority delegated as approved by the Board, which are reviewed regularly to ensure their relevancy and up-to-date.

The Board and Board Committees meet on a scheduled basis and additional meetings may be called by the Chairman of the Committees when required.

Further information on the Board and Board Committees are available in the Corporate Governance Report at <u>www.umw.com.my</u>

### (b) Organisation Structure and Reporting Lines

The Group has a well-defined organisation structure that is aligned to business requirements with clearly-defined delegation of responsibilities to the Board, Board Committees and management, which promotes accountability.

The Board and Board Committees are supported operationally by the MC which consists of senior management headed by the President & Group CEO.

In 2019, the MC met eight (8) times on a scheduled basis to discuss strategic business agenda thus channelling appropriate inputs to the Board for its oversight of the Group's operations and maintenance of effective control. The organisation structure and delegation of responsibilities are communicated throughout the Group which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

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### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### (c) Management Audit Committee

The Management Audit Committee (**MAC**) is set up by the MC primarily to assist management in fulfilling its responsibilities in addressing matters highlighted in the Internal Audit Reports. MAC meetings would convene within three months of receipt of the audit report. The objectives of MAC meetings are –

- Assessing the adequacy and effectiveness of internal controls (with the assistance of Group Internal Audit Division) on the operations based on the Internal Audit Reports; and
- Noting and following through the corrective actions to be taken on the audit issues.

The MAC comprises the following -

- Group Chief Financial Officer (Chairman)\*;
- Head of Group Compliance (Alternate Chairman);
- Head of Audited Company/Division/Department or his/ her representative(s); and
- Head of Group Internal Audit Division or his/her representative(s).
- \* From 1 January 2019 to 30 June 2019, the Executive Director, Group Financial services Division was the Chairman for MAC.

The action plans and status of the matters highlighted in the Internal Audit Reports are prepared and compiled by the Group Compliance Department based on responses given during the MAC meetings and updates received subsequently.

MAC Reports are subsequently prepared and presented to AC by the Chairman of MAC.

### (d) Information Technology (IT) Policies

The Group's information technology is governed by the approved IT Policies. The objective of the IT Policies is to ensure confidentiality, integrity and availability of the UMW Group's information stored on all and any computer-based systems. It also serves to provide guidelines to effectively administer the IT governance. These policies prescribe the use of all IT facilities within the Group which include, but not limited to, IT Security Policies, E-Mail Policies, Anti-Virus Policies, Software Usage Policies and Backup Policies.

IT Key Risks were identified through risk management processes and are managed by UMW IT Services Sdn Bhd (Groupwide, save for Automotive Division) and Information Technology Services Division (for the Automotive Division).

These key risks which cover the areas of IT Disruption, Cyber Security and Disaster Recovery are reported to the Board through GRMI.

#### (e) Group Internal Audit Division (GIAD)

The Group has an adequately resourced GIAD which is an integral part of the Group's internal controls system, risk management and governance processes.

GIAD reports directly to the AC and provides independent, reasonable and objective assurance in addition to consulting services designed to add value and improve efficiency of the Group's operations.

GIAD adopts a risk-based approach in developing its audit plan based on the Group's risks profile and conduct regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal control remains effective and efficient, is adequately monitored and enhanced when the need arises. The audit also covers the Group's major information systems and applications.

GIAD also monitors the implementation of action plans recommended to improve on areas where control deficiencies were identified during the year. On quarterly basis, GIAD will submit its reports on major findings and significant control issues observed during the audit reviews, together with the Management's response and proposed action plans, to the AC for its review and where needed, to recommend appropriate actions to strengthen controls.

Further information on the activities of GIAD can be found in the AC Report of this Integrated Annual Report.

### (f) Group Compliance Department (GCOMP)

GCOMP was established by management to enhance the internal control process across the Group. The setting up of the Department was endorsed by the AC. The Head of Group Compliance reports to the former Executive Director, Group Financial Services Division and now to the Group Chief Financial Officer effective 1 July 2020.

The objectives of GCOMP are -

- Providing better understanding of the relationship between business objectives, control environment and operational risks to achieve those objectives;
- Educating employees to analyse, evaluate and report on the effectiveness of the control mechanism; and
- Advising and monitoring compliance to the established procedures.

GCOMP's main responsibilities include -

- Developing and monitoring the implementation of Risk Control Self-Assessment (RCSA) Programme;
- Conducting Internal Control Systems (ICS) Review within the Group;
- Reviewing the Financial Limits Authority Guidelines (FLAG) and communicating changes and assisting users on the implementation of the FLAG; and
- Preparing MAC Reports for presentation to the AC.

### (g) Group Integrity

Group Integrity was established in 2014 to further enhance corporate governance practices and business ethics. In 2019, Group Integrity merged with Group Risk Management Department to form GRMI. On integrity matters, GRMI reports functionally to the Chairperson of the IWBC and administratively to the President & Group CEO. Their main objective is to enhance integrity awareness and to educate and disseminate the importance of managing high risk areas such as bribery and corruption. In 2019, GRMI had conducted thirty-nine (39) Integrity workshops to the employees. The objectives of the workshop are to enhance employee's awareness on the integrity values and to encourage employees to apply integrity values in the organisation as well as in their daily lives. This workshop also discussed on the latest law, regulations, policies on Anti-Corruption (Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, Gift & Entertainment Policy and Whistle-Blowing Policy and Procedures.

Furthermore, on March 2019, GRMI and representative from the Malaysian Anti-Corruption Commission had conducted an awareness session to provide insights on Corporate Liability Law in relation to corruption and on the ramification of fraud risk. The event was part of GRMI's continuous effort to build a positive 'Risk Aware Culture' across UMW Group.

Moreover, in response to the National Anti-Corruption Plan that was launched by the Prime Minister on January 2019, GRMI had organised a workshop to develop the Organisational Anti-Corruption Plan. This workshop was facilitated by the Institute Integrity Malaysia.

GRMI is also tasked to manage whistle blowing channel <u>wecare@umw.com.my</u>. The objectives of this channel are for employees to provide feedback and whistleblowing mechanism for any concerns and sharing of good practices. In addition, it strives to build confidence and trust amongst all the stakeholders which include employees and management. In 2019, sixty-four (64) feedbacks were received from UMW employees via this channel and attended by GRMI.

As part of awareness campaign to the stakeholders, awareness activities have been organised in the form of direct engagement among our stakeholders and enhanced the promoting activity via the platform of Digital Communication Display Network, internal email circulation and showcase stand of the channel. UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

### STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### (h) Policies, Guidelines and Procedures

Clearly defined documented policies and guidelines have been established based on the relevant charters, terms of reference and organisational structures. Guidelines on limits of authority, responsibilities and accountability of the Board, its Committees and the management for major transactions that have significant financial implications were in place via the Group's FLAG.

The Group's policies and guidelines have been communicated throughout the Group for implementation and compliance. These policies and guidelines were approved by the Board and regularly updated to reflect changing business requirements.

Furthermore, these policies and guidelines are also used as a basis to develop standard operating procedures across the Group in ensuring assets are subject to proper physical controls and organisations within the Group remains structured through appropriate segregation of duties in governing the day-to-day business operations within the Group whilst ensuring compliance with laws and regulations.

#### (i) Comprehensive Budgeting and Forecasting System

The Group performs a comprehensive annual budgeting and forecasting exercise including the development of business strategies and key performance indicators which are deliberated and approved by the Board each year.

During the business planning session, companies within each SBU performs a critical self-assessment which involves analysis of strengths, weaknesses, opportunities, problems and threats together with action plans to address issues identified.

Budgets prepared by SBUs are regularly updated and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board. These management reports analyse and explain variances against plan and report on the achievement of the key performance indicators after taking into account the changes in market conditions and significant business risks.

The Group's reward and recognition framework is designed to be in accordance to the achievement of Balanced Scorecard which measures the performance of each individual SBUs against the Group's business objectives and strategies.

#### (j) Monitoring, Reporting and Reviewing

The effectiveness of the Group's systems of risk management and internal controls are monitored through monthly management review of financial and operating results, business processes, the state of internal controls and business risk profile by the respective Heads of SBUs and reported to the MC.

In addition to the monthly reporting, the President & Group CEO undertakes a mid-term business review on all SBUs and initiates corrective measures where needed. Apart from that, regular internal visits are also made to companies within each SBU by senior management to monitor compliance with policies and to assess performance. The Board is updated on the business performance on a quarterly basis.

These reviews are supplemented by a comprehensive review undertaken by GIAD on controls implemented at each individual business unit. Reports on the reviews carried out by GIAD are submitted on a regular basis to management and the AC. These reports assess the impact of control issues and recommend appropriate actions to be taken to strengthen controls. In 2019, GIAD has completed all audit fieldworks as per the 2019 Audit Plan and issued seventy-five (75) audit reports to management and the AC.

Further to GIAD's audit reports, the management through MAC reported the status of action plans to the AC via MAC Reports. In 2019, sixty-five (65) Internal Audit Reports were presented to the AC through four (4) MAC Reports.

In addition to the MAC Reports, the results of RCSA and ICS programmes are presented twice a year to AC by GCOMP to provide assurance on the effectiveness of the risk management and internal control systems in the Group.

For associated companies and joint ventures, the Group's interests are served through representations on the Boards of the respective associated companies and joint ventures, receipt and review of respective management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies and joint ventures.

### **BOARD COMMENTARY AND OPINION**

The Board has received written assurance from the President & Group CEO and the Group Chief Financial Officer stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, for the financial year ended 31 December 2019 up to the date of this Statement.

The Board is of the view that during the year under review, weaknesses noted in risk management and internal control systems which had resulted in material losses, contingencies or uncertainties were appropriately managed within the Group.

The Board is satisfied that the systems of risk management and internal controls of the Group are sound and sufficient, therefore remains committed in ensuring that appropriate initiatives and active measures are taken to improve and enhance/strengthen these systems so that stakeholders' interest and the Group's assets are consistently safeguarded.

# REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors, Ernst & Young PLT, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 (Revised 2018), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Integrated Annual Report.

Ernst & Young PLT have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control of the Group, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

This Statement is made in accordance with the resolution of the Board dated 19 May 2020.

# AUDIT COMMITTEE REPORT

The Audit Committee (**AC**) of the Board was established in 1992 with the primary objective of assisting the Board of UMW Holdings Berhad (**Board**) in fulfilling its statutory and fiduciary responsibilities relating to corporate accounting practices, financial reporting, the effectiveness of the Group's internal controls and risk management processes as well as maintaining oversight of both the external and internal audit functions of the Group.

The Board is pleased to present the report on the AC for the financial year ended 31 December 2019.

### **COMPOSITION AND MEMBERSHIP**

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors (NEDs).

The Chairman of the AC is Dr. Veerinderjeet Singh, who is a Member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Chartered Tax Institute of Malaysia. He has extensive tax experience from having been a tax partner in international accounting firms and having worked with the Inland Revenue Department of Malaysia. He has been involved in a wide range of tax matters affecting cross-border investments, corporate restructuring, financial institutions, multinational entities, listed entities, and government and quasi-government entities and projects.

Tan Sri Hasmah Abdullah is a Fellow Member of the Chartered Tax Institute of Malaysia. She had a distinguished career with the Inland Revenue Board (**IRB**) spanning over 37 years. She was the former Chief Executive Officer and Director-General of IRB from 19 October 2006 to 7 January 2011.

Encik Razalee Amin is a Member of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Financial Planning Association of Malaysia. He is also a licensed auditor and an approved liquidator, who has more than 42 years' experience in the areas of audit, corporate recovery, finance, banking and investment acquisition.

Collectively, the AC members are qualified individuals having the required level of expertise to discharge AC's functions and duties. The detailed profiles of the AC members and their qualifications are set out on pages 23, 26 and 29 of this Integrated Annual Report.

The composition of the AC and the qualifications of its members comply with Paragraph 15.09 of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad (**Bursa Securities**).

The terms of reference (**TOR**) of the AC continues to remain aligned with the MMLR of Bursa Securities and the recommendations of the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**) and other relevant Corporate Governance (**CG**) best practices. The AC's TOR is available on the Company's official website at <u>www.umw.com.my</u>

### ANNUAL PERFORMANCE ASSESSMENT

The Board via its Nomination & Remuneration Committee (**NRC**) conducted an annual assessment on the performance of the AC and its members in accordance with the AC's TOR, as required under the MMLR of Bursa Securities and recommended under Principle B of the MCCG 2017. The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities well, in accordance with the AC's TOR. The AC has provided valuable recommendations and views to assist the Board in making informed decisions which have greatly contributed to the Board's discussions on high level reviews of financial reporting processes and financial statements.

### CONTINUOUS DEVELOPMENT

During the year under review, AC members attended various conferences, seminars and training programmes to keep abreast of new developments pertaining to new financial reporting standards, legislation, regulations, current commercial issues and risks in order to effectively discharge their duties as AC members.

The relevant programmes attended by the AC members in 2019 is set out under Practice 2.1 of the CG Report 2019.

### **MEETINGS AND ATTENDANCE**

The AC held ten (10) meetings during the financial year ended 31 December 2019. The attendance record of AC members is as follows –

Members	Membership	Appointment	Attendance	Percentage
Dr. Veerinderjeet Singh	Chairman/Independent Non-Executive Director	15 June 2017 (Member)	9/10	90
		1 September 2019 (redesignated as Chairman)		
Tan Sri Hasmah Abdullah	Member/Independent Non-Executive Director	24 September 2013	9/10	90
Razalee Amin	Member/Independent Non-Executive Director	1 September 2019	3/3	100
Khalid Sufat <sup>(1)</sup>	Chairman/Independent Non-Executive Director	17 January 2012	7/7	100
		15 June 2017 (redesignated as Chairman)		
Dato' Siow Kim Lun <sup>(2)</sup>	Member/Independent Non-Executive Director	2 August 2010	5/5	100
		15 June 2017 (redesignated as Member)		

### Notes:

 $^{(1)}$  Retired as an Independent Non-Executive Director and as the Chairman of AC on 1 September 2019.

 $^{(2)}$  Retired as an Independent Non-Executive Director and as the member of AC on 23 May 2019.

### AUDIT COMMITTEE REPORT

The President & Group CEO attended nine (9) out of ten (10) meetings held in 2019 to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The former Executive Director, Group Financial Services Division and the Group Chief Financial Officer, who is also the Chairman of the Management Audit Committee (**MAC**), and the Head of Group Internal Audit Division (**GIAD**), attended all AC meetings held during the year to brief AC on pertinent issues relating to financial reporting, external and internal audit findings, internal controls and other related matters, in line with the mandate provided in the TOR.

The Head of Group Compliance Department and other senior management staff from relevant business units and divisions also attended AC meetings at the invitation of the AC, to provide information and clarification required on specific issues arising from the audit reports or any other matters of interest.

During the financial year, the AC had two (2) private sessions with the external auditors, Ernst & Young PLT (**EY**), without the presence of management, in April and November 2019, to give opportunity to the external auditors to raise any matters or findings they considered were important to their areas of responsibility for the AC's attention. These private sessions helped to reinforce the independence of the external auditors from the management of the Company by providing a platform to AC members to make inquiries on specific issues affecting the Group and for the external auditors to highlight any areas of concern for the attention of the AC in a timely manner.

For the purpose of the annual statutory audit, the external auditors' Lead Audit Engagement Partner also attended AC meetings to present the report on the audited financial statements of the Group, audit scope and plan, audit report and findings together with management's response thereto. The AC was also briefed on areas of audit emphasis and accounting treatment which they noted in the course of their audit. Other observations and opportunities for improvement were also highlighted to the AC.

The Chairman of the AC presented to the Board the AC's recommendations to approve the annual and quarterly financial statements. The AC Chairman also apprised the Board of relevant/ significant issues and areas of audit concern raised by the internal and external auditors during the year under review.

The Group Secretary is the Secretary of the AC. He played an important role in organising and providing assistance at AC meetings. The Group Secretary also presented to the AC on a quarterly basis, reports on recurrent related party transactions (**RRPT**) entered into by the UMW Group with related parties in accordance with the shareholders' mandate obtained. Similarly, reports on other RRPT outside the shareholders' mandate were also tabled to the AC on a quarterly basis.

The Group Secretary also presented to the AC updates concerning CG and/or regulatory requirements and guidelines. In addition, disclosures on dealings by Principal Officers in the Company's securities and Directors' interests in contracts were also presented to the AC during the year under review.

Minutes of each meeting of the AC are kept by the Group Secretary as evidence that the AC has discharged its functions and circulated to the Board at the next practicable Board meeting for notation.

# SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

In line with the TOR of the AC, the following activities were carried out by the AC during the financial year ended 31 December 2019 –

### 1. Financial Reporting

- Reviewed and discussed -
  - Impact to the Group on changes to accounting policies and standards.
  - The Group's financial and foreign currency exposure.
  - Group-wide cost saving initiatives.
- Reviewed and recommended to the Board -
  - Quarterly financial results, revision on the second quarter results for the period ended 30 June 2019, the related announcements to Bursa Securities and press release.
  - Consolidated Audited Financial Statements of the Company and the Group for the year ended 31 December 2018.
  - Proposed dividend payments for the financial year.
  - Proposed issuance of Letter of Financial Support to subsidiaries of the Company.

### 2. Internal and External Audit

### • External Audit

- Reviewed and discussed -
  - 2019 External Auditors' Audit Planning Memorandum.
  - External auditors' report on the status of the 2018 audit for the UMW Group.
  - Status of annual audit reports and management letter on issues raised by the external auditors.
  - Audit fees for the external auditors for the financial year 2019.
  - Reports on implementation of Malaysian Financial Reporting Standards 16 project to ensure the progress as per the agreed timelines.
  - Status of annual audit report and management's response on issues raised by the external auditors.
- Reviewed and highlighted to the Board -
  - Areas of concern raised by external auditors via private sessions between the AC members and external auditors without the presence of management.
- Reviewed and recommended to the Board -
  - Results on external auditors' evaluation and the re-appointment of external auditors.
  - Enhancements to the UMW Group's practices in compliance with all laws, rules and regulations, directives and guidelines imposed by relevant regulatory bodies.

### • Internal Audit

- Reviewed and discussed
  - GIAD's Transformation Initiatives, Audit Plan and Budget for 2020.
  - Audit Reports, Special Review and Consultancy & Advisory Reports prepared by GIAD.
  - GIAD activities, which include, among others, Audit Plan status, audit fieldwork and report updates, manpower headcount and turnover rate, trainings, operating expenses and quality assurance improvement programmes.

- Audit recommendations made by GIAD and the proposed action plans as well as target implementation date by management to further improve the weaknesses stated in the audit reports.
- Appointment of PricewaterhouseCoopers Risk Services Sdn Bhd as external assessor to conduct a Quality Assurance Review on the GIAD's operating practices conformance to the International Professional Practices Framework.
- Appointment of the new Head of GIAD.

### 3. Related Party Transactions

- Reviewed and discussed
  - RRPT entered into by the UMW Group with related parties in accordance with the shareholders' mandate obtained.
- Reviewed and recommended to the Board
  - Related Party Transactions (RPT) entered into by the UMW Group with related parties and the related announcements to Bursa Securities.
  - Circular to Shareholders relating to renewal of shareholders' mandate for existing RRPT of a revenue or trading nature and new mandate for additional RRPT.

### 4. Internal Controls

### • Reviewed and discussed -

- Updates on corporate governance, statutory and regulatory requirements, compliance with accounting standards and other business guidelines.
- Report on the Group's compliance activities by the Group Compliance Department.
- Report on Risk Control Self-Assessment Programme Development.
- Report on Disaster Recovery project.
- Reviewed and recommended to the Board -
  - Enhancement to the UMW Group Terms of Reference of the Audit Committee.
  - Corporate Governance (CG) Report, CG Overview Statement, Statement on Risk Management and Internal Control, and AC Report prior to inclusion in the Company's annual report.

### AUDIT COMMITTEE REPORT

### 5. Other Activities

- Reviewed and discussed -
  - MAC reports.
  - Enhancement to the UMW Group Financial Limit of Authority Guidelines.
  - Action plans in relation to the special audit review on certain companies within the UMW Group.
  - Proposals on write-off/write-down by companies within the UMW Group.
- Reviewed and recommended to the Board -
  - Results of the AC Evaluation and AC Members' Self and Peer Evaluation.
  - Zakat payment by the Company for the financial year ended 2018.
  - Ad-hoc and special assignments requested by the Board.

### **INTERNAL AUDIT**

The UMW Group has an in-house internal audit function which is carried out by GIAD. GIAD is independent of the business operations and has a Group-wide mandate set out in its Audit Charter approved by the AC. It provides the Board, through the AC, with reasonable assurance on the adequacy and effectiveness of the risk management and internal control system, and governance processes within the UMW Group.

For the financial year ended 31 December 2019, GIAD carried out audits of 91 business units in UMW Group against the 2019 Audit Plan of 82 business units. A total of 75 reports covering the scope of the audit work were reviewed by the AC. Routine audits were carried out by GIAD focusing on principal risk areas. GIAD also carries out investigative/special review audits as and when required. GIAD reports directly to the AC on major findings and significant control issues and concerns. In developing its annual audit plan, GIAD adopts a risk-based approach based on the Group's risk profile. It conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal controls remains effective and efficient, is adequately monitored and enhanced when the need arises. It also performs information systems audit that covers major IT applications within the UMW Group.

For the first half of the year in 2019, the internal audit function was headed by Puan Norchahya Ahmad, who reported functionally to the AC and administratively to the President & Group CEO. Following the retirement of Puan Norchahya from the Group on 30 June 2019, Encik Zainal Akbar Sk Md Abdul Kader was appointed as the new Head of GIAD. GIAD is currently manned by 28 internal auditors, the majority of whom have relevant qualifications and work experience with diverse background. GIAD staff are encouraged to continuously enhance their knowledge, skills and competencies through relevant professional audit certifications, seminars, courses and on-the-job training as well as attachment to operating companies.

The AC, on a quarterly basis, reviewed and monitored the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. GIAD is a corporate member of the Institute of Internal Auditors Malaysia (**IIAM**) and subscribes to the standards issued by IIAM.

Audit findings which require follow up action, as well as outstanding audit issues which require corrective action by management, are highlighted to MAC. MAC reviews the reports of GIAD for the purpose of assessing the adequacy and integrity of the system of internal controls of the UMW Group. MAC reports are prepared and compiled by the Group Compliance Department based on responses given at meetings and follow-up discussions. MAC reports are presented to the AC by the Chairman of MAC on a quarterly basis.

GIAD works collaboratively with the Group Risk Management and Integrity Division to review and assess the adequacy and effectiveness of the risk governance framework and risk management processes of the Group. A summary of activities of the internal audit function in the year under review is as follows -

1.	Conducted scheduled and special internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements, where necessary.
2.	Prepared audit reports and sought management's response on action plans with specific timelines;
3.	Presented audit reports during the AC meetings for deliberation;
4.	Reviewed and provided independent and objective assessment on governance and risk processes, adequacy and effectiveness of internal controls to improve the existing system of internal controls and key operating processes;
5.	Conducted follow-up audits on major areas of concern and recurring themes to enhance the governance, risk management and control processes within the Group;
6.	Conducted reviews on RRPTs.
7.	Maintained conformance with the Institute of Internal Auditors (IIA) Standards and obtained MS 150 9001:2015 recertification as well as continuously improved staff proficiency via customised trainings;
8.	Carried out investigative/special reviews requested by the AC or management;
9.	Conducted discussions with management and members of the AC in identifying risk areas perceived by management for inclusion in the internal audit plan and improvements required to enhance the UMW Group's internal control environment, risk management and governance processes;
10.	Carried out digitisation and digitalisation initiatives at GIAD via the implementation of audit analytical tools to support the Group's strategy to enhance efficiency and productivity;
11.	Performed audit risk profiling on all companies within the Group;
12.	Undertaken enhancement in the internal audit function as per the GIAD's Transformation Initiatives; and
13.	Prepared and presented the risk based GIAD's Audit Plan, audit strategy, scope of work and 2020 Budget for GIAD.

During the financial year ended 31 December 2019, the total cost incurred by GIAD in discharging its internal audit function was RM5.461 million compared to RM6.132 million in 2018. The Group's internal audit function was carried out solely by GIAD and there were no areas of internal audit function which were outsourced in 2019.

This AC Report is made in accordance with a resolution of the Board dated 19 May 2020.



UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

# SUSTAINABILITY

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UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

# SUSTAINABILITY STATEMENT

At UMW, our motivation for engineering sustainable business is to continually harness our long-term growth potential and demonstrate commitment to enrich the lives of all the stakeholders connected to the Group. UMW is determined to maintain leadership in the automotive, equipment, and manufacturing and engineering industries without sidelining the need to create value for all stakeholders.

Full disclosure on our sustainability progress and performance for FY2019 is available in the UMW Sustainability Report 2019. We publish an annual sustainability report in accordance with the Global Reporting Initiative (**GRI**) Standards: Core Option as well as Bursa Malaysia Securities Berhad's Main Market Listing Requirements on Sustainability Reporting.

This Sustainability Statement is a concise summary of the sustainability report and it covers the Malaysian-based operations of UMW's three core businesses in which the Group has management control, namely Automotive, Equipment and M&E. Information covers the financial year ending 31 December 2019.

The full Sustainability Report 2019 is available at our website at www.umw.com.my

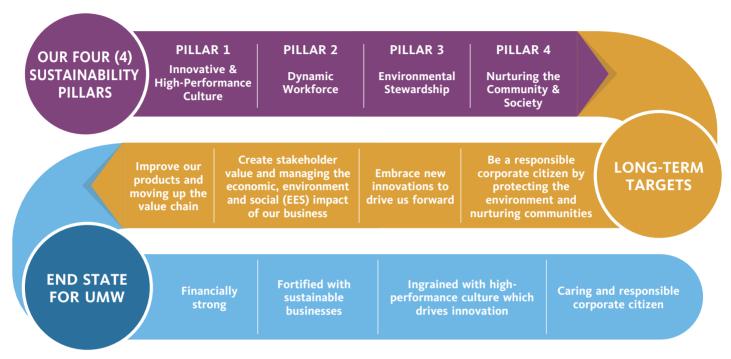
### **Our Sustainability Approach**

Sustainability is the supporting foundation for the Group's overarching vision to be an innovative global conglomerate with sustainable core businesses. Four sustainability pillars guide us in delivering excellence and sustained value creation for our stakeholders. The sustainability framework and four pillars are visualised below.





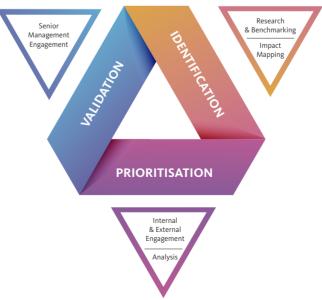
High-performance culture of promoting efficiency, embracing R&D and prolific use of technology. Focus on challenging the status quo with an innovative mindset. Highly-motivated employees who are a force that stimulates change and inspires progress. Focus on providing excellence in everything that we do. Respect for our natural resources and environment through efficient management of resources. Nurturing the community. A responsible corporate citizen that contributes to the communities that we operate in.



Our four (4) sustainability pillars ensures that a market-competitive culture prevails, driven by high potential talents and supported by resource efficiency and empowered communities.

### Sustainability Materiality Assessment

At UMW, we define material issues as matters that have the biggest influence on our business and stakeholders in terms of EES dimensions. Our sustainability materiality approach is also guided by GRI's definition of material topics as "those that reflect the organisation's significant economic, environmental, and social impacts; or that substantively influence the assessments and decisions of stakeholders".



UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RELATION TO FINANCIAL STATEMENTS

The Board of Directors (Board) is responsible in ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the provisions of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the applicable Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The Board is also responsible in ensuring that the annual audited financial statements of the Group and of the Company present a true and fair view of the financial positions of the Group and of the Company as at the financial year end, and of their financial performances and cash flows for the financial year then ended.

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2019, the Board has ensured that appropriate accounting policies are adopted and consistently applied, reasonable and prudent estimates have been made, and confirm that the financial statements have been prepared on a going concern basis.

The Board also has an overall responsibility for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

# FINANCIAL STATEMENTS

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The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

### **Principal activities**

The Company is an investment holding company. The principal activities of the subsidiaries, joint ventures and associates are disclosed in Notes 38 to 40.

### Results

	Group RM'000	Company RM'000
Profit for the year	628,737	172,845
Attributable to:		
Equity holders of the Company	454,444	103,186
Holders of Perpetual Sukuk	69,659	69,659
Non-controlling interests	104,634	_
	628,737	172,845

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

### Dividend

The amounts of dividend paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
Interim tax exempt (single-tier) special dividend of 8.0%, on 1,168,293,932 ordinary shares, declared on 28 November 2019 and paid on 23 December 2019.	46,732
In respect of the financial year ended 31 December 2018:	
Final tax exempt (single-tier) dividend of 5.0%, on 1,168,293,932 ordinary shares, declared on 27 February 2019 and paid on 16 May 2019.	29,207

### Dividend (cont'd.)

A final single-tier dividend in respect of the current financial year of 4.0% or 2.0 sen per share amounting to a net dividend payable of approximately RM23.4 million was declared on 27 February 2020. The dividend was paid on 31 March 2020 to shareholders whose name appeared in the Record of Depositors as at close of business on 16 March 2020. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

### **Directors of the Company**

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman<sup>#</sup> Badrul Feisal bin Abdul Rahim<sup>#</sup> Tan Sri Hasmah binti Abdullah Dato' Eshah binti Meor Suleiman Datin Paduka Kartini binti Hj Abdul Manaf Salwah binti Abdul Shukor Dr. Veerinderjeet Singh a/l Tejwant Singh Lim Tze Seong Razalee bin Amin (appointed on 1 September 2019) Dato' Seri Prof. Dr. Ir. Zaini bin Ujang (appointed on 1 November 2019) Dato' Siow Kim Lun @ Siow Kim Lin (retired on 23 May 2019) Khalid bin Sufat (retired on 1 September 2019) Mohd Shahazwan bin Mohd Harris (resigned on 31 August 2019)

# Directors of the Company and certain of its subsidiaries

### Directors of the Company's subsidiaries

The name of directors of the Company's subsidiaries since the beginning of the financial year to the date of this report excluding those who are already the directors of the Company, are:

Akira Naito Akio Takeyama Anas Nasrun bin Mohd Osman Anuar bin Abd Ani Azmin bin Che Yusoff Baishali Buragohain Chai Yet Von Cheow Lip Heng

### DIRECTORS' REPORT (CONT'D.)

### Directors of the Company's subsidiaries (cont'd.)

Dato' Muthukumar a/l Ayarpadde Gan Kim Teck lichiro Sadamoto Iwao Mizuno Kazutaka Mitsui Kevin Lee Kok Heng Khoo Kay Chock Kimiro Sudo Kiyoshi Mizuhara Koh Fook Cheong Lee Kuo Wei Lee Tak Wah Masato Yamanami Mazuki bin Abdullah @ Muhammad Megat Shahrul Azmir bin Nordin Mohd Shamsor bin Mohd Zain Muzafar bin Munzir Ooi Koe Leong Ravindran a/l Kurusamy Roslan bin Yahaya Subramaniam a/I C Sundram Taro Hashimoto Tetsuro Sato Tsuneo Sawada U Thiha Shein Yap Chong Hong Yap Kok Khiang Yasushi Minami Yuji Tomobuchi Zailani bin Ali Fumitaka Kawashima (appointed on 1 January 2019) Yasushi Fuchigami (appointed on 1 January 2019) Dato' Abdul Rashid bin Musa (appointed on 31 January 2019) Dato' Zainal Abidin bin Ahmad (appointed on 31 January 2019) Ichio Nemoto (appointed on 30 April 2019) Koji Yanagi (appointed on 9 May 2019) Sandeep Buragohain (appointed on 20 July 2019) Mohd Nor Azam bin Mohd Salleh (appointed on 9 August 2019) Nik Azlan bin Nik Abdul Aziz (appointed on 9 August 2019) Zoelaney Abid (appointed on 27 August 2019) Li Chendi (appointed on 16 March 2020) Steven Oh Kim Hong (resigned on 31 January 2019)

### Directors of the Company's subsidiaries (cont'd.)

James Jonathan Tng (resigned on 5 February 2019) Mohanachandran a/l K P Madhavan Nair (ceased on 5 February 2019) Teh Tin Nee (ceased on 21 March 2019) Jogendra Nath Buragohain (demised on 2 April 2019) Tadashi Maeda (resigned on 9 May 2019) Dr Wafi Nazrin bin Abdul Hamid (resigned on 6 June 2019) Pauzi bin Hanipi (resigned on 31 December 2019) Lee Chin Min (resigned on 1 January 2020) Roza Shahnaz binti Omar (resigned on 6 February 2020) Wong Ming Yin (appointed on 1 January 2019 and resigned on 16 March 2020)

### **Directors' benefit**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salary	1,983	_
Fees	1,642	1,622
Benefits-in-kind	704	547
Other emoluments	386	355
Defined contribution plan	280	-
Retirement gratuities	203	203
	5,198	2,727

### **Directors' and Officers' indemnity**

The Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provide appropriate insurance cover for the directors of the Company. The amount of insurance premium effected for any director of the Company during the financial year was RM596,294. The directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

## DIRECTORS' REPORT (CONT'D.)

### **Directors' interest**

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations except for the following:

	<> Number of Ordinary Shares>			
	1 January 2019	Bought	Sold	31 December 2019
The Company				
Direct Interest Dr. Veerinderjeet Singh a/l Tejwant Singh	66	-	-	66

### Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
  - to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment loss on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment loss on receivables had been made; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the allowance for impairment loss on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

### Other statutory information (cont'd.)

- (f) In the opinion of the directors:
  - no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Significant events

In addition to the significant events disclosed elsewhere in the financial statements, other significant events during the financial year are disclosed in Note 41 to the financial statements.

### Subsequent event

Subsequent event is disclosed in Note 42 to the financial statements.

### Auditors and auditors' remuneration

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Statutory audit	1,639	194
Other services	226	57
	1,865	251

### Indemnification of auditors

To the extent permitted by law, the Group and the Company have agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young PLT during the financial year nor since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 May 2020.

TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN

BADRUL FEISAL BIN ABDUL RAHIM

# **STATEMENT BY DIRECTORS**

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman and Badrul Feisal bin Abdul Rahim, being two of the directors of UMW Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 140 to 267 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 May 2020.

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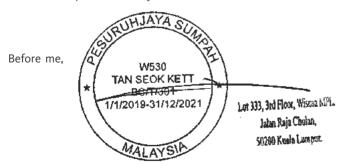
TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN

BADRUL FEISAL BIN ABDUL RAHIM



I, Nik Azlan bin Nik Abdul Aziz, being the officer primarily responsible for the financial management of UMW Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 140 to 267 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **NIK AZLAN BIN NIK ABDUL AZIZ** at Kuala Lumpur on 19 May 2020.



NIK AZLAN BIN NIK ABDUL AZIZ MIA membership no. 20291

# **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF UMW HOLDINGS BERHAD (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of UMW Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 154 to 182.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (**By-Laws**) and the International Code of Ethics for Professional Accountants (including International Independence Standards) (**IESBA Code**), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

### Remeasurement of assets to fair value less costs to sell

In prior years, the Group made a strategic decision to exit from oil and gas industry and actively working on restructuring and recovery options exercise on its oil and gas (unlisted) segment (**Unlisted Segment**). This includes divestment or disposal options on these Unlisted Segment investments. In doing this, the Group had formed a committee to oversee the execution of the exercise.

The remaining assets and liabilities of the Unlisted Segment that remained unsold since then are to be re-assessed whether they still meet the criteria for classification of asset/disposal group held for sale under MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (**MFRS 5**). These assets and liabilities are required to be re-measured at the lower of their carrying amount and fair value less costs to sell (**FVLCS**).

### INDEPENDENT AUDITORS' REPORT (CONT'D.) TO THE MEMBERS OF UMW HOLDINGS BERHAD (Incorporated in Malaysia)

Key audit matters (cont'd.)

#### Remeasurement of assets to fair value less costs to sell (cont'd.)

The Group had performed an assessment and concluded that the Unlisted Segment's assets and liabilities that had remained unsold still meet the criteria for classification of asset/disposal group held for sale and continued to be classified as assets held for sale. The Group subsequently reassessed these assets and liabilities at the lower of their carrying amount and FVLCS. This assessment involves complex management judgement and is based on assumptions that are affected by expected future market and economic conditions.

Our procedures include the following:

- (i) Evaluated consistent application of MFRS 5 requirements on the continued classification of the assets and liabilities of the Unlisted Segment as asset/disposal group held for sale.
- (ii) Assessed that the assets and liabilities of the Unlisted Segment are carried at the lower of their carrying amount and FVLCS.
- (iii) Tested the FVLCS computation of the assets and liabilities classified as asset/disposal group held for sale.

The Group's conclusion on the assessment of the recoverable amounts and related disclosures are included in Note 18 and Note 32 of the financial statements.

#### Provision for warranties

As at 31 December 2019, the provision for warranties amounted to RM277.8 million. The Group provides various types of warranties under which the performance of products delivered are generally guaranteed for a certain period or term. We focused on this area as the amount of the provision for warranties are material to the financial statements, with their determinations involving a high level of management judgement. Changes in the assumptions can materially affect the levels of provisions recorded in the financial statements.

The warranty provision represents the best estimate of commitments given by the Group for contractual obligations arising from the warranties given for a specified period of time beginning from the date of sale to the end customer. This estimate is principally based on assumptions regarding the warranty costs to either repair or replace any parts of the vehicles covered by the warranty and historical claims experience for vehicles. The Group establishes provision for warranty obligations when the related sale is recognised in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (MFRS 137).

Our procedures in reviewing the estimates include the following:

- (i) Obtained an understanding of the warranty estimation process through enquiry of representatives from the Warranty and Technical Operation team;
- Discussed the basis of provision and assumptions with the Warranty and Technical Operation team to obtain an understanding of the related data (such as failure rate and claims histories) used as inputs to the provision computation;
- (iii) Evaluated the validity of the actual data used in the provision computations; and
- (iv) Recalculated the mathematical accuracy of the provision workings.

The disclosure on warranty provisions are included in Note 22 of the financial statements.

### Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### INDEPENDENT

**AUDITORS' REPORT (CONT'D.)** 

TO THE MEMBERS OF UMW HOLDINGS BERHAD (Incorporated in Malaysia)

#### Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to
  fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and
  appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than
  for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of
  internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence
  obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the
  Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention
  in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures
  are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors'
  report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the
  disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events
  in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed on pages 245 to 249.

### **Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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ERNST & YOUNG PLT 20206000003 (LLP0022760-LCA) & AF0039 Chartered Accountants

Kuala Lumpur, Malaysia 19 May 2020



**NG YEE YEE** No. 03176/05/2021 J Chartered Accountant

# **CONSOLIDATED STATEMENT** OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment	4	2,701,692	2,820,924
Investment properties	5	170,768	220,901
Land use rights	6	-	468
Leased assets	7	357,947	336,673
Right-of-use assets	8	195,260	_
Investments in joint ventures	10	54,870	48,627
Investments in associates	11	1,866,512	1,792,383
Deferred tax assets	12	135,160	131,951
Other investments	13	5,991	7,106
Receivables	16	-	32,136
		5,488,200	5,391,169
Current assets			
Other investments	13	1,071,881	1,133,856
Derivative assets	14	5,598	7,613
Inventories	15	1,589,567	1,548,507
Receivables	16	1,449,073	1,076,563
Tax recoverable		5,003	6,841
Deposits, cash and bank balances	17	1,472,111	1,311,764
		5,593,233	5,085,144
Assets held for sale	18	53,240	281,682
		5,646,473	5,366,826
Total assets		11,134,673	10,757,995

Note	2019 RM'000	2018 RM'000
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital 19	584,147	584,147
Capital reserve	396	396
Hedging reserve	(33)	-
Fair value reserve 20	4,596	3,618
Foreign currency translation reserve 20	(32,634)	(16,793)
Retained profits	3,139,925	2,773,269
	3,696,397	3,344,637
Perpetual Sukuk 21	1,097,860	1,097,860
Non-controlling interests 9(b)	1,303,828	1,271,946
Total equity	6,098,085	5,714,443
Non-current liabilities		
Deferred tax liabilities 12	39,094	26,859
Provision for warranties 22	216,647	223,186
Lease liabilities 8	56,408	
Borrowings 23	2,123,422	2,298,249
	2,435,571	2,548,294
Current liabilities		
Derivative liabilities 14	2,901	881
Provision for warranties 22	61,138	40,027
Provision for taxation	31,400	55,752
Borrowings 23	386,361	534,961
Payables 24	2,076,561	1,854,047
Lease liabilities 8	37,607	-
	2,595,968	2,485,668
Liabilities associated with assets held for sale 18	5,049	9,590
	2,601,017	2,495,258
Total liabilities	5,036,588	5,043,552
Total equity and liabilities	11,134,673	10,757,995

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# **CONSOLIDATED STATEMENT** OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Continuing operations			
Revenue	25	11,739,145	11,303,649
Other operating income	26	326,703	99,615
Changes in inventories		50,254	(14,982)
Finished goods purchased		(9,154,043)	(8,822,005)
Raw materials and consumables used		(733,084)	(566,733)
Employee benefits	27	(762,910)	(720,954)
Depreciation and amortisation		(345,116)	(273,663)
Other operating expenses		(599,501)	(462,703)
Profit from operations		521,448	542,224
Finance costs	29	(126,548)	(98,271)
Investment income	30	68,303	85,690
Share of results of associates and joint ventures		291,584	270,690
Profit before zakat and taxation	28	754,787	800,333
Zakat		(2,325)	(5,398)
Income tax expense	31	(106,355)	(118,715)
Profit from continuing operations, net of tax		646,107	676,220
Discontinued operations			
Loss from discontinued operations, net of tax	32	(17,370)	(176,269)
Profit for the year		628,737	499,951
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent peric	ods:		
Exchange differences on translation of foreign operations		7,122	(33,124)
Share of other comprehensive income of associates		978	3,618
Fair value loss on cash flow hedge		(33)	(1)
Transfer of reserve of foreign subsidiary companies to profit or loss upon disposal		(13,142)	_
Other comprehensive loss for the year, net of tax		(5,075)	(29,507)
Total comprehensive income for the year		623,662	470,444
Profit for the year attributable to:			
Equity holders of the Company		454,444	344,519
Holders of Perpetual Sukuk		69,659	35,403
Non-controlling interests	9(b)	104,634	120,029
		628,737	499,951

	Note	2019 RM'000	2018 RM'000
Total comprehensive income attributable to:			
Equity holders of the Company Holders of Perpetual Sukuk Non-controlling interests		439,548 69,659 114,455	321,142 35,403 113,899
		623,662	470,444
Basic/diluted earnings/(loss) per share attributable to equity holders of the Company (sen):	33		
Continuing operations Discontinued operations		38.3 0.6	44.1 (14.6)
		38.9	29.5

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2019

	Total equity RM'000	5,714,443	628,737	(5,075)	623,662		(172,176)	(69,659)	1,815	(240,020)	6,098,085
	Non- controlling interests RM'000	1,271,946	104,634	9,821	114,455		(96,237)		13,664	(82,573)	1,303,828
	Perpetual Sukuk RM'000	1,097,860	69,659	1	69,659		I	(69,659)	ı	(69,659)	1,097,860
	Total RM'000	3,344,637	454,444	(14,896)	439,548		(75,939)	ı	(11,849)	(87,788)	3,696,397
Distributable	Retained profits RM'000	2,773,269	454,444		454,444		(75,939)	ı	(11,849)	(87,788)	3,139,925
	Fair value reserve RM'000	3,618	I	978	978		ı	ı	ı		4,596
	Hedging reserve RM'000		I	(33)	(33)		I	ı	ı		(33)
Non-distributable	Capital reserve RM'000	396	I	ı	I		I	ı	ı		396
	Foreign currency translation reserve RM'000	(16,793)	I	(15,841)	(15,841)		I	ı	ı		(32,634)
~~~~~	Share capital RM'000	584,147	ı	1	1		ı	ı	I	ı	584,147
•		At 1 January 2019	Profit for the year	current compremensive income/(loss) for the year	Total comprehensive income/ (loss) for the year	Transactions with owners:	Dividends distributed to equity holders (Notes 34 and 9(b)) Distribution to holders of	Perpetual Sukuk Effect of channel in	shareholding in subsidiary companies	Total transactions with owners	At 31 December 2019



The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

×		No	Non-distributable		<	Distributable				
	Share capital RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual Sukuk RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2018	584,147	10,201	396	1	I	2,452,503	3,047,248	I	1,131,182	4,178,430
Profit for the year	I	I	I	I	I	344,519	344,519	35,403	120,029	499,951
Other comprehensive income/(loss) for the year	I	(26,994)	I	(1)	3,618	I	(23,377)	I	(6,130)	(29,507)
Total comprehensive income/(loss) for the year	ı	(26,994)	I	(1)	3,618	344,519	321,142	35,403	113,899	470,444
Transactions with owners:										
Acquisitions of non- controlling interest (Note 9)			1	1	1	(741)	(741)		(1,361)	(2,102)
Dividends distributed to										
(Notes 34 and 9(b))	I	I	I	I	I	(58,415)	(58,415)	I	(64,645)	(123,060)
Perpetual Sukuk	I	I	I	I	I	35,403	35,403	(35,403)	I	I
by subsidiary (Note 9)	I	I	I	I	I	I	I	I	100,610	100,610
Sulance of Perpetual Sukuk (Note 21) Effort of Inco of control	I	I	I	I	I	I	I	1,097,860	I	1,097,860
in a subsidiary	I	I	I	I	I	I	I	I	(7,739)	(7,739)
Total transactions with owners	1	I	I	I	I	(23,753)	(23,753)	1,062,457	26,865	1,065,569
At 31 December 2018	584,147	(16,793)	396	I	3,618	2,773,269	3,344,637	1,097,860	1,271,946	5,714,443

## **CONSOLIDATED STATEMENT** OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before zakat and taxation:		
- Continuing operations	754,787	800,333
- Discontinued operations	(13,560)	(175,270)
Adjustments for:		
Amortisation of financial guarantee contracts	-	(2,603)
Depreciation and amortisation	346,168	281,911
Net impairment losses/(reversal of impairment) on:		
– receivables	(3,059)	(11,050)
<ul> <li>property, plant and equipment</li> </ul>	860	37,630
<ul> <li>investment properties</li> </ul>	-	600
- leased assets	178	239
<ul> <li>investments in joint ventures</li> </ul>	-	(59,104)
<ul> <li>investment in associates</li> </ul>	(11,055)	20,454
– asset held for sale	11,400	-
Write down to fair value less costs to sell:		
- investment in associates	-	31,900
Dividend income from investments	(1,066)	(3,269)
Net loss on disposal of investments	20,318	10,292
Interest expense from:		
- Continuing operations	126,548	98,271
– Discontinued operations	3,974	16,311
Interest income	(73,077)	(82,421)
Net gain on disposal of property, plant and equipment, leased assets and right-of-use assets	(26,715)	(24,099)
Gain on disposal of assets held for sale	(219,956)	-
Net provision/(reversal) of inventories written down	21,301	(35,078)
Property, plant and equipment and leased assets written off		
- property, plant and equipment (Note 4)	508	6,288
- leased assets (Note 7)	-	57
Net provision for warranties (Note 22)	16,023	113,602
Net fair value losses on financial assets held for trading	2,853	17,057
Reversal of financial guarantee contracts	-	(207,036)
Share of results of associates and joint ventures	(275,735)	(210,658)
Gain on favourable rental rates	(11,319)	-
Net fair value loss/(gain) on derivatives	3,446	(2,527)
Net unrealised foreign exchange (gain)/loss	(10,382)	34,779
Operating profit before working capital changes c/f	662,440	656,609

	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd.)		
Operating profit before working capital changes b/f	662,440	656,609
Changes in receivables	(231,939)	(39,944)
Changes in inventories	(41,507)	(76,378)
Changes in provision for warranties	(1,438)	(57,235)
Changes in payables	130,573	(30,517)
Cash generated from operating activities	518,129	452,535
Interest paid	(133,475)	(139,170)
Zakat and taxes paid	(129,630)	(138,977)
Net cash generated from operating activities	255,024	174,388
Cash flaws from investing activities		
Cash flows from investing activities Net cash outflow on acquisition of additional shares		(2,527)
Net cash outflow on acquisition of additional shares Net cash (outflow)/inflow arising from disposal of a subsidiary	(9,216)	134,616
Purchase of property, plant and equipment, investment properties and leased assets	(345,495)	(915,026)
Proceeds from disposal of property, plant, equipment, and leased assets	63,294	62,268
Proceeds from disposal of other investments	1,321,232	1,727,500
Proceeds from disposal of asset held for sale	442,993	
Purchase of other investments	(1,251,181)	(1,558,276)
Interest received	73,077	93,244
Dividends received from associates and other investments	195,830	136,356
Movement in fixed deposits placement with maturity of more than 3 months	(63,831)	2,316
Movement in deposits placement pledged with banks	2,960	854
Net cash generated from/(used in) investing activities	429,663	(318,675)
Cash flows from financing activities		
Drawdown of long term borrowings	135,789	750,000
Repayment of long term borrowings	(360,159)	(175,379)
Net movement in short term borrowings	(98,605)	(496,963)
Lease payment	(19,375)	-
Proceeds from issuance of Perpetual Sukuk	-	1,100,000
Dividends paid to Perpetual Sukuk holders	(69,659)	(35,403)
Dividends paid to equity holders of the Company	(75,939)	(58,415)
Dividends paid to non-controlling interests	(96,237)	(64,645)
Net cash (used in)/generated from financing activities	(584,185)	1,019,195

## CONSOLIDATED STATEMENT

**OF CASH FLOWS (CONT'D.)** FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
Net increase in cash and cash equivalents Effects of exchange rate changes	100,502 (4,250)	874,908 (741,141)
Cash and cash equivalents as at 1 January Cash and cash equivalents as at 31 December	1,315,235 1,411,487	1,181,469
Cash and cash equivalents comprise: Cash and bank balances (Note 17) Deposits with licensed banks – current (Note 17) Deposits, cash and bank balances attributable to assets held for sale (Note 17)	522,593 949,518 3,506	517,165 794,599 7,206
Less: Bank overdrafts (Note 23) Less: Deposits with a maturity of more than 3 months (Note 17) Less: Deposits pledged with banks (Note 17)	1,475,617 _ (64,130) _	1,318,970 (475) (299) (2,960)
	1,411,487	1,315,236

# **STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Non-current assets			
Plant and equipment	4	602	911
Investments in subsidiaries	9	1,229,441	1,229,441
Investments in an associate	11	3,779	5,570
Due from subsidiaries	16	1,055,388	1,288,646
Rights-of-use assets	8	691	-
		2,289,901	2,524,568
Current assets			
Other investments	13	562,843	693,437
Receivables	16	75,466	30,550
Tax recoverable		801	-
Deposits, cash and bank balances	17	2,126	42,143
		641,236	766,130
Total assets		2,931,137	3,290,698
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	19	584,147	584,147
Perpetual Sukuk	21	1,097,860	1,097,860
Accumulated losses		(417,650)	(444,897)
Total equity		1,264,357	1,237,110
Non-current liabilities			
Borrowings	23	1,349,927	1,649,887
Lease liabilities	8	467	_
		1,350,394	1,649,887
Current liabilities			
Borrowings	23	299,997	349,991
Payables	24	16,152	48,752
Lease liabilities	8	237	-
Taxation		-	4,958
		316,386	403,701
Total liabilities		1,666,780	2,053,588
Total equity and liabilities		2,931,137	3,290,698

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RM'000	2018 RM'000
Revenue	25	250,102	321,695
Other operating income Depreciation Other operating expenses	26	- (309) (130,988)	268 (187) (243,118)
Profit from operations Finance costs Investment income	29 30	118,805 (86,542) 141,223	78,658 (90,015) 126,758
Profit before zakat and taxation Zakat Income tax credit/(expense)	28 31	173,486 (2,325) 1,684	115,401 (5,398) (9,756)
Profit for the year, representing total comprehensive income for the year		172,845	100,247
<b>Profit for the year attributable to:</b> Equity holders of the Company Holders of Perpetual Sukuk		103,186 69,659	64,844 35,403
		172,845	100,247

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital RM'000	Accumulated losses RM'000	Perpetual Sukuk RM'000	Total equity RM'000
At 1 January 2018 Total comprehensive income	584,147	(451,326) 64,844	- 35,403	132,821 100,247
Transactions with owners:				
Dividends distributed to equity holders (Note 34) Issuance of Perpetual Sukuk (Note 21) Distribution to holders of Perpetual Sukuk	- -	(58,415) _ _	_ 1,097,860 (35,403)	(58,415) 1,097,860 (35,403)
At 31 December 2018	584,147	(444,897)	1,097,860	1,237,110
At 1 January 2019 Total comprehensive income	584,147 _	(444,897) 103,186	1,097,860 69,659	1,237,110 172,845
Transactions with owners:				
Dividends distributed to equity holders (Note 34) Distribution to holders of Perpetual Sukuk	1	(75,939) –	_ (69,659)	(75,939) (69,659)
At 31 December 2019	584,147	(417,650)	1,097,860	1,264,357

## **STATEMENT OF CASH FLOWS** FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before zakat and taxation	173,486	115,401
Adjustments for:		
Interest expense	86,542	90,015
Net gain on sale of money market fund	-	(268)
Plant and equipment written off (Note 4)	1	-
Loss on sales of investment in subsidiaries	5,000	-
Loss on disposal of plant and equipment	209	-
Investment income	(141,223)	(126,758)
Dividend income from subsidiaries	(250,000)	(321,523)
Dividend income from associate company	(102)	(172)
Depreciation	309	187
Reversal of provision of financial guarantee contracts	(27,000)	(128,971)
Net (reversal of impairment)/impairment losses on: – investment in subsidiaries	(5.000)	2 505
- investment in associate	(5,000) 1,791	2,505 20,454
Net allowance for impairment loss on amounts due from subsidiaries	137,128	557,808
Net unrealised foreign exchange gain	(603)	(1,486)
Operating (loss)/profit before working capital changes		207,192
Receivables	(19,462) 44,916	(2,356)
Amounts due from subsidiaries	319,486	(771,044)
Payables	(32,600)	(955,427)
Cash generated from/(used in) operations	312,340	(1,521,635)
Interest paid	(87,209) (6,400)	(18,400)
Zakat and taxes paid	(8,400)	(10,198)
Net cash generated from/(used in) operating activities	218,731	(1,550,233)
Cash flows from investing activities		
Interest received	_	33,792
Dividends received	102	172
Purchase of other investments	(422,000)	(653,790)
Purchase of plant and equipment	(375)	(276)
Proceeds from disposal of plant and equipment	258	_
Proceeds from disposal of other investments	658,972	979,743
Net cash generated from investing activities	236,957	359,641

	2019 RM'000	2018 RM'000
Cash flows from financing activities		
Drawdown of borrowings	_	200,000
Drawdown of Perpetual Sukuk		1,100,000
	(107)	1,100,000
Lease payment	. ,	_
Repayment of borrowings	(350,000)	(25,402)
Dividends paid to Perpetual Sukuk holders	(69,659)	(35,403)
Dividends paid to equity holders of the Company	(75,939)	(58,415)
Net cash (used in)/generated from financing activities	(495,705)	1,206,182
Net (decrease)/increase in cash and cash equivalents	(40,017)	15,590
Cash and cash equivalents as at 1 January	42,143	26,553
	,	20,000
Cash and cash equivalents as at 31 December	2,126	42,143
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	2,126	2,958
Deposits with licensed banks (Note 17)	_,	39,185
	2,126	42,143

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

#### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 6, Menara UMW, Jalan Puncak, Off Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia.

The Company is an investment holding company. The principal activities of the subsidiaries, joint ventures and associates are described in Notes 38 to 40. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 May 2020.

#### 2. Significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (**MFRS**) as issued by Malaysian Accounting Standards Board (**MASB**), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Securities**).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (**RM**) and all values are rounded to the nearest thousand (**RM'000**), except when otherwise indicated.

The preparation of financial statements in conformity with the provisions of the Companies Act 2016 and MFRS in Malaysia, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates. Areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

#### 2.2 Changes in accounting policies

On 1 January 2019, the Group and the Company adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2019:

- Amendments to MFRS 1 (Annual Improvements to MFRS 2015-2017 Cycle)
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- MFRS 16 Leases
- · Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement
- · Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23 Uncertainty over Income Tax Treatments

## 2.2 Changes in accounting policies (cont'd.)

The adoption of the above new and amended standards did not have any significant effect on the financial performance or position of the Group and the Company except for those disclosed below:

#### MFRS 16: Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognised most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases, applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The Group and the Company have lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of MFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low value assets. Refer to Note 2.4 (t) Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

- Leases previously classified as finance leases

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019.

- Leases previously accounted for as operating leases

The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

## 2. Significant accounting policies (cont'd.)

## 2.2 Changes in accounting policies (cont'd.)

## MFRS 16: Leases (cont'd.)

The Group and the Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of MFRS 16 adoption as at 1 January 2019 is as follows:

	Group RM'000
Assets	
Right-of-use assets	65,047
Reclassification of property, plant and equipment	92,171
Reclassification of land use rights	468
	157,686
Right-of-use assets recognised within property, plant and equipment	53,084
	210,770
Liabilities	
Lease liabilities	65,047

Based on the above, as at 1 January 2019:

- Right-of-use assets of RM65,047,000 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of RM65,047,000 (included in interest bearing loans and borrowings) were recognised.
- Reclassification of leasehold land previously classified under property, plant and equipment of RM92,171,000 and RM468,000 to right-of-use assets for the Group.

## 2.2 Changes in accounting policies (cont'd.)

## MFRS 16: Leases (cont'd.)

The explanation of the difference between operating lease commitments disclosed as at 31 December 2018 when applying MFRS 117 to the lease liabilities recognised as at 1 January 2019 is presented in the table below:

	Group RM'000
Operating lease commitments as at 31 December 2018 under MFRS 117	74,313
Variable lease payments linked to index	369
Reasonably certain extension	11,358
Excluded short-term leases	(1,643)
Excluded low-value assets	(827)
The effect of discounting using the incremental borrowing rate	(18,523)
Lease liability as at 1 January 2019	65,047

## 2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 Business Combinations (Definition of a Business)	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements:	
Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture Amendments to MFRS 128 Investments in Associates and Joint Ventures:	To be announced
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

There are no other new or revised MFRS and amendments to MFRS not yet effective that would likely have a material impact on the Group and the Company in the current or future reporting periods.

## 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies

#### (a) Subsidiaries, basis of consolidation, associates and joint arrangements

#### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 2.4 Summary of significant accounting policies (cont'd.)

#### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

#### (i) Basis of consolidation (cont'd.)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

#### (iii) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### 2. Significant accounting policies (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

#### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

#### (iv) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting.

#### (v) Joint arrangement

A joint arrangement is an arrangement of which the Group has joint control, established by contracts requiring unanimous consent on activities that significantly affect the arrangement's returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to the arrangement. A joint arrangement is classified as a joint venture when the Group or the Company has rights only to the net assets of the joint arrangement. The Group and the Company have classified its joint arrangements as joint ventures and accounted for their interest in joint ventures using the equity method, as described in Note 2.4(a)(vi).

#### (vi) Equity method of accounting

Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates and joint ventures. The Group's share of the net profit or loss in an associate or a joint venture is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. After application of the equity method, the Group determines whether it is necessary to recognised any additional impairment loss with respect to the Group's net investment in the associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The associate is equity accounted for from the date the Group exercises significant influence over the financial and operating policies of the associate until the date the Group ceases to have significant influence over the associate, while for joint venture it is accounted for when both parties has contractually agreed in the joint control arrangement, which exist only when decisions about the relevant activities require unanimous consent.

Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the year in which the investment is acquired.

### 2.4 Summary of significant accounting policies (cont'd.)

#### (a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

#### (vi) Equity method of accounting (cont'd.)

The most recent available audited financial statements of the associate or joint venture is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### (b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are either included in the asset's carrying amount or recognised as a separate asset, provided costs can be measured reliably and it is probable that future economic benefits associated with these costs will flow to the Group.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to the profit or loss in the financial period when incurred.

Freehold land and assets-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Leasehold land – finance lease	Over lease period of 50 – 99 years
Buildings	The shorter of 50 years or lease period
Plant and machinery	3% - 33%
Office equipment, furniture and fittings	10% - 50%
Motor vehicles	20% - 33%
Renovation and improvements	10% - 16%

### 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

#### (b) Property, plant and equipment (cont'd.)

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of a property, plant and equipment item, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss in the year the asset is derecognised.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(y).

#### (c) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of a land use right, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the land use right is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(y).

#### (d) Leased assets

Leased assets represent plant and equipment leased by the Group to third parties under operating leases.

Depreciation of leased assets is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates of depreciation:

Plant and machinery	12.5% - 33.3%
Other equipment and tools	12.5%

The accounting policies for leased assets are the same as that for property, plant and equipment in all respects.

#### (e) Investment properties

Investment properties are land or buildings held by the Group or held under finance leases, to earn rental income or for capital appreciation, or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other investment properties is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

Leasehold land – finance lease Buildings Over lease period of 50 – 99 years The shorter of 50 years or lease period

## 2.4 Summary of significant accounting policies (cont'd.)

### (e) Investment properties (cont'd.)

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(y).

## (f) Financial assets

#### (i) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (**OCI**), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model in managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, its transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 (Note 2.4(r)).

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated from collecting contractual cash flows and/or selling the financial assets, or both. Financial assets held with the objective to only collect contractual cash flows are classified and measured at amortised cost. Otherwise, the financial assets are classified as fair value through OCI and measured at fair value.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

#### 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

#### (ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

#### 1. Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments
  of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables (other than accrued income and prepayments), deposits, cash and bank balances.

#### 2. Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments
  of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

#### 3. Financial assets designated at fair value through OCI (equity instruments)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to irrevocably classify its non-listed equity investments under this category.

## 2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

#### (ii) Subsequent measurement (cont'd.)

#### 4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments, listed equity investments and investment in money market fund which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial or non-financial host, is separated from the host and accounted for as a separate derivative if:

- the economic characteristics and risks are not closely related to the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

- (f) Financial assets (cont'd.)
  - (iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognised the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### (g) Impairment of financial assets

The Group recognises an allowance for expected credit losses (**ECLs**) for all debt instruments not held at fair value through profit or loss. ECLs are based on difference between the contractual cash flows due, in accordance with the contract, and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (if any).

## 2.4 Summary of significant accounting policies (cont'd.)

#### (g) Impairment of financial assets (cont'd.)

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value or being within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Cost is determined principally by the following methods:

- (i) Equipment, unassembled and completed vehicles and attachments specific identification
- (ii) Finished goods, work-in-progress, raw materials, spares and consumable weighted average

Cost includes the invoiced value of inventories purchased plus incidental expenses. For manufactured goods, completed vehicles, attachments and work-in-progress, cost includes cost of raw materials, direct labour and the appropriate production overheads.

#### (j) Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

#### (k) Foreign currencies

#### (i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (**the functional currency**). The consolidated financial statements are presented in Ringgit Malaysia (**RM**), which is also the Company's functional currency.

#### (ii) Foreign currency transactions

Transactions in currencies other than the entity's functional currency (**foreign currencies**) are initially converted into functional currency at rates of exchange ruling at the transaction dates.

#### Non-monetary items

At each financial reporting date, non-monetary foreign currency items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

#### Monetary items

At each reporting date, monetary foreign currency items are translated into functional currency at exchange rates ruling at that date.

#### - Entity's financial statements

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statement or the individual financial statements of the foreign operation, as appropriate.

#### - Consolidated financial statements

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve, within other comprehensive income, until the disposal of the foreign operations, at which time they are recognised in profit or loss.

#### (iii) Foreign operations

Financial statements of consolidated foreign subsidiaries are translated at year end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to the profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate of the reporting date.

## 2.4 Summary of significant accounting policies (cont'd.)

#### (I) Financial liabilities

#### (i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include lease liabilities, trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

#### (ii) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

#### 1. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Group has not designated any financial liability as at fair value through profit or loss.

#### 2. Financial liabilities at amortised costs

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to lease liabilities, trade and other payables, interest-bearing loans and borrowings. For more information, refer to Note 8, Note 23 and Note 24.

#### (iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

## 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

#### (m) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, the financial guarantee contracts are measured at the higher of:

- (i) the amount determined in accordance with the accounting policy for provisions set out in Note 2.4(v)(i); or
- (ii) the amount initially recognised less cummulative amortisation recognised in profit or loss.

#### (n) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

#### (p) Zakat

This represents business zakat payable by the Group and the Company. Zakat, a form of contribution, is calculated based on a certain percentage of the net current assets, according to Syariah principles.

#### (q) Income tax

Income tax on the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2.4 Summary of significant accounting policies (cont'd.)

#### (q) Income tax (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except:

- (i) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (i) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

### (r) Revenue

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The Group is in the business of providing vehicles, equipment, parts, lubricants and related products, property development, export, services, rental and dividend income. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

#### (i) Revenue from contracts with customers

#### 1. Sales of goods

The Group's revenue mainly derived from the sales of the following:

- Vehicles
- Equipment
- Parts
- Exports
- Lubricants and related products
- Property development

Revenue from sale of vehicles, equipment, parts, lubricants and related products and property development are recognised at the point in time when control of asset is transferred to customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

## 2.4 Summary of significant accounting policies (cont'd.)

- (r) Revenue (cont'd.)
  - (i) Revenue from contracts with customers (cont'd.)
    - 1. Sales of goods (cont'd.)

#### Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

#### - Right of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled.

The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price.

For goods that are expected to be returned, instead of netted off against revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

#### Volume rebates

The Group provides volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

#### Non-cash consideration

The Group received moulds and other tools from certain customers to be used in manufacturing of equipments and parts to be sold to them. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the equipment.

The Group applies the requirements of MFRS 13 Fair Value Measurement in measuring the fair value of the non-cash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the equipments and parts.

#### 2. Significant accounting policies (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

- (r) Revenue (cont'd.)
  - (i) Revenue from contracts with customers (cont'd.)
    - 2. Rendering of services

The Group provides services that are either sold separately or bundled together with the sale of products to a customer. The services can be obtained from other providers and do not significantly customise or modify the equipment.

Contracts for bundled sales of products and services comprised two performance obligations because the promises to transfer equipment and provide services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and services.

The Group recognises revenue from the services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

#### 3. Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. Refer to (Note 2.4 (v)(ii)).

The Group also provides an extended warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of equipments and parts. Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations, because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

#### 4. Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for bundled sales of vehicles, equipment and services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

#### **Contract balances**

#### **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The trade receivables are disclosed in Note 16.

## 2.4 Summary of significant accounting policies (cont'd.)

#### (r) Revenue (cont'd.)

#### (ii) Rental income

Rental income on operating lease transactions is accounted for on a straight-line basis over the lease term.

#### (iii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

#### (s) Interest income

Interest income is recognised using the effective interest method.

#### (t) Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i) As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

The Group and the Company recognised right-of-use assets at the commencement date of the lease (e.g. the date of the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land – finance lease	Over lease period of 50 – 99 years
Plant and machinery	12.5% - 33.3%
Other equipment and tools	12.5%

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as disclosed in Note 2.4 (y).

#### 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

(t) Leases (cont'd.)

#### (i) As lessee (cont'd.)

(b) Lease liabilities

At the commencement date of the lease, the Group and the Company recognised lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised, by the Group and the Company, and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company are likely to exercise the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date if the implicit interest rate to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group and the Company also apply the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### (ii) As lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Due to its operating nature, rental income arising from an operating lease is accounted for on a straight-line basis over the lease term, and is included in revenue in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 2.4 Summary of significant accounting policies (cont'd.)

#### (u) Employee benefits

#### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans, under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in the profit or loss as incurred.

#### (v) Provisions

#### (i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. The provision is reversed if it is no longer probable that an outflow of economic resources will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### 2. Significant accounting policies (cont'd.)

## 2.4 Summary of significant accounting policies (cont'd.)

#### (v) Provisions (cont'd.)

#### (ii) Warranty provisions

Provision for warranties is made for the estimated liability on all products under warranty in addition to claims already received. The provision is based on experienced levels of claims arising during the period of warranty. Provision for warranties are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

#### (w) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Dividends proposed or declared after the reporting date were not recognised as a liability at the reporting date.

#### (x) Assets held for sale

Assets held for sale and disposal groups, comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal group are measured at the lower of carrying amount and fair value less costs to sell. Any differences are charged to profit or loss.

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted investees ceases once classified as held for sale.

#### (y) Impairment of non-financial assets

The carrying amounts of assets, other than construction contract assets, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (**CGU**) to which the asset belongs to.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

### 2. Significant accounting policies (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

#### (y) Impairment of non-financial assets (cont'd.)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

#### (z) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Group Chief Executive Officer, who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### (aa) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

#### (i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### (ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

#### (ab) Derivative financial instruments

#### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### 2. Significant accounting policies (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

#### (ac) Discontinued operations

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resell.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprise the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operations. The comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

#### 3. Significant accounting judgements and estimates

#### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### (i) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (**DCF**) model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 44 for further disclosures.

#### (ii) Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

### 3. Significant accounting judgements and estimates (cont'd.)

#### 3.1 Judgements made in applying accounting policies (cont'd)

#### (ii) Determining the lease term of contracts with renewal and termination options - Group as lessee (cont'd)

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter noncancellable period (i.e. three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e. 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

#### 3.2 Significant accounting estimates

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of recognised and unrecognised deferred tax assets is disclosed in Note 12.

#### (ii) Provision for warranties

The Group and the Company recognised provision for liabilities associated with the warranties provided on certain products. This requires an estimation of the expenditure required to settle the present obligation at the reporting date. In determining the provision, the Group has made assumptions in relation to the expected cost to repair and/or replace the products and the expected timing of those costs. The carrying amount of provision for warranties at the end of the reporting period is disclosed in Note 22.

#### (iii) Provision for expected credit losses (ECLs) of trade receivables

The Group uses simplified approach to calculate ECLs for trade receivables, contract assets and other investments. The provision rates are based on various customer's historical observed default rates.

The Group considers and assesses the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 16.

#### 3. Significant accounting judgements and estimates (cont'd.)

#### 3.2 Significant accounting estimates (cont'd.)

### Key sources of estimation uncertainty (cont'd.)

#### (iv) Estimating the incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (**IBR**) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay for borrowing, under similar terms, to fund the purchase of a similar right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### Plant and \*\*Other \*Land and Assets-inbuildings machinery progress assets Total RM'000 RM'000 RM'000 RM'000 RM'000 Group Cost At 1 January 2018 1,933,162 986,638 660,830 3,996,185 415,555 Exchange differences (501)10,706 25 (279)9,951 Additions 5,907 87,763 573,558 66,052 733,280 Write-offs (2,779)(4,099)(11,354)(18, 307)(75)Disposals (25, 327)(52) (28,078)(53, 457)\_ (1,051,614) Reclassification 648,679 410,836 (7,901)Reclassified to assets held for sale (211,663) (2,332)(3, 127)(217, 122)Reclassified to investment properties (Note 5) (264, 146)(264, 146)Reclassified from leased assets (Note 7) 187 187 \_ \_ At 31 December 2018/1 January 2019 2,111,363 1,465,692 178,648 430,868 4,186,571 Exchange differences (392) (6,694) (502) (7,600) (12) Additions 55,929 202,526 52,724 31,579 62,294 Write-offs (8, 874)(71, 805)(1,592)(61,339) Disposals (53,679) (31,000) (84,679) Reclassification 22,499 6,625 (30, 244)1,120 Reclassified to assets held for sale (21,824) (6,977) 3,111 (26,699) (52,389) Reclassified to right-of-use assets (Note 8) (117,537) (117, 537)Reclassified from leased assets (Note 7) 259 259 \_ \_ At 31 December 2019 2,045,241 1,399,816 183,082 427,207 4,055,346

#### 4. Property, plant and equipment

	*Land and buildings RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Group (cont'd.)					
Accumulated depreciation and impairment losses ***					
At 1 January 2018	373,227	678,483	3,922	282,450	1,338,082
Exchange differences	(222)	8,171	_	(147)	7,802
Charge for the year	38,250	93,323	_	38,817	170,390
Write-offs	(9)	(2,752)	_	(9,258)	(12,019)
Disposals	(1,197)	(23,003)	_	(17,157)	(41,357)
Impairment losses	_	_	5,242	_	5,242
Reclassification	647	(16)	_	(631)	_
Reclassified to assets held for sale	(47,032)	(5,019)	_	(1,788)	(53,839)
Reclassified to investment properties (Note 5)	(48,816)	_	_	_	(48,816)
Reclassified from leased assets (Note 7)	-	162	_	-	162
At 31 December 2018/1 January 2019	314,848	749,349	9,164	292,286	1,365,647
Exchange differences	(158)	(6,577)	(32)	(424)	(7,191)
Charge for the year	23,876	145,102	-	46,040	215,018
Write-offs	(1,592)	(61,181)	-	(8,524)	(71,297)
Disposals	-	(52,175)	-	(19,828)	(72,003)
Impairment losses, net	1,229	-	(369)	-	860
Reclassification	-	(14,138)	-	14,138	-
Reclassified to assets held for sale	(19,444)	(10,487)	-	(22,318)	(52,249)
Reclassified from leased assets (Note 7)	-	235	-	-	235
Reclassified to right-of-use assets (Note 8)	(25,366)	-	-	-	(25,366)
At 31 December 2019	293,393	750,128	8,763	301,370	1,353,654
Carrying amount					
At 31 December 2019	1,751,848	649,688	174,319	125,837	2,701,692
At 31 December 2018	1,796,515	716,343	169,484	138,582	2,820,924

# 4. Property, plant and equipment (cont'd.)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

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# 4. Property, plant and equipment (cont'd.)

\* Land and buildings

	Freehold land RM'000	Buildings on freehold land RM'000	<sup>#</sup> Long term leasehold land RM'000	*Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Group							
Cost							
At 1 January 2018	704,334	356,904	160,135	32,335	612,614	66,840	1,933,162
Exchange differences	-	-	(36)	(7)	(504)	46	(501)
Additions	-	5,765	-	-	142	-	5,907
Write-offs	-	-	-	-	(75)	-	(75)
Reclassification	-	51,175	5,395	-	592,109	-	648,679
Net reclassified to assets held for sale	(17,458)	(48,274)	(80,296)	(2,872)	(62,763)	-	(211,663)
Reclassified to investment properties							
(Note 5)	(47,544)	(88,388)	(22,639)	(6,992)	(98,583)	-	(264,146)
At 31 December 2018/1 January 2019	639,332	277,182	62,559	22,464	1,042,940	66,886	2,111,363
Exchange differences	-	-	(30)	(27)	(340)	5	(392)
Additions	-	579	11,779	-	40,366	-	52,724
Write-offs	-	-	-	-	(1,592)	-	(1,592)
Reclassification	(59,293)	15,486	85,140	1,042	(19,876)	-	22,499
Reclassified to assets held for sale	(1,959)	(760)	4,021	(3,505)	(14,026)	(5,595)	(21,824)
Reclassified to right-of-use assets							
(Note 8)	-	-	(107,039)	(10,498)	-	-	(117,537)
At 31 December 2019	578,080	292,487	56,430	9,476	1,047,472	61,296	2,045,241

# 4. Property, plant and equipment (cont'd.)

\* Land and buildings (cont'd.)

	Freehold land RM'000	Buildings on freehold land RM'000	<sup>#</sup> Long term leasehold land RM'000	*Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Group (cont'd.)							
Accumulated depreciation and							
impairment losses							
At 1 January 2018	-	57,627	31,330	14,315	235,591	34,364	373,227
Exchange differences	-	-	7	-	(259)	30	(222)
Charge for the year	-	5,783	3,382	548	26,561	1,976	38,250
Write-offs	-	-	-	-	(9)	-	(9)
Disposals	-	-	(647)	-	-	(550)	(1,197)
Reclassification	-	-	2,729	-	(2,082)	-	647
Reclassified to assets held for sale	-	(9,305)	(13,677)	(1,262)	(22,788)	-	(47,032)
Reclassified to investment properties							
(Note 5)	-	(12,576)	(1,670)	(3,116)	(31,454)	-	(48,816)
At 31 December 2018/1 January 2019	-	41,529	21,454	10,485	205,560	35,820	314,848
Exchange differences	-	-	5	(6)	(169)	12	(158)
Charge for the year	-	5,449	94	201	16,884	1,248	23,876
Write-offs	-	-	-	-	(1,592)	-	(1,592)
Impairment losses	-	-	753	-	-	476	1,229
Reclassification	-	(127)	3,676	(1,581)	(1,968)	-	-
Reclassified to right-of-use assets							
(Note 8)	-	-	(24,465)	(901)	-	-	(25,366)
Reclassified to assets held for sale	-	(455)	3,258	(2,875)	(18,186)	(1,186)	(19,444)
At 31 December 2019	-	46,396	4,775	5,323	200,529	36,370	293,393
Carrying amount							
At 31 December 2019	578,080	246,091	51,655	4,153	846,943	24,926	1,751,848
At 31 December 2018	639,332	235,653	41,105	11,979	837,380	31,066	1,796,515

# 4. Property, plant and equipment (cont'd.)

- \*\* Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.
- # Relates to right-of-use assets
- \*\*\* Accumulated depreciation and impairment losses:

	Land and buildings RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	Other assets RM'000	Total RM'000
Group					
Accumulated impairment losses					
At 31 December 2019	34,561	4,998	8,763	303	48,625
At 31 December 2018	33,332	4,998	9,164	303	47,797
Accumulated depreciation					
At 31 December 2019	258,832	745,130	-	301,067	1,305,029
At 31 December 2018	281,516	744,351	_	291,983	1,317,850

	Motor vehicles RM'000	Computer equipment RM'000	Other assets RM'000	Total RM'000
Company				
Cost				
At 1 January 2018 Additions	827 276	30	12	869 276
At 31 December 2018/1 January 2019 Additions Write-offs Disposals	1,103 296 - (572)	30 79 (11) (10)	12 - - -	1,145 375 (11) (582)
At 31 December 2019	827	88	12	927

# 4. Property, plant and equipment (cont'd.)

	Motor vehicles RM'000	Computer equipment RM'000	Other assets RM'000	Total RM'000
Company (cont'd.)				
Accumulated depreciation				
At 1 January 2018	28	17	2	47
Charge for the year	179	6	2	187
At 31 December 2018/1 January 2019	207	23	4	234
Charge for the year	207	7	2	216
Write-offs	-	(10)	-	(10)
Disposals	(106)	(9)	-	(115)
At 31 December 2019	308	11	6	325
Carrying amount				
At 31 December 2019	519	77	6	602
At 31 December 2018	896	7	8	911

(a) Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use with their carrying costs as follows:

	Gro	oup
	2019 RM'000	2018 RM'000
Buildings	106,916	111,543
Plant and machinery Office equipment, furniture and fittings, motor vehicles, renovation and improvements	344,430 130,227	501,109 191,301

(b) The carrying amount of plant and equipment held under hire purchase arrangement is nil (2018: RM6,239).

(c) Reversal of interest expense capitalised during the financial year under assets-in-progress of the Group amounted to RM722,000 (2018: capitalise of RM722,000) as disclosed in Note 29.

# 4. Property, plant and equipment (cont'd.)

(d) The carrying amount of property, plant and equipment pledged for borrowings are as follows:

	G	roup
	2019 RM'000	
Land and buildings		2,730
Others	-	2,299
	-	5,029

### 5. Investment properties

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Group						
Cost						
At 1 January 2018	129	261	7,580	224	_	8,194
Exchange differences	_	(12)	_	_	_	(12)
Additions	-	-	2,800	466	_	3,266
Reclassified from property, plant and						
equipment (Note 4)	47,544	88,388	22,639	98,583	6,992	264,146
Reclassified from land use rights (Note 6)	-	-	4,652	-	_	4,652
Reclassified from assets held for sale	3,267	2,957	435	865	-	7,524
At 31 December 2018/1 January 2019	50,940	91,594	38,106	100,138	6,992	287,770
Exchange differences	-	-	(3)	-	-	(3)
Additions	-	-	-	471	-	471
Reclassified to assets held for sale	-	-	(28,674)	(5,816)	-	(34,490)
At 31 December 2019	50,940	91,594	9,429	94,793	6,992	253,748

# 5. Investment properties (cont'd.)

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Group (cont'd.)						
Accumulated depreciation						
At 1 January 2018	_	130	6,344	224	_	6,698
Charge for the year	-	1,824	1,329	2,912	350	6,415
Impairment losses (Note 28)	-	-	600	-	-	600
Reclassified from property, plant and						
equipment (Note 4)	-	12,576	1,670	31,454	3,116	48,816
Reclassified from land use rights (Note 6)	-	-	2,684	-	-	2,684
Reclassified from assets held for sale	-	990	189	477	-	1,656
At 31 December 2018/1 January 2019	-	15,520	12,816	35,067	3,466	66,869
Charge for the year	-	1,813	1,318	12,323	-	15,454
Reclassified (to)/from assets held for sale	-	-	(5,841)	6,498	-	657
At 31 December 2019	-	17,333	8,293	53,888	3,466	82,980
Carrying amount						
At 31 December 2019	50,940	74,261	1,136	40,905	3,526	170,768
At 31 December 2018	50,940	76,074	25,290	65,071	3,526	220,901

Fair value of investment properties as at 31 December 2019 was estimated by the directors to be approximately RM237,628,000 (2018: RM263,027,000)

# 6. Land use rights

	Leasehold land RM'000
Group	
Cost	
At 1 January 2018 Reclassified to investment properties (Note 5)	5,985 (4,652)
At 31 December 2018/1 January 2019 Reclassified to right-of-use assets (Note 8)	1,333 (1,333)
At 31 December 2019	-
Accumulated depreciation and impairment losses	
At 1 January 2018	3,482
Charge for the year	67
Reclassified to investment properties (Note 5)	(2,684)
At 31 December 2018/1 January 2019	865
Reclassified to right-of-use assets (Note 8)	(865)
At 31 December 2019	-
Carrying amount	
At 31 December 2019	-

### 7. Leased assets

	Machinery and equipment RM'000
Group	
Cost	
At 1 January 2018	678,186
Exchange differences	(313)
Additions	178,480
Disposals	(125,024)
Write-offs	(165)
Reclassified to property, plant and equipment (Note 4)	(187)
At 31 December 2018/1 January 2019	730,977
Exchange differences	(362)
Additions	142,498
Disposals	(114,467)
Write-offs	(705)
Reclassified to property, plant and equipment (Note 4)	(259)
Reclassified from inventories	216
At 31 December 2019	757,898

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### 7. Leased assets (cont'd.)

	Machinery and equipment RM'000
Group (cont'd.)	
Accumulated depreciation and impairment losses	
At 1 January 2018 Exchange differences Charge for the year Disposals Write-offs Impairment losses (Note 28) Reclassified to property, plant and equipment (Note 4)	387,942 309 105,039 (98,955) (108) 239 (162)
At 31 December 2018/1 January 2019 Exchange differences Charge for the year Disposals Write-offs Impairment losses (Note 28) Reclassified to property, plant and equipment (Note 4)	394,304 (302) 96,864 (90,153) (705) 178 (235)
At 31 December 2019	399,951
<b>Carrying amount</b> At 31 December 2019	357,947
At 31 December 2018	336,673

The future minimum lease receivable by the Group in relation to those assets that have been leased as at year end are as follows:

	G	Group	
	2019 RM'000		
Due within one year Due between one and two years Due between two and five years Due after five years	157,92 109,368 96,168 2,05	107,259 124,112	
	365,510	387,360	

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM162.5 million (2018: RM179.7 million).

#### 8. Leases

#### As lessee

The Group and the Company have lease contracts for various items of land and buildings, plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's and the Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Other equipment RM'000	Total RM'000
Group					
Cost					
As at 1 January 2019 – Upon adoption of MFRS 16 – Reclassified from property, plant and equipment (Note 4) – Reclassified from land use rights (Note 6)	55,208 117,537 1,333	5,434 - -	- - -	4,405 _ _	65,047 117,537 1,333
Additions Disposals Remeasurement Exchange differences	174,078 50,769 - (12,359) 12	5,434 12,428 (626) (67) –	- 3,644 - -	4,405 2,373 - - -	183,917 69,214 (626) (12,426) 12
At 31 December 2019	212,500	17,169	3,644	6,778	240,091
Accumulated depreciation As at 1 January 2019					
<ul><li>Reclassified from property, plant and equipment (Note 4)</li><li>Reclassified from land use rights (Note 6)</li></ul>	25,366 865	-	-	-	25,366 865
Charge for the year Disposals Exchange differences	26,231 10,645 - 1	- 3,326 (234) -	_ 1,685 _ _	- 3,177 - -	26,231 18,833 (234) 1
At 31 December 2019	36,877	3,092	1,685	3,177	44,831
Carrying amount					
At 31 December 2019	175,623	14,077	1,959	3,601	195,260

# 8. Leases (cont'd.)

### As lessee (cont'd.)

Reconciliation of effect of adoption of MFRS 16 as disclosed below:

	RM'000
Effect of adoption of MFRS 16	157,686
Long term leasehold land (Note 4)	41,105
Short-term leasehold land (Note 4)	11,979
Total effects of adoption as disclosed in Note 2.2	210,770
	Motor vehicles RM'000
Company	
Cost	
As at 1 January 2019 (arising from adopting MFRS 16) Additions	175 609
As at 31 December 2019	784
Accumulated depreciation	
Depreciation expense	95
As at 31 December 2019	95
Carrying amount	
At 31 December 2019	689

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Other equipment RM'000	Total RM'000
Group					
As at 1 January 2019 (arising from adopting MFRS 16)	55,208	5,434	-	4,405	65,047
Additions	39,804	12,073	3,644	2,373	57,894
Derecognition	-	(403)	-	-	(403)
Remeasurement	(12,365)	-	-	-	(12,365)
Accretion of interest	1,975	694	203	334	3,206
Payments	(9,401)	(4,379)	(1,868)	(3,727)	(19,375)
Exchange differences	11	-	-	-	11
As at 31 December 2019	75,232	13,419	1,979	3,385	94,015

### 8. Leases (cont'd.)

### As lessee (cont'd.)

	Motor vehicles RM'000
Company	
As at 1 January 2019 (arising from adopting MFRS 16)	175
Additions	609
Accretion of interest	27
Payments	(107)
As at 31 December 2019	704

	Grou	p Company
	2019	
	RM'000	RM'000
Current	37,607	237
Non-current	56,408	
	94,015	704

#### As lessor

The following are the amounts recognised in profit or loss:

	Group	Company	
	2019	2019 RM'000	
	RM'000		
Depreciation expense of right-of-use assets	18,833	93	
Interest expense on lease liabilities	3,206	27	
Expense relating to short-term leases	1,781	-	
Expense relating to leases of low-value-assets	257	-	
Total amount recognised in profit or loss	24,077	120	

The Group had total cash outflows for leases of RM19,375,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of RM69,214,000 in 2019.

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings (see Note 5). These leases have terms of between five and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognised by the Group during the year is RM8,876,000 (2018: RM23,000).

### 9. Investments in subsidiaries

	Com	Company	
	2019 RM'000	2018 RM'000	
Unquoted shares in Malaysia, at cost Less: Accumulated impairment losses	1,680,045 (450,604)	1,685,045 (450,604)	
	1,229,441	1,229,441	

Details of subsidiaries of the Company are disclosed in Note 38 to the financial statements.

### (a) Subsidiaries under members' voluntary liquidation

The following subsidiaries have been placed under members' voluntary liquidation:

		Date placed under	
		liquidation	Status
(i)	Kelang Pembena Kereta2 Sendirian Berhad	18 December 2018	On-going
(ii)	UMW Autocorp Sdn Bhd	18 December 2018	On-going
(iii)	UMW Coating Technologies (Tianjin) Co Ltd	28 December 2018	On-going
(iv)	Arabian Drilling Services LLC	31 December 2018	On-going
(v)	UMW Middle East Ventures Holding WLL	1 January 2019	On-going
(vi)	UMW Oil & Gas Berhad	2 January 2019	On-going
(vii)	UMW SG Power Systems Sdn Bhd	5 December 2019	On-going
(viii)	UMW SG Engineering & Services Sdn Bhd	5 December 2019	On-going
(ix)	KYB-UMW Steering Malaysia Sdn Bhd	13 December 2019	On-going
(x)	UMW (Sarawak) Sdn Bhd	15 December 2017	*Completed
(xi)	UMW Australia Ventures Sdn Bhd	24 May 2018	*Completed
(xii)	UMW Marine and Offshore Pte Ltd	21 June 2018	*Completed
(xiii)	UMW China Ventures (L) Ltd	31 December 2018	*Completed
(xiv)	UMW Offshore Investments (L) Ltd	31 December 2018	*Completed

\* The winding up of these companies was completed during the year.

# 9. Investment in subsidiaries (cont'd.)

### (b) Material non-controlling interest of a subsidiary

Financial information of subsidiaries that have material non-controlling interests are provided below:

	Effective inte non-controlli	-
	2019	2018
Subsidiary		
UMW Toyota Motor Sdn Bhd	49.00%	49.00%
	2019 RM'000	2018 RM'000
Accumulated balances of material non-controlling interests:		
UMW Toyota Motor Sdn Bhd	1,480,189	1,461,429
Other individually immaterial subsidiaries	(176,361)	(189,483)
	1,303,828	1,271,946
Profit for the year attributable to material non-controlling interests:		
UMW Toyota Motor Sdn Bhd	96,817	116,889
Other individually immaterial subsidiaries	7,817	3,140
	104,634	120,029
Dividends paid to non-controlling interests:		
UMW Toyota Motor Sdn Bhd	78,057	57,820
Other individually immaterial subsidiaries	18,180	6,825
	96,237	64,645

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

#### Summarised consolidated statement of comprehensive income for the year ended:

	2019 RM'000	2018 RM'000
UMW Toyota Motor Sdn Bhd		
Revenue	9,305,374	8,955,116
Profit for the year	196,032	238,549
Total comprehensive income	197,586	236,393

### 9. Investment in subsidiaries (cont'd.)

### (b) Material non-controlling interest of a subsidiary (cont'd.)

Summarised consolidated statement of financial position as at 31 December:

	2019	2018	
RM'000		RM'000	
UMW Toyota Motor Sdn Bhd			
Non-current assets	2,526,911	2,634,790	
Current assets	2,760,023	2,434,289	
Non-current liabilities	(776,631)	(825,062)	
Current liabilities	(1,489,510)	(1,261,510)	
Total equity	3,020,793	2,982,507	
Attributable to:			
Equity holders of parent	1,540,604	1,521,079	
Non-controlling interests	1,480,189	1,461,429	
	3,020,793	2,982,508	

#### Summarised consolidated cash flow information as at 31 December:

	2019 RM'000	2018 RM'000
UMW Toyota Motor Sdn Bhd		
Cash inflows from operating activities	178,078	224,750
Cash inflows/(outflows) from investing activities	64,001	(605,401)
Cash (outflows)/inflows from financing activities	(159,990)	432,000
Net increase in cash and cash equivalents	82,089	51,349

### 9. Investment in subsidiaries (cont'd.)

#### (c) Disposal of interest in subsidiaries that resulted in loss of control

(i) On 5 February 2019, the Company completed the sale of UMW Australia Venture (L) Ltd (**UAV**), together with its subsidiaries for a purchase price of AUD2.00. This gives rise to a loss on disposal amounting to RM14,410,000. The details are as follows:

	2019 RM'000
Other assets and liabilities (net)	14,410
Net assets disposed Fair value of UAV	14,410 -
Net loss on disposal	14,410

(ii) In the prior year, the Group completed the sale of remaining 70% of UMW Fabritech Sdn Bhd, a subsidiary in UMW Group with a sales proceeds of RM18 million. This gives rise to a loss on disposal amounting to RM58,000. The details are as follows:

	2018 RM'000
Other assets and liabilities (net)	25,797
Non-controlling interests	(7,739)
Net assets disposed	18,058
Fair value of UMW Fabritech	(18,000)
Net loss on disposal	58

#### 10. Investments in joint ventures

	2019 RM'000	2018 RM'000
Unquoted shares, at cost Share of post-acquisition losses Less: Accumulated impairment losses	267,301 (94,329) (118,102)	
Carrying amount of investment	54,870	48,627

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

No quoted market prices are available for the shares of the Group's joint ventures as these companies are private companies.

As none of the Group's joint ventures are individually material to the Group, the summarised financial information for the aggregated assets, liabilities and results of the joint ventures are as follows:

#### Summarised statement of financial position:

	2019 RM'000	2018 RM'000
Cash and cash equivalents	24,079	22,521
Other current assets	92,961	88,276
Non-current assets	46,509	79,559
Current liabilities	(68,887)	
Non-current liabilities	(3,211)	
	91,451	114,764
Reconciliation of net assets to carrying amount as at 31 December: Group's share of net assets	54,870	48,627
Summarised statement of comprehensive income:	2019 RM'000	2018 RM'000
Profit for the year Other comprehensive loss Total comprehensive income	9,174 (557) 8,617	10,319 (3,942) 6,377
Group's share of profit for the year Group's share of other comprehensive loss Group's share of total comprehensive income	5,505 (318) 5,187	6,216 (2,368) 3,848

On 11 February 2019, UMW Oilfield International (L) Ltd entered into a share transfer agreement with Anton Suleiman for the disposal of investment in Tubulars International Pte Ltd (**TIPL**). The disposal was completed on 4 March 2019 and TIPL ceased to be a joint venture of the Company.

### **11.** Investments in associates

	2019 RM'000	2018 RM'000
Group		
Unquoted shares, at cost	230,925	247,379
Share of post-acquisition reserves	1,653,236	1,561,840
Share of other comprehensive income	4,596	3,618
Less: Accumulated impairment losses	(22,245)	(20,454)
Carrying amount of investment	1,866,512	1,792,383
Company		
Unquoted shares, at cost	26,024	26,024
Less: Accumulated impairment losses	(22,245)	(20,454)
Carrying amount of investment	3,779	5,570

Proportion of material ownership interest held by Group:

	Effective interest		
	2019	2018	
Name			
Perusahaan Otomobil Kedua Sdn Bhd ( <b>Perodua</b> )	38%	38%	

On 5 February 2019, PFP (Malaysia) Sdn Bhd ceased to be an associated company of the Group following the fulfilment of all obligation in the Share Sale and Purchase Agreement between the Company and Mr. Paul Anthony Montague, for the disposal UMW Australia Ventures (L) Ltd and all its subsidiaries and associates as disclosed in Note 9(c)(i).

#### 11. Investments in associates (cont'd.)

Summarised financial information in respect of the Group's material associates is set out below:

<----- 2019 -----> <----- 2018 -----> Other Other individually individually immaterial immaterial associates Perodua Total Perodua associates Total RM'000 RM'000 RM'000 RM'000 RM'000 RM'000 Summarised statements of financial position: Assets and liabilities Current assets 1,858,748 291,720 2,150,468 1,796,275 244,636 2,040,911 Non-current assets 3,435,753 5,063,682 8,499,435 3,198,603 4,923,087 8,121,690 Total assets 5,294,501 5,355,402 10,649,903 4,994,878 5,167,723 10,162,601 Current liabilities 699,619 528,566 1,228,185 729,238 351,152 1,080,390 Non-current liabilities 90,705 4,293,501 4,384,206 4,293,960 4,293,960 Total liabilities 790,324 4,822,067 5,612,391 729,238 4,645,112 5,374,350 Net assets 4,504,177 533,335 5,037,512 4,265,640 522,611 4,788,251 Reconciliation of net assets to carrying amount as at 31 December: Goodwill 20,389 20,389 20,389 20,389 Group's share of net assets 1,711,587 162,346 1,873,933 1,620,943 171,505 1,792,448 Less: Accumulated impairment losses (20, 454)(20, 454)(22, 245)(22,245) Group's carrying amount of interest in associates 1,711,587 160,490 1,872,077 1,620,943 171,440 1,792,383 Summarised statements of comprehensive income: Results 11,733,147 646,264 12,379,411 10,221,684 603,387 10,825,071 Revenue Profit for the year 735,748 21,771 757,519 667,859 35,688 703,547 12,095 Other comprehensive income 12,095 -9,521 \_ 9,521 Total comprehensive income 747,843 21,771 769,614 677,380 35,688 713,068 Dividends received 189,871 4,812 194,683 129,914 3,173 133,087 Group's share of profit for the year 279,584 286,079 6,495 253,786 10,688 264,474

The associates have no contingent or other liability that has become enforceable or likely to become enforceable as at year end (2018: nil).

### 11. Investments in associates (cont'd.)

The Group's interest in capital commitments of the associates are as follows:

	2019 RM'000	2018 RM'000
<ul> <li>Approved and contracted for</li> <li>Approved but not contracted for</li> </ul>	4,023 64	1,569 159

For the purpose of applying the equity method of accounting, the audited financial statements and management accounts for the 12-month period ended 31 December 2019 of these companies have been used. Details of the associates are disclosed in Note 40.

### **12. Deferred taxation**

	Group	
	2019 RM'000	2018 RM'000
At 1 January	(105,092)	(77,272)
Recognised in profit or loss (Note 31)	8,489	(28,623)
Exchange differences	537	803
At 31 December	(96,066)	(105,092)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(135,160)	(131,951)
Deferred tax liabilities	39,094	26,859
	(96,066)	(105,092)

### 12. Deferred taxation (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

#### Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000
At 1 January 2019	45,226
Recognised in profit or loss	1,440
Exchange differences	21
At 31 December 2019	46,687
At 1 January 2018	41,499
Recognised in profit or loss	3,700
Reclassified to assets held for sale	(12)
Exchange differences	39
At 31 December 2018	45,226

#### Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Provision for liabilities RM'000	Unabsorbed losses RM'000	Others RM'000	Total RM'000
At 1 January 2019 Recognised in profit or loss Exchange differences	(17,132) - 34	(72,152) (2,011) –	(7,882) (8,700) 353	(53,152) 17,760 129	(150,318) 7,049 516
At 31 December 2019	(17,098)	(74,163)	(16,229)	(35,263)	(142,753)
At 1 January 2018 Recognised in profit or loss Reclassified to assets held for sale Exchange differences	(1,509) (15,677) - 54	(57,541) (14,651) - 40	(9,969) 1,324 - 763	(49,752) (3,319) 12 (93)	(118,771) (32,323) 12 764
At 31 December 2018	(17,132)	(72,152)	(7,882)	(53,152)	(150,318)

The availability of the unabsorbed tax losses and unutilised capital and reinvestment allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the subsidiaries operate.

### 12. Deferred taxation (cont'd.)

Deferred tax assets have not been recognised in respect of these items:

	Gre	Group	
	2019 RM'000	2018 RM'000	
	221.150	200 527	
Unabsorbed tax losses Unutilised capital and reinvestment allowances	331,159 99,095	389,527 99,141	
	430,254	488,668	

Deferred tax assets have not been recognised in respect of these items as there is no probable expectation that future taxable income of the applicable group companies will be sufficient to allow the benefit to be realised.

The unused tax losses and chargeable capital allowances, which are subject to agreement by the tax authorities, are available for offset against future chargeable income.

Effective from year of assessment 2019 as announced in the Annual Budget 2019, the unused tax lossess of the Group as at 31 December 2018 and thereafter will only be available for carry forward for a period of seven consecutive years. Upon expiry of the seven years, the unabsorbed losses will be disregarded.

### 13. Other investments

	2019 RM'000	2018 RM'000
Group		
Current:		
Financial assets at fair value through profit or loss Investment in money market fund	1,071,881	1,133,856
Non-current:		
Equity instruments designated at fair value through OCI Unquoted shares	4,302	4,302
Financial assets at fair value through profit or loss through profit or loss Quoted shares outside Malaysia	1,689	2,804
Total non-current other investments	5,991	7,106
Company		
Current:		
Financial assets at fair value through profit or loss Investment in money market fund	562,843	693,437

### 14. Derivatives

		< 2019	9>	< 2018	8>
	Note	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Group					
Derivatives not designated as hedging instrur	nents				
Current:					
Forward currency contracts	(a)	582	2,901	586	881
Embedded derivatives	(b)	5,016	-	7,027	-
		5,598	2,901	7,613	881

The Group uses forward currency contracts and embedded derivatives to manage some of the transaction exposure.

These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure to interest rate swaps. Under hedge accounting, the fair value movement on the hedging instrument is recognised directly in other comprehensive income.

#### (a) Forward currency contracts

Forward currency contracts are used to hedge the Group's current and future sales and purchases denominated in foreign currencies for which firm commitments existed at the reporting date.

	2019 RM'000	2018 RM'000
Notional amounts		
United States Dollar	168,541	134,333
Japanese Yen	68,793	51,730
Euro	11,841	18,726
Singapore Dollar	6	-
Thai Baht	3,059	1,311

### 14. Derivatives (cont'd.)

### (b) Embedded derivatives

The Group entered into purchase contracts with suppliers in Asia Pacific and Japan. The purchase price in these contracts are denominated in USD and subject to periodic price reviews. These contracts contain embedded foreign exchange derivatives with notional amounts of RM334.1 million (2018: RM636.8 million) which have been separated and carried at fair value through profit or loss.

Derivatives are neither past due nor impaired and are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

During the financial year, the Group recognised a net loss of RM3.4 million (2018: net gain of RM2.5 million) on these derivatives arising from fair value changes in foreign currency spot and forward rates. The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 44.

#### **15.** Inventories

	Grou	ıp
	2019 RM'000	2018 RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	1,119,708	1,139,941
Land held for sale	17,395	17,395
Other finished goods	127,534	165,113
Work-in-progress	271,491	122,662
Raw materials and consumables	34,637	82,767
	1,570,765	1,527,878
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	18,802	20,188
Raw materials and consumables	-	441
	18,802	20,629
	1,589,567	1,548,507

The cost of inventories recognised as an expense by the Group during the financial year amounted to RM9.9 billion (2018: RM9.4 billion).

There were no inventories that have been pledged to banks as at reporting date. In 2018, RM28.9 million of inventories were pledged to banks as security for facilities granted to overseas subsidiaries.

### 16. Receivables

The receivables of the Group and the Company are as follows:

	Group		Com	Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	
Current:					
Trade receivables (Note a) Other receivables (Note b) Due from subsidiaries (Note c)	1,242,966 206,107 -	960,413 116,150 -	_ 2,022 73,444	- 1,971 28,579	
	1,449,073	1,076,563	75,466	30,550	
Non-current:					
Other receivables (Note b) Due from subsidiaries (Note c)	-	32,136	- 1,055,388	- 1,288,646	
	-	32,136	1,055,388	1,288,646	
Total trade and other receivables	1,449,073	1,108,699	1,130,854	1,319,196	
Total trade and other receivables (current and non-current)	1,449,073	1,108,699	1,130,854	1,319,196	
Less: Included within other receivables: Accrued income (Note b) Prepayments (Note b) Add: Deposits, cash and bank balances (Note 17)	(17,762) (18,441) 1,472,111	(6,549) (19,648) 1,311,764		- (1,964) 42,143	
Total financial assets at amortised cost	2,884,981	2,394,266	1,131,038	1,359,375	

### 16. Receivables (cont'd.)

### (a) Trade receivables

	Gro	Group	
	2019 RM'000	2018 RM'000	
Third parties Allowance for impairment losses	1,132,358 (135,620)	971,616 (143,933)	
Due from associates and joint ventures Due from a corporate shareholder of a subsidiary	996,738 30,432 215,796	827,683 29,268 103,462	
	1,242,966	960,413	

The Group's normal trade credit terms range from 1 day to 120 days (2018: 1 day to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amounts due from joint ventures, associates and a corporate shareholder of a subsidiary are unsecured, interest-free and have repayment terms of 30 days to 60 days (2018: 30 days to 60 days).

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to a single group of debtors.

			Gro	up
			2019 RM'000	2018 RM'000
(i)	Age	analysis of trade receivables		
	(a)	Not due and not impaired	1,106,770	737,320
	(b)	Overdue but not impaired:		
		1 – 30 days overdue but not impaired	60,548	120,681
		31 – 60 days overdue but not impaired	39,049	27,527
		61 – 90 days overdue but not impaired	12,281	17,473
		91 – 180 days overdue but not impaired	12,781	49,094
		More than 180 days overdue but not impaired	11,537	8,318
			136,196	223,093
	(c)	Impaired	135,620	143,933
	Tota	al trade receivables	1,378,586	1,104,346

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

There were no trade receivables secured by bank guarantee as at reporting date (2018: RM3.2 million).

# 16. Receivables (cont'd.)

### (a) Trade receivables (cont'd.)

(ii) Receivables that are impaired for expected credit losses:

	Group		
	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
2019			
Trade receivables Less: Allowance for impairment losses	119,593 (119,593)	16,027 (16,027)	135,620 (135,620)
	-	-	-
2018			
Trade receivables	131,072	12,861	143,933
Less: Allowance for impairment losses	(131,072)	(12,861)	(143,933)
	-	_	-
Movement in allowance for impairment losses			
At 1 January 2019	131,072	12,861	143,933
Write off	(1,436)	637	(799)
(Reversal)/allowance of impairment losses for the year, net (Note 28)	(8,835)	2,614	(6,221)
Exchange differences	(1,208)	(85)	(1,293)
At 31 December 2019	119,593	16,027	135,620
At 1 January 2018	13,362	16,068	29,430
Write off	(1,761)	277	(1,484)
Allowance/(reversal) of impairment losses for the year, net (Note 28)	3,664	(3,514)	150
Exchange differences	2,347	(14)	2,333
Reclassified from assets held for sale	113,460	44	113,504
At 31 December 2018	131,072	12,861	143,933

Trade receivables that have been individually determined to be impaired at the reporting date relates to debtors that are in significant financial difficulties and have defaulted on payments. These receivables were not secured by any collateral or bank guarantees.

# 16. Receivables (cont'd.)

### (b) Other receivables (cont'd.)

	Gro	Group		pany
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current:				
Accrued income	17,762	6,549	-	-
Deposits	24,480	22,698	7	7
Deposits for acquisition of assets	4,081	16,215	-	-
Prepayments	18,441	19,648	1,942	1,964
Amounts due from joint ventures	81,580	81,580	81,580	81,580
Deferred consideration	45,490	12,485	-	-
Sundry receivables	202,928	153,713	73	-
	394,762	312,888	83,602	83,551
Non-current:				
Deferred consideration	-	32,136	-	_
	394,762	345,024	83,602	83,551
Allowance for impairment losses	(188,655)	(196,738)		(81,580)
	206,107	148,286	2,022	1,971

### **Deferred consideration**

Deferred consideration relates to proceeds from disposal of an investment which is collectible over a six-year period (from year 2017 to 2022) and discounted to its present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the debtor.

#### Allowance for impairment losses

	2019 RM'000	2018 RM'000
Group		
Movement in allowance for impairment losses:		
At 1 January	196,738	207,716
Charge for the year (Note 28)	811	-
Write off	(386)	-
Reversal of impairment losses (Note 28)	(8,384)	(11,192)
Exchange differences	(124)	214
At 31 December	188,655	196,738
Company		
Movement in allowance for impairment losses:		
At 1 January/31 December	(81,580)	(81,580)

### 16. Receivables (cont'd.)

(c) Due from subsidiaries

	Com	pany
	2019 RM'000	2018 RM'000
Amount due from subsidiaries Allowance for impairment losses	2,668,864 (1,538,010)	2,748,107 (1,400,882)
	1,130,854	1,347,225
Non-current Current	1,055,388 73,444	1,288,646 28,579
	1,128,832	1,317,225
Movement in allowance for impairment losses: At 1 January Charge for the year (Note 28) Reversal of impairment losses (Note 28)	1,400,882 141,821 (4,693)	843,074 634,003 (76,195)
At 31 December	1,538,010	1,400,882

The amounts due from subsidiaries were unsecured, non-trade in nature, bear interest ranging from 2.65% to 10.51% (2018: 2.65% to 11.50%) per annum and are repayable within 1 to 5 years.

Recoverability of amounts due from subsidiaries have been reassessed during the year and additional provision of RM137.1 million (2018: RM557.0 million) was recognised during the year.

There were no receivables being pledged to banks as at reporting date. In 2018, RM22.8 million of receivables were pledged to banks for credit facilities granted to an overseas subsidiary (Note 23).

### 17. Deposits, cash and bank balances

	Group	
	2019 RM'000	2018 RM'000
Current:		
Cash and bank balances Deposits with licensed banks	522,593 949,518	517,165 794,599
Deposits, cash and bank balances	1,472,111	1,311,764

There were no deposits and bank balances pledged with licensed banks as at reporting date. In 2018, RM3.0 million was pledged to banks for credit facilities granted to overseas subsidiaries, as disclosed in Note 23, which were not immediately available for use in the business.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group	
	2019 RM'000	2018 RM'000
Deposits, cash and bank balances	1,472,111	1,311,764
Add: Deposits, cash and bank balances attributable to assets held for sale	3,506	7,206
	1,475,617	1,318,970
Less: Deposits with a maturity of more than 3 months	(64,130)	(299)
Less: Deposits pledged with banks	-	(2,960)
Less: Bank overdrafts (Note 23)	-	(475)
Cash and cash equivalents	1,411,487	1,315,236

	Com	Company	
	2019 RM'000	2018 RM'000	
Cash and bank balances	2,126	2,958	
Deposits with licensed banks	_,	39,185	
	2,126	42,143	

### 17. Deposits, cash and bank balances (cont'd.)

The range of interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2019 % per annum	2018 % per annum	2019 % per annum	2018 % per annum
Deposits with licensed banks	1.75 - 3.80	0.40 - 4.60	-	1.15 - 3.50

The range of maturities of deposits as at the reporting date were as follows:

	Range of maturities				
	Group		Com	Company	
	2019 Days	2018 Days	2019 Days	2018 Days	
Deposits with licensed banks	1 - 366	2 – 92	-	1 - 92	

### 18. Assets held for sale

	Note	Group <> <		Group	
		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Oil and gas (unlisted) segment	(a)	40,939	5,049	65,853	9,590
UMW Toyota Motor Sdn Bhd ( <b>UMWT</b> )	(b)	12,301	-	108,659	-
Others	(c)	-	-	107,170	-
		53,240	5,049	281,682	9,590

#### (a) Oil and gas (unlisted) segment

The Group had in December 2017 made a strategic decision to exit from oil and gas industry and henceforth has actively pursued restructuring and recovery exercises for its oil and gas (unlisted) segment (**Unlisted Segment**). This includes divestments or disposals of these Unlisted Segment investments.

#### 18. Assets held for sale (cont'd.)

#### (a) Oil and gas (unlisted) (cont'd.)

Subsequent to the financial year ended 31 December 2017, the Group managed to sell and liquidated some of the entities in the Unlisted Segment. The sale of the remaining entities are still ongoing as at reporting date. The total assets held for sale are as stated below:

#### Write down of inventories, property, plant and equipment, other receivables and investments in associates

Following the classification of assets and liabilities of the disposal group as "Assets held for sale", a write back of RM1.5 million (2018: write down of RM61.7 million) was recognised to reduce the carrying amount of the assets to fair value less costs to sell as shown below:

	2019 RM'000	2018 RM'000
Inventories	417	(4,928)
Property, plant and equipment	248	34,719
Other receivables	10,735	_
Investments in associates	(12,846)	31,900
(Write back)/write down to fair value less costs to sell	(1,446)	61,691

The write down has been recognised in discontinued operations in the statement of comprehensive income, as disclosed in Note 32.

The assets and liabilities of the disposal group as at 31 December 2019 are as follows:

	2019 RM'000	2018 RM'000
Property, plant and equipment	_	14,324
Investments in associates	37,433	37,844
Deferred tax assets		12
Receivables	-	6,467
Deposits, cash and bank balances	3,506	7,206
Total assets of disposal group held for sale	40,939	65,853
Deferred tax liabilities	_	12
Payables	4,856	9,571
Taxation	193	7
Total liabilities of disposal group held for sale	5,049	9,590

#### 18. Assets held for sale (cont'd.)

#### (b) UMW Toyota Motor Sdn Bhd (UMWT)

On 26 October 2017, the Group announced its decision to dispose a majority of the branches owned and operated by UMWT to existing Toyota dealers.

This strategic decision enables UMWT to focus on high value-added upstream activities such as product development, marketing and dealer network support, while dealers continue to dedicate themselves towards delivering customer satisfaction.

As at 31 December 2019, the corresponding assets related to the disposal of branches have been presented as "Assets held for sale".

	2019 RM'000	2018 RM'000
Property, plant and equipment Inventories	10,169 2,132	108,659
Total assets held for sale	12,301	108,659

#### (c) Others

As disclosed in Note 41(b), the Group had on 13 November 2019 completed the disposal of its leasehold industrial land totalling 38.803 acres in Shah Alam, Selangor to Strategic Sonata Sdn Bhd (**SSSB**), a wholly-owned subsidiary of Mapletree Dextra Pte Ltd for RM287.7 million.

	2019	2018
	RM'000	RM'000
Carrying amount of long term leasehold land and building	-	107,170

#### 19. Share capital

	Number o shares of R	•	Amo	Amount		
	2019 '000	2018 '000	2019 RM'000	2018 RM'000		
Group and Company						
<b>Issued and fully paid</b> At 1 January/31 December	1,168,294	1,168,294	584,147	584,147		

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

#### 20. Reserves

#### (a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

#### (b) Fair value reserve

The fair value reserve represents the differences arising from the conversion of investment in unquoted shares to fair value through OCI.

#### 21. Perpetual Sukuk

	Group/C	Group/Company		
	2019 RM'000	2018 RM'000		
Issuance nominal value Less: Transaction cost	1,100,000 (2,140)	1,100,000 (2,140)		
Net Nominal value	1,097,860	1,097,860		

The Perpetual Sukuk (**PS**) relate to the Company's Perpetual Sukuk Program of up to RM2,000,000,000 in nominal value, which was approved on 22 March 2018.

The Company had on 20 April 2018 made an issuance of RM1,100,000,000 Nominal value of Perpetual Sukuk Musharakah. The Perpetual Sukuk Musharakah is structured as a PS and accounted as equity.

#### 21. Perpetual Sukuk (cont'd.)

The PS holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rates of 6.35% per annum. The PS has no fixed redemption date but the Company has the option to redeem at the end of the tenth year from the date of issue and on each subsequent semi-annual periodic distribution date. If the PS is not redeemed at the tenth year, the periodic distribution rate will be reset to the then prevailing 10-year Malaysian Government Securities benchmark rate plus initial spread of 2.362% and step-up margin of 1.00%.

While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

The proceeds raised from the Perpetual Sukuk Programme shall be utilised by UMW Holdings Berhad and/or its subsidiaries, associated companies and/or jointly controlled entities to refinance its existing financing/debt obligations (whether in whole or in part), and/or to refinance working capital requirements, investments, capital expenditure and/or for general corporate purposes. In any case, all utilisation of proceeds raised under the Perpetual Sukuk Programme has been Shariah-compliant.

#### 22. Provision for warranties

Group	RM'000
At 1 January 2018	206,304
Reclassification from liabilities associated with assets held for sale	526
Charged to profit or loss (Note 28)	114,503
Reversed during the year (Note 28)	(901)
Utilised during the year	(57,235)
Exchange differences	16
At 31 December 2018/1 January 2019	263,213
Charged to profit or loss (Note 28)	21,061
Reversed during the year (Note 28)	(5,038)
Utilised during the year	(1,438)
Exchange differences	(13)
At 31 December 2019	277,785

# 22. Provision for warranties (cont'd.)

Group	RM'000
At 31 December 2019	
Current	61,138
Non-current	
Later than 1 year but not later than 2 years	68,858
Later than 2 years but not later than 8 years	147,789
	216,647
	277,785
At 31 December 2018	
Current	40,027
	40,027
Non-current	40,027 44,886
Non-current Later than 1 year but not later than 2 years	44,886

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs, returns claims and recent trend analysis.

# 23. Borrowings

	Gro	oup	Company		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	
Current:					
Secured					
Bankers' acceptances and revolving credits	-	55,389	-	_	
Bank overdrafts (Note 17)	-	475	-	-	
	-	55,864	-	-	
Unsecured					
Term loans	12,000	_	-	_	
Bankers' acceptances and revolving credits	29,058	129,106	-	-	
Sukuk	299,997	349,991	299,997	349,991	
Trust receipts	45,306	-	-	-	
	386,361	479,097	299,997	349,991	
Total current borrowings	386,361	534,961	299,997	349,991	
Non-current:					
Secured					
Term loan	87,790	-	-	-	
Unsecured					
Sukuk	1,349,927	1,649,887	1,349,927	1,649,887	
Term loans	685,705	648,362	-	-	
	2,035,632	2,298,249	1,349,927	1,649,887	
Total non-current borrowings	2,123,422	2,298,249	1,349,927	1,649,887	
Total borrowings	2,509,783	2,833,210	1,649,924	1,999,878	

#### 23. Borrowings (cont'd.)

There were no secured short-term borrowings of the Group for the current year. The secured short-term borrowings of the Group in prior year were secured by legal charge, fixed and floating charge over assets of certain subsidiaries and lien on fixed deposits.

The range of weighted average effective interest rates (**RWAEIR**) for borrowings at the reporting date were as follows:

	Group		
	2019 % per annum	2018 % per annum	
Term loans	4.4 - 5.4	4.3 - 5.2	
Bank overdrafts	-	7.5 - 8.0	
Trust receipts	3.0 - 3.7	_	
Bankers' acceptances	3.9 – 4.6	3.9 - 4.2	
Revolving credits	3.8 - 4.2	3.1 - 4.3	
Sukuk	4.5 – 5.2	4.5 – 5.2	

The maturity and exposure to interest rate risk of the total borrowings are as follows:

	RWAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2019						
Secured						
– Fixed rate	5.4	-	-	27,595	60,195	87,790
Unsecured						
– Floating rate	4.5 - 5.4	74,364	40,705	-	-	115,069
– Fixed rate	4.4 - 5.2	311,997	638,265	1,028,108	328,554	2,306,924
		386,361	678,970	1,028,108	328,554	2,421,993
		386,361	678,970	1,055,703	388,749	2,509,783

#### 23. Borrowings (cont'd.)

The maturity and exposure to interest rate risk of the borrowings are as follows (cont'd.):

	RWAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
Group						
31 December 2018						
Secured						
– Fixed rate	3.5 – 4.3	55,864	_	-	_	55,864
Unsecured						
– Floating rate	4.3 - 5.0	120,801	15,914	32,447	-	169,162
– Fixed rate	4.3 - 5.2	358,296	42,857	1,707,052	499,979	2,608,184
		479,097	58,771	1,739,499	499,979	2,777,346
		534,961	58,771	1,739,499	499,979	2,833,210
Company						
31 December 2019						
Unsecured						
– Fixed rate	4.6 - 5.2	299,997	399,979	749,966	199,982	1,649,924
31 December 2018						
<b>Unsecured</b> – Fixed rate	4.5 - 5.2	349,991	299,989	1,149,919	199,979	1,999,878

The secured long-term borrowings of the Group for the financial years 2019 and 2018 were secured by legal charge, fixed and floating charge over assets of certain subsidiaries and corporate guarantee of certain foreign subsidiaries.

# 23. Borrowings (cont'd.)

Change in liabilities arising from financing activities

	At 1 January 2019 RM'000	Net addition/ (repayment) RM'000	Others RM'000	At 31 December 2019 RM'000
2019:				
Group				
Overdrafts	475	(475)	-	-
Revolving credit	77,694	(61,694)	-	16,000
Bankers' acceptance	106,801	(93,743)	-	13,058
Trust receipts	-	45,306	-	45,306
Sukuk	1,999,878	(350,000)	46	1,649,924
Other term loans	648,362	137,133	-	785,495
	2,833,210	(323,473)	46	2,509,783
Company				
Sukuk	1,999,878	(350,000)	46	1,649,924
	At 1 January 2018 RM'000	Net addition/ (repayment) RM'000	Others RM'000	At 31 December 2018 RM'000
2018:				
Group				
Overdrafts	6,537	(6,062)	_	475
Revolving credit	520,857	(443,163)	-	77,694
Bankers' acceptance	68,953	37,848	-	106,801
Sukuk	1,799,838	200,000	40	1,999,878
Other term loans	365,389	282,973	-	648,362
	2,761,574	71,596	40	2,833,210
Company				

Others comprise unamortised transaction cost and foreign exchange adjustments.

#### 24. Payables

	Gre	Group		Company		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000		
Current:						
Trade payables:						
Trade payables	562,139	384,260	-	-		
Bill payables	9,192	16,281	-	_		
Customer deposits	29,281	47,070	-	-		
Related parties	359,162	385,257	-	-		
Other payables:						
Accruals	582,582	385,435	14,792	19,815		
Provision for unutilised leave	6,488	6,740	-	-		
Financial guarantee contracts	-	588	-	27,000		
Sundry payables	527,717	628,416	1,360	1,937		
Total trade and other payables	2,076,561	1,854,047	16,152	48,752		
Add: Borrowings (Note 23)	2,509,783	2,833,210	1,649,924	1,999,878		
Less: Provision for unutilised leave	(6,488)			-		
Total financial liabilities at amortised cost	4,579,856	4,680,517	1,666,076	2,048,630		

The related party balances comprise amounts due to corporate shareholders of subsidiaries and/or their subsidiaries for purchase of inventories. The corporate shareholders are Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan and/or their subsidiaries and associated companies.

In 2017, the Group had remeasured the financial guarantee liability in respect of borrowings of a joint venture as a result of it becoming probable that the joint venture was no longer expected to be able to meet its repayment obligations. Consequently, an expense of RM705 million was recognised in 2017 based on present value of expected cash outflows. In the previous financial year, the Group has decided to accelerate the settlement of the borrowings. This resulted in a reversal of provision of RM207 million recognised in the previous financial year (Refer Note 28).

Trade creditors are non-interest bearing and are normally settled within 1 day to 90 days (2018: 1 day to 90 days) terms.

Sundry payables are non-interest bearing and are normally settled within 30 days to 365 days (2018: 30 days to 365 days) terms.

#### 25. Revenue

	Gro	Group		Company	
	2019 RM'000			2018 RM'000	
Revenue from contracts with customers:					
Type of goods or services:					
– Vehicles	7,259,923	7,458,290	-	-	
– Equipment	679,237	700,870	-	-	
- Parts	1,947,764	1,320,626	-	-	
– Exports	1,236,125	1,149,092	-	-	
<ul> <li>Lubricants and related products</li> </ul>	208,146	187,570	-	-	
– Services	221,779	314,103	-	-	
– Property development	20,922	3,486	-	-	
	11,573,896	11,134,037	-	-	
Rental income: Rental income from					
- leasing	160,109	164,241	_	_	
<ul> <li>investment properties</li> </ul>	5,140	5,371	_	-	
	165,249	169,612	-	_	
Dividend income:					
Gross dividend income from					
– subsidiary	-	-	250,000	321,523	
– associate	-	-	102	172	
	-	_	250,102	321,695	
Total revenue	11,739,145	11,303,649	250,102	321,695	
Timing of revenue recognition					
Goods transferred at a point in time	11,573,896	11,134,037	-	-	

#### 25. Revenue (cont'd.)

#### Performance obligations

Information about the Group's performance obligations are summarised below:

#### Vehicles, Parts and Exports

The performance obligation is satisfied upon delivery of the vehicles, parts and exports. Payment is generally due within 30 to 60 days from delivery.

#### Equipment, Parts, Other Related Spares or Services

The performance obligation is satisfied upon delivery of the equipment, parts and other related spares (**the Goods**). Payment is generally due within 30 to 90 days from delivery.

In some contracts, warranty beyond fixing the defects that existed at the time of sale is provided to customers. The service warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the service warranty is satisfied over one year based on time elapsed.

#### Lubricants and Related Products

The performance obligation is satisfied upon delivery of the lubricants and related products. Payment is generally due within 30 to 90 days from delivery. In some contracts, warranty beyond fixing the defects that existed at the time of sale is provided to customers. The service warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the service warranty is satisfied over one year based on time elapsed.

#### Services

The performance obligation is satisfied over-time and payment is generally due upon completion and acceptance by the customer. In some contracts, short-term advances are required before the service is provided. Revenue associated with free services are separated from the gross revenue of the goods and recognised when services fall due. For paid services, the performance obligation is satisfied over-time and payment is generally due upon completion and acceptance by the customer.

# 26. Other operating income

Included in other operating income are:

	Group	
	2019 RM'000	2018 RM'000
Gain on disposal of property, plant and equipment and leased assets	28,359	24,093
Gain on disposal of assets held for sale	212,872	-
Bad debts recovered	27	943
Rental income from operating leases	17,326	2,542
Commissions	8,616	11,225
Amortisation of financial guarantee contracts	-	2,603

	Company	
	2019 RM'000	2018 RM'000
Net gain on sale of money market fund	-	268

# 27. Employee benefits

	Gro	Group	
	2019 RM'000	2018 RM'000	
Staff costs			
Wages and salaries	579,714	533,958	
Social security costs	6,111	6,472	
Pension costs – defined contribution plan	70,085	68,493	
Other staff related expenses	107,000	112,031	
	762,910	720,954	

#### 28. Profit before zakat and taxation

Profit before zakat and taxation are derived after charging/(crediting):

	2019 RM'000	2018 RM'000
Group		
Executive director:		
<ul> <li>salaries and other emoluments</li> </ul>	1,983	1,823
- defined contribution plan	280	292
– benefits-in-kind	157	154
Non-executive directors:		
– fees	1,642	1,654
– other emoluments	386	404
– benefits-in-kind	547	349
- retirement gratuities	203	-
Rental of offices	12,356	31,178
Auditors' remuneration:		
Statutory audit:		
– auditors' of the Company	1,639	1,585
- other auditors	570	565
Other services:		
- auditors' of the Company	226	845
Net provision/(reversal) of inventories written down	20,884	(30,150)
Royalty	12,719	11,939
Write off:		
- property, plant and equipment (Note 4)	508	6,288
– leased assets (Note 7)	-	57
Net impairment losses/(reversal of impairment) on:		
- property, plant and equipment	612	2,911
– investment properties (Note 5)	-	600
– leased assets (Note 7)	178	239
– receivables	(13,794)	(11,042)
– investments in joint ventures	-	(59,104)
- investments in associates	1,791	20,454
Net (gain)/loss on disposal of investments	(276)	10,234
Net foreign exchange gains	(117,750)	(51,002)
Net provision for warranties (Note 22)	16,023	113,602
Net fair value losses on financial assets held for trading	2,853	17,057
Gain on favourable rental rates	(11,319)	-
Net gain on disposal of property, plant and equipment, leased assets and right-of-use assets	(26,715)	(24,093)
Gain on disposal of assets held for sale	(212,872)	-
Net fair value gain on derivatives (Note 14)	3,446	(2,527)
Reversal of provision of financial guarantee contract (Note 24)	-	(207,036)

# 28. Profit before zakat and taxation (cont'd.)

Profit before zakat and taxation are derived after charging/(crediting) (cont'd.):

	2019 RM'000	2018 RM'000
Company		
Non-executive directors:		
– fees	1,622	1,650
– other emoluments	355	377
– benefits-in-kind	547	349
– retirement gratuities	203	-
Auditors' remuneration:		
– statutory audit	194	182
– other services	57	5
Net (reversal)/impairment on investment in:		
– subsidiaries	(5,000)	2,505
– associate (Note 11)	1,791	20,454
Reversal of provision of financial guarantee contracts	(27,000)	(128,971)
Net allowance for impairment losses on amount due from subsidiaries (Note 16 (c))	137,128	557,808
Loss of disposal of investment in subsidiary	5,000	-
Loss on disposal of property, plant and equipment	209	-
Plant and equipment written off (Note 4)	1	-
Bad debt written off	-	71,990
Net foreign exchange gain	(603)	(1,486)

# 28. Profit before zakat and taxation (cont'd.)

#### **Directors Remuneration 2019**

	-	Pension cost-defined contribution plan RM'000	Directors' fee RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Retirement gratuities RM'000
Group						
Executive director:						
Badrul Feisal bin Abdul Rahim	1,983	280	-	-	157	-
Non-executive directors:						
Tan Sri Dato' Sri Hamad Kama Piah						
bin Che Othman	-	-	338	65	157	-
Dato' Siow Kim Lun @ Siow Kim Lin						
(retired on 23 May 2019)	-	-	59	30	64	90
Khalid bin Sufat						
(retired on 1 September 2019)	-	-	104	46	80	83
Tan Sri Hasmah binti Abdullah	-	-	159	42	20	-
Dato' Eshah binti Meor Suleiman	-	-	159	40	47	-
Datin Paduka Kartini binti Hj Abdul Manaf*	-	-	159	43	1	-
Dr. Veerinderjeet Singh a/l Tejwant Singh	-	-	159	37	32	-
Salwah binti Abdul Shukor	-	-	159	26	22	-
Mohd Shahazwan bin Mohd Harris						
(resigned on 31 August 2019)	-	-	104	17	102	30
Lim Tze Seong**	-	-	159	23	17	-
Razalee bin Amin						
(appointed on 1 September 2019)	-	-	55	11	5	-
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang						
(appointed on 1 November 2019)	-	-	28	6	-	-
Subtotal	-	-	1,642	386	547	203
Total	1,983	280	1,642	386	704	203

\* Directors' fee paid to Permodalan Nasional Berhad (PNB)

\*\* 50% of directors' fee paid to Employee Provident Fund (EPF)

# 28. Profit before zakat and taxation (cont'd.)

#### **Directors Remuneration 2018**

		Pension cost-defined contribution plan RM'000	Directors' fee RM'000	Other emoluments RM'000	Benefits- in-kind RM'000
Group					
Executive director:					
Badrul Feisal bin Abdul Rahim	1,823	292	-	-	154
Non-executive directors:					
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	-	_	304	63	168
Dato' Siow Kim Lun @ Siow Kim Lin	-	_	150	65	22
Khalid bin Sufat	-	_	150	58	29
Tan Sri Hasmah binti Abdullah	-	-	150	30	20
Dato' Eshah binti Meor Suleiman	-	_	150	32	22
Datin Paduka Kartini binti Hj Abdul Manaf*	-	-	150	45	1
Dr. Veerinderjeet Singh a/l Tejwant Singh	-	-	150	32	28
Salwah binti Abdul Shukor	-	-	150	28	21
Mohd Shahazwan bin Mohd Harris	-	-	150	38	27
Lim Tze Seong (appointed on 1 January 2018)**	-	-	150	13	11
Subtotal	-	-	1,654	404	349
Total	1,823	292	1,654	404	503

\* Directors' fee paid to Permodalan Nasional Berhad (PNB)

\*\* 50% of directors' fee paid to Employee Provident Fund (EPF)

#### 29. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense				
– Sukuk	86,516	90,015	86,515	90,015
– Bank borrowings	31,717	6,587	-	-
– Lease liabilities	3,206	-	27	-
- Others	4,387	2,391	-	-
	125,826	98,993	86,542	90,015
Reversal/(capitalisation) of interest expense in assets-in-				
progress (Note 4)	722	(722)	-	-
Net interest expense	126,548	98,271	86,542	90,015

#### 30. Investment income

	Group		Com	Company		
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000		
Investment income comprises:						
Gross dividend income from:						
Financial assets at fair value through other comprehensive income						
– Unquoted investments	1,066	3,269	-	_		
Interest income from:						
Financial assets						
– Due from subsidiaries	-	-	125,888	92,966		
<ul> <li>Deposit with licensed bank</li> </ul>	29,874	35,923	342	1,573		
Distribution income from:						
Quoted investments in money market funds	37,363	46,498	14,993	32,219		
	68,303	85,690	141,223	126,758		

#### **31.** Income tax expense

	Gro	oup	Com	pany
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
Malaysian taxes	84,957	138,775	3,400	8,000
Overseas taxes	15,171	17,174	-	-
RPGT/WHT*	13,011	1,620	-	-
	113,139	157,569	3,400	8,000
(Over)/under provision in prior year:				
Malaysian taxes	(15,265)	(7,278)	(5,084)	1,756
Overseas taxes	(8)		-	_
	(15,273)	(10,231)	(5,084)	1,756
	97,866	147,338	(1,684)	9,756
Deferred taxation (Note 12):				
Relating to origination and reversal of temporary				
differences	(11,979)	(34,688)	-	-
Under provision in prior years	20,468	6,065	-	-
	8,489	(28,623)	-	-
	106,355	118,715	(1,684)	9,756

\* Real Property Gains Tax/Withholding tax

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# 31. Income tax expense (cont'd.)

Reconciliations of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2019 RM'000	2018 RM'000
Group		
Profit before zakat and taxation	754,787	800,333
Taxation at Malaysian statutory rate of 24% (2018: 24%)	181,149	192,080
Effect of different tax rates in other jurisdictions	-	391
Tax incentives	(53)	(78)
Income not subject to tax	(59,085)	(58,762)
Expenses not deductible for tax purposes	65,874	61,915
Utilisation of current year's reinvestment allowances	(2,726)	(1,519)
Deferred tax assets not recognised	-	2,908
Under provision of deferred tax in prior years	20,468	6,065
Over provision of income tax expense in prior year	(15,273)	(10,231)
Effect of share of profits of associates and joint ventures	(69,980)	(64,966)
Deferred tax asset recognised on unabsorbed capital allowances and unutilised reinvestment		
allowance previously not recognised	(14,019)	(9,088)
Tax expense for the year	106,355	118,715
Company		
Profit before zakat and taxation	173,486	115,401
Taxation at Malaysian statutory rate of 24% (2018: 24%)	41,637	27,696
Income not subject to tax	(60,025)	(77,206)
Expenses not deductible for tax purposes	21,788	57,510
(Over)/under provision of income tax expense in prior year	(5,084)	1,756
Tax (credit)/expense for the year	(1,684)	9,756

#### 32. Discontinued operations

#### Strategic decision to exit from oil and gas industry

Following the classification of the corresponding assets and liabilities of investments under the oil and gas (unlisted) segment to "Assets held for sale" and "Liabilities associated with assets held for sale" as disclosed in Note 18, the results of the oil and gas (unlisted) segment and the consequent write down of its assets to fair value less costs to sell had been classified as discontinued operations since the disposal group represent a separate major line of business of the Group.

#### Loss from discontinued operations, net of tax:

	2019 RM'000	2018 RM'000
Loss from discontinued operations, net of tax	(17,370)	(176,269)
Loss on disposal and liquidation of subsidiaries, joint venture and associate	(20,594)	(58)

#### The results of the discontinued operations are presented below:

	Grou	up
	2019 RM'000	2018 RM'000
Revenue	21,059	72,391
Other operating income	11,901	6,332
Changes in inventories	338	(4,994)
Finished goods purchased	_	(35,631)
Raw materials and consumables used	(6,234)	(10,455)
Employee benefits	(5,392)	(16,596)
Depreciation and amortisation	(1,052)	(8,248)
Other operating expenses	(14,970)	(101,797)
Profit/(loss) from operations	5,650	(98,998)
Finance costs	(3,974)	(16,311)
Investment income	613	71
Share of results of associates and joint ventures	(15,849)	(60,032)
Loss before taxation	(13,560)	(175,270)
Income tax expense	(3,810)	(999)
Loss for the year from discontinued operations	(17,370)	(176,269)
Profit/(loss) for the year attributable to:		
Equity holders of the Company	7,197	(170,919)
Non-controlling interests	(24,567)	(5,350)
	(17,370)	(176,269)

# 32. Discontinued operations (cont'd.)

#### Loss before taxation are derived after charging/(crediting):

	Grou	ıp
	2019 RM'000	2018 RM'000
Auditors' remuneration:		
Statutory audit:		
- auditors' of the Company	54	195
- other auditors	40	9
Net gain on disposal of property, plant and equipment leased assets and right-of-use assets	-	(6)
Impairment of property, plant and equipment	248	34,719
Net impairment losses/(reversal of impairment) on receivables	10,735	(8)
Net provision/(reversal) of inventories written down	417	(4,928)
Reversal of net impairment on associates	(12,846)	-
Gain on disposal of assets held for sale	(7,084)	-
Loss on disposal and liquidation of subsidiaries, joint venture and associate	20,594	58
Rental of offices and rigs	116	6,269
Net foreign exchange (gain)/loss	(30,188)	17,511

#### Net cash flows generated from/(used in) discontinued operations:

	Gro	oup
	2019 RM'000	2018 RM'000
Net cash generated from operating activities	28,786	292,763
Net cash generated from investing activities	380	12,941
Net cash used in financing activities	-	(552,114)
Net cash inflow/(outflow)	29,166	(246,410)

# 33. Earnings per share

#### **Basic/diluted**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Gro	oup
	2019	2018
Net profit/(loss) attributable to equity holders (RM'000)		
Continuing operations	447,247	515,438
Discontinued operations	7,197	(170,919)
	454,444	344,519
Weighted average number of ordinary shares in issue ('000)	1,168,294	1,168,294
- Basic/diluted earnings/(loss) per share (sen)		
Continuing operations	38.3	44.1
Discontinued operations	0.6	(14.6)
	38.9	29.5

Diluted earnings/(loss) per ordinary share is identical to basic earnings per share as the Company has no dilutive potential ordinary shares as at the end of the financial year.

#### 34. Dividends

	Amo	ount	Net dividen	d per share
	2019 RM'000	2018 RM'000	2019 Sen	2018 Sen
In respect of the financial year ended 31 December 2018: – 1st interim single-tier dividend of 10.0% – Final single-tier dividend of 5.0%	- 29,207	58,415 -	- 2.5	5.0
In respect of the financial year ended 31 December 2019: – Special dividend of 8.0%	46,732	-	4.0	-
	75,939	58,415	6.5	5.0

A final single-tier dividend in respect of the current financial year of 4.0% or 2.0 sen per share amounting to a net dividend payable of approximately RM23.4 million was declared on 27 February 2020. The dividend was paid on 31 March 2020 to shareholders whose name appeared in the Record of Depositors as at close of business on 16 March 2020. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

#### 35. Commitments

	Grou	р
	2019 RM'000	2018 RM'000
Capital commitments		
Approved and contracted for:		
- land and buildings	17,207	57,752
<ul> <li>equipment, plant and machinery</li> </ul>	17,949	213,102
– others	47,312	55,932
	82,468	326,786
Approved but not contracted for:		
– land and buildings	48,713	152,400
– equipment, plant and machinery	236,001	105,858
- others	344,414	356,869
	629,128	615,127
Total capital commitments	711,596	941,913

#### 36. Contingent liabilities

As at the reporting date, the Group has the following contingent liabilities for which no liability is expected to arise:

	Gro	oup
	2019 RM'000	2018 RM'000
Unsecured		
Performance bonds in favour of third parties	12,320	10,010

#### 37. Segment reporting

For management purposes, the Group is organised into business segments based on products and services, and has five reportable operating segments as follows:

- (i) The automotive segment is principally engaged in the import, assembly and marketing of passenger and commercial vehicles and related spares.
- (ii) The equipment segment is involved in the trading and leasing of a wide range of light and heavy equipment including related spares for use in the industrial, construction and agricultural sectors.
- (iii) The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts, the blending, packaging, marketing and distribution of lubricants and other established agency lines in the automotive field.
- (iv) The oil and gas (unlisted) segment is engaged in the fabrications, onshore drilling, manufacturing of oil country tubular goods (**OCTG**) and line pipes, and trading of oilfield products.
- (v) The other segments which do not generate significant external revenue are involved in following activities:
  - (a) support services in travel;
  - (b) information technology
  - (c) property development; and
  - (d) management and corporate services and various professional services.

Transfer prices between operating segments are at terms agreed between the parties.

Per-

37. Segment reporting (cont'd.)

(a) Business segments

RM'000 consolidated 11,739,145 11,739,145 (345,116) 188,144 291,584 (106,355) 646,107 financial statements (1,038)754,787 (2,325) 1,921,382 345,495 11,134,673 5,036,588 Note Ξ = \_ (37,433) (21,059) 15,849 3,810 17,370 RM'000 1,052 13,560 Adjustments eliminations I and 118,279) (139,338) I RM'000 35,633 Others 55,204 90,837 (29,600) 60,862 6,669 (99,396) (2, 325)4,560 (97,161) 142,531 16,957 369 1,677,734 1,837,613 21,059 37,433 Oil and gas (Discontinued) RM'000 21,059 (1,052) (15,849) (13,560)(3, 810)(17,370) 40,939 5,049 212 (unlisted) engineering RM'000 Manufacturing 31,108 (31,207) 65,479 5,505 126,401 (18,473) 107,928 53,653 68,646 and I 1,031,441 1,062,549 1,109,427 721,957 RM'000 27,606 (109,690) 61,803 197,480 (35,660) 161,820 151,547 I I Equipment 1,380,558 1,408,164 (1,407)1,442,810 357,586 RM'000 4,361 530,302 (56,782) 473,520 108,133 Automotive 9,291,513 9,295,874 I (174,619) 279,410 1,725,198 6,863,763 2,114,383 Impairment loss of property, plant and Share of results of associates and joint Segment profit/(loss) before zakat and Gain on disposal of land and building Segment profit/(loss) after zakat and Investments in associates and joint equipment and leased assets Additions to non-current assets Depreciation and amortisation Income tax expense External customers Segment liabilities Segment assets (Note 41(b)) Inter-segment **Fotal** revenue ventures ventures taxation taxation Liabilities: Revenue: Results: Assets: Group Zakat 2019

# 37. Segment reporting (cont'd.)

# (a) Business segments (cont'd.)

2018	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Oil and gas (unlisted) (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per- consolidated financial statements RM'000
Group								
Revenue: External customers Inter-segment	8,945,508 1,227	1,520,257 19,390	816,812 26,345	72,391 -	21,074 47,544	(72,393) (94,506)	- =	11,303,649 -
Total revenue	8,946,735	1,539,647	843,157	72,391	68,618	(166,899)		11,303,649
<b>Results:</b> Depreciation and amortisation Impairment loss of property, plant and	(109,880)	(117,248)	(24,657)	(8,248)	(21,878)	8,248	_	(273,663)
equipment, investment properties and leased assets	I	(239)	I	(34,719)	(3,511)	I	_	(38,469)
Keversal of financial guarantee contracts	I	I	I	I	207,036	I		207,036
Share of results of associates and joint ventures	254,017	1	6,343	(60,032)	10,330	60,032	-	270,690
Segment profit/(loss) before zakat and taxation	549,968	160,135	21,535	(175,270)	68,694	175,271	_	800,333
zakat Income tax expense	- (61,103)	_ (33,831)	_ (12,232)	-	(5,398) (12,375)	_ 1,825	_	(5,398) (118,715)
Segment profit/(loss) after zakat and taxation	488,865	126,304	9,303	(176,269)	50,921	177,096	_	676,220
Assets: Investments in associates and joint ventures Additions to non-current assets	1,631,353 638,338	- 194,693	49,989 60,385	37,844 14	159,668 21,596	(37,844)	- ≡	1,841,010 915,026
Segment assets	6,638,325	1,438,750	972,521	137,290	1,571,109	1		10,757,995
Liabilities: Segment liabilities	2,016,251	422,148	602,363	9,590	1,993,200	I		5,043,552

#### 37. Segment reporting (cont'd.)

#### (a) Business segments (cont'd.)

The following are nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- I. The amounts relating to the oil and gas (unlisted) segment have been excluded to arrive at amounts shown in the consolidated statement of comprehensive income as they are presented separately in the statement of comprehensive income within one line item, "loss from discontinued operations, net of tax".
- II. Inter-segment revenues are eliminated on consolidation.
- III. Additions to non-current assets consist of:

	Note	2019 RM'000	2018 RM'000
Property plant and equipment	4	202 526	722.280
Property, plant and equipment	4	202,526	733,280
Investment properties	5	471	3,266
Leased assets	/	142,498	178,480
		345,495	915,026

#### (b) Geographical segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
<b>2019</b> Revenue from external customers Non-current assets	11,235,329 3,239,232	503,816 186,435	11,739,145 3,425,667
<b>2018</b> Revenue from external customers Non-current assets	10,593,234 3,184,059	710,415 194,907	11,303,649 3,378,966

Non-current assets stated above consist of the following items as presented in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Property, plant and equipment	2,701,692	2,820,924
Investment properties	170,768	220,901
Land use rights	-	468
Leased assets	357,947	336,673
Right-of-use assets	195,260	_
	3,425,667	3,378,966

## 38. Subsidiaries

(i) The following are the subsidiaries of the Company:

		Group Effective interest		
Con	Company		2018 %	Principal activities
(a)	Subsidiaries incorporated in Malaysia			
	Direct subsidiaries of the Company:			
	UMW Corporation Sdn Bhd	100	100	Provision of full corporate, administrative, professional, security services and financial support to its subsidiaries and associated companies. In addition, the company also trades in a range of light and heavy equipment.
	UMW Petropipe (L) Ltd	100	100	Investment holding.
	UMW Australia Ventures (L) Ltd	-	100	Investment holding.
	Indirect subsidiaries of the Company:			
	UMW Industries (1985) Sdn Bhd	100	100	Distribution of industrial and material handling equipment and related spares.
	UMW Advantech Sdn Bhd	100	100	Manufacturing and distribution of filters, plastic engineering products and spare parts for various automotive and industrial applications.
	UMW Equipment Division Sdn Bhd	100	100	Provision of management support to the companies in equipment division.
	UMW Lubricant International Sdn Bhd	100	100	Marketing, selling and distribution of "Repsol" branded lubricants.
	U-TravelWide Sdn Bhd	100	100	Provision of travel agency services.
	Otomobil Sejahtera Sdn Bhd	100	100	Importing and retailing of passenger and commercial vehicles.
	UMW Oilfield International (M) Sdn Bhd	100	100	Supply of oil and gas products.
	Lubetech Sdn Bhd	100	100	Blending and packaging of lubricants.
	UMW Pennzoil Distributors Sdn Bhd	100	100	Marketing, selling and distribution of "Pennzoil" branded lubricants.
	UMW Development Sdn Bhd	100	100	Investment holding and property development.
	UMW Grantt International Sdn Bhd	100	100	Manufacturing, distributing, selling and trading of lubricants, greases and specialty products.
	UMW IT Services Sdn Bhd	100	100	Providing internal IT support and services for all technology related assets and business.

# 38. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Company: (cont'd.)

		Group Effective interest		
Con	Company (cont'd.)		2018 %	Principal activities
(a)	Subsidiaries incorporated in Malaysia (cont'd.)			
	Indirect subsidiaries of the Company: (cont'd.)			
	UMW Aerospace Sdn Bhd	100	100	Manufacturing of aerospace engine component products.
	UMW Aero Assets Sdn Bhd	100	100	Ownership and leasing of equipment and tooling.
	UMW Land Sdn Bhd	100	100	Investment holding and property development.
	UMW Training Centre Sdn Bhd	100	100	Provision of training and other related services.
	UMW Industrial Power Services Sdn Bhd	100	100	Total power solution provider.
	UMW M&E Sdn Bhd	100	100	Investment holding.
	UMW M&E Limited	100	100	Investment holding.
	UMW Linepipe (L) Ltd	100	100	Investment holding.
	UMW Technology Sdn Bhd	100	100	Investment holding.
	UMW India Ventures (L) Ltd	75	75	Investment holding.
	UMW (East Malaysia) Sdn Bhd	74	74	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
	UMW Equipment Sdn Bhd	74	74	Trading and hiring industrial, heavy and material handling equipment and related spares.
	UMW Komatsu Heavy Equipment Sdn Bhd	74	74	Investment holding and provide corporate management, administrative, marketing and technical services to its subsidiaries.
	UMW Oilfield International (L) Ltd	60	60	Supply of oil and gas products and investment holding.
	KYB-UMW Malaysia Sdn Bhd	52.1	52.1	Manufacture and assembly of vehicle shock absorbers.
	UMW Toyota Motor Sdn Bhd	51	51	Importation, distribution and retailing of motor vehicles, distribution and sales of spare parts, servicing of vehicles, export of vehicles and related components and provide administrative, professional and financial services support to its subsidiary companies.

# 38. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Company: (cont'd.)

		Group Effective interest		
Con	Company (cont'd.)		2018 %	Principal activities
(a)	Subsidiaries incorporated in Malaysia (cont'd.)			
	Indirect subsidiaries of the Company: (cont'd.)			
	Assembly Services Sdn Bhd	51	51	Assembly of passenger and commercial vehicles.
	Automotive Industries Sendirian Berhad	51	51	Manufacture and sale of vehicle exhaust system and other automotive components.
	UMW Sher (L) Ltd	50.82	50.82	Provide contract drilling and engineering services for the oil and gas industry and leasing of drilling rigs and vessels.
	Toyota Boshoku UMW Sdn Bhd	33.15	33.15	Manufacturing of seats and other automotive components.
(b)	Subsidiaries incorporated in the Republic of Singapore			
	Indirect subsidiaries of the Company:			
	UMW Equipment & Engineering Pte Ltd	100	100	Importation, distribution, repair, maintenance and service of all types of industrial and heavy equipment, automotive parts and related spares.
	UMW Equipment Systems Pte Ltd	100	100	Investment holding.
	UMW Heavy Equipment (S) Pte Ltd	74	74	Import, distribute, rent and service all types of heavy equipment and related spares.
	PFP Singapore Pte Ltd*	-	100	Trading in piping materials.
(c)	Subsidiary incorporated in Papua New Guinea			
	Indirect subsidiary of the Company:			
	UMW Niugini Limited*	75.46	75.46	Trading and hiring of industrial and material handling equipment and related service and spare parts.

# 38. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Company: (cont'd.)

		Group Effective interest		
Con	Company (cont'd.)		2018 %	Principal activities
(d)	Subsidiaries incorporated in People's Republic of China			
	Indirect subsidiaries of the Company:			
	UMW Industrial Equipment (Shanghai) Co Ltd*	100	100	Marketing of industrial equipment and provision of after-sales and repair services for equipment rental for industrial equipment.
	UMW Industrial Trading (Shanghai) Co Ltd*	100	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
	Vision Fleet Equipment Leasing (ZheJiang) Co Ltd* (formerly known as Vision Fleet Equipment Leasing (Shanghai) Co Ltd)	100	100	Rental and fleet management services mainly for products distributed by the UMW Group in China.
(e)	Subsidiary incorporated in the Republic of Vietnam			
	Indirect subsidiary of the Company:			
	UMW Equipment Systems (Vietnam) Company Limited*	100	100	Provision of service for equipment installation, maintenance, repair, overhaul and lease of equipment in industrial, construction and traffic sectors.
(f)	Subsidiaries incorporated in the Union of Myanmar			
	Indirect subsidiaries of the Company:			
	UMW Machinery Limited*#	100	100	Importation and distribution of industrial and heavy equipment and related parts.
	UMW Engineering Services Limited*#	74	74	Provision of after-sales services for equipment and maintenance and repair of equipment.
(g)	Subsidiary incorporated in British Virgin Islands			
	Indirect subsidiary of the Company:			
	UMW ACE (BVI) Ltd	70	70	Investment holding.

# 38. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Company: (cont'd.)

		Gro Effective	oup interest	
Con	npany (cont'd.)	2019 %	2018 %	Principal activities
(h)	Subsidiaries incorporated in Australia			
	Indirect subsidiaries of the Company:			
	PFP Holdings Pty Ltd	-	100	International trading of a complete range of piping and pressure vessel components.
	PFP (Aust) Holdings Pty Ltd	-	100	Investment holding.
	Australasia Piping Products Pty Ltd	-	100	Trading of OCTG, linepipes, hollow bar and tubes.
	PFP (Aust) Pty Ltd	-	100	International trading of a complete range of piping and pressure vessel components.
(i)	Subsidiary incorporated in India			
	Indirect subsidiary of the Company:			
	Jaybee Drilling Private Limited <sup>#</sup>	45	45	Onshore drilling activities in India.
(j)	Subsidiary incorporated in the Republic of Indonesia			
	Indirect subsidiary of the Company:			
	PT UMW International	100	100	Engaged in lubricants supply and equipment.
(k)	Subsidiary incorporated in United States of America			
	Indirect subsidiary of the Company:			
	UTech Americas, Inc	100	100	Investment holding.

# 38. Subsidiaries (cont'd.)

(ii) The following companies are under members' voluntary liquidation/deregistration:

		Group Effective interest		
Con	npany	2019 %	2018 %	Principal activities
(a)	Subsidiaries incorporated in Malaysia			
	Indirect subsidiaries of the Company:			
	UMW Oil & Gas Berhad	100	100	Investment holding.
	Kelang Pembena Kereta2 Sendirian Berhad	100	100	Assembly of commercial and passenger vehicles.
	UMW SG Power Systems Sdn Bhd	100	100	General trader and the provision of engineering works.
	UMW SG Engineering & Services Sdn Bhd	100	100	General trader and the provision of engineering works.
	UMW Autocorp Sdn Bhd	100	100	Investment holding.
	KYB-UMW Steering Malaysia Sdn Bhd	52.1	52.1	Manufacture and assembly of power steering pumps for motor vehicle.
	UMW (Sarawak) Sdn Bhd	-	100	Distribution of industrial and heavy equipment.
	UMW Australia Ventures Sdn Bhd	-	100	Investment holding.
	UMW Offshore Investment (L) Ltd	-	100	Investment holding.
	UMW China Ventures (L) Ltd	-	100	Investment holding.
(b)	Subsidiary incorporated in the Republic of Singapore			
	Indirect subsidiary of the Company			
	UMW Marine and Offshore Pte Ltd*	-	100	Investment holding.
(c)	Subsidiaries incorporated in People's Republic of China			
	Indirect subsidiaries of the Company			
	UMW Coating Technologies (Tianjin) Co Ltd*	100	100	Provision of oil and gas related equipment and pipe coating services.
	PFP (Shenzhen) Piping Materials Co Ltd*	-	100	Trading, logistics, marketing and distribution of oilfield products.

# 38. Subsidiaries (cont'd.)

(ii) The following companies are under members' voluntary liquidation/deregistration: (cont'd.)

			oup interest	
Company (cont'd.)		2019 %	2018 %	Principal activities
(d)	Subsidiary incorporated in Bahrain			
	Indirect subsidiary of the Company:			
	UMW Middle East Ventures Holding WLL*	100	100	Investment holding.
(e)	Subsidiary incorporated in Oman			
	Indirect subsidiaries of the Company:			
	Arabian Drilling Services LLC*	70	70	Drilling of oil and natural gas wells and service activities incidental to extraction of petroleum and natural gas, excluding surveying.

\* Subsidiaries audited by firms of auditors other than Ernst & Young.

<sup>#</sup> The financial year end of the above subsidiaries is 30 September.

#### 39. Joint ventures

		Group Effective interest		
Company		2019 %	2018 %	Principal activities
(a)	Joint venture incorporated in Hong Kong			
	Lubritech International Holdings Limited	60	60	Investment holding.
(b)	Joint venture incorporated in India			
	United Seamless Tubulaar Private Limited	37.2	37.7	Manufacturing of seamless tubular green pipes.
(c)	Joint venture incorporated in People's Republic of China			
	Lubritech Limited	60	60	Manufacturing and trading of lubricant products.
(d)	Joint venture incorporated in the Republic of Indonesia			
	PT Pusaka Bersatu	49	49	Import and major distributor of related auto parts merchandise and lubricants as well as providing after sales service in Indonesia.
(e)	Joint venture incorporated in the Republic of Singapore			
	Tubulars International Pte Ltd	-	30	Investment holding.

Other than United Seamless Tubulaar Private Limited whose financial year end is 31 March, the financial year end of all the above jointly-controlled entities is 31 December.

## 40. Associates

(i) The following are the associates of the Company:

		Group Effective interest		
Con	npany	2019 %	2018 %	Principal activities
(a)	Associates incorporated in Malaysia			
	Perusahaan Otomobil Kedua Sdn Bhd ( <b>Perodua</b> )	38	38	Investment holding company and provision of management and administrative services.
	Held through Perodua:			
	Perodua Sales Sdn Bhd	38	38	Marketing and distribution of motor vehicles, related spare parts and other related activities.
	Strategic Auto Sdn Bhd	38	38	Importer and distributor of motor vehicles.
	Perodua Global Manufacturing Sdn Bhd	28.12	28.12	Manufacture and assembly of motor vehicles and other related activities.
	Perodua Manufacturing Sdn Bhd	28.12	28.12	Manufacture and assembly of motor vehicles and other related activities.
	Perodua Engine Manufacturing Sdn Bhd	28.12	28.12	Manufacture and dealers in component parts including engines, coupling and transmission components.
	UMW Toyotsu Motors Sdn Bhd	30	30	An authorised dealer of UMW Toyota Motor Sdn Bhd and providing after sales services.
	Toyota Capital Malaysia Sdn Bhd	30	30	Provision of lease and hire purchase financing for both conventional and Islamic.
	Held through Toyota Capital Malaysia Sdn Bhd:			
	Toyota Capital Acceptance Malaysia Sdn Bhd	30	30	Provision of financing for employees share option scheme, hire purchase financing, debt factoring and money lending services.
	Toyota Lease Malaysia Sdn Bhd	30	30	Provision of leasing services.
	E-Lock Corporation Sdn Bhd	20.1	20.1	Investment holding and research, development and distribution of computer software, solutions and services.
	PFP (Malaysia) Sdn Bhd	-	40	Supply of marine process and petrol chemical materials.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

## 40. Associates (cont'd.)

(i) The following are the associates of the Company: (cont'd.)

		Group Effective interest		•		•		
Con	Company		2018 %	Principal activities				
(b)	Associates incorporated in People's Republic of China							
	Zhongyou BSS (Qinhuangdao) Petropipe Co Ltd	34.3	34.3	Manufacturing of oil and gas transmission pipes, manufacturing and anticorrosion coating of pipes, providing pipe manufacturing and anticorrosion coating services, selling self-produced products including large diameter longitudinal-welded pipes, spiral-welded pipes, bend-pipes etc., which are primarily used for construction of oil and gas pipelines etc.				
	Shanghai Tube-Cote Petroleum Pipe Coating Co Ltd	49	49	Production of internal and external anti-corrosive material for pipes, architectural anti-corrosive materials, related chemical products and pipe coatings; steel processing; selling of self-produced products; provision of technical consulting and after- sales services for related products.				
	Shanghai BSW Petro-pipe Co Ltd	32.4	32.4	Manufacturing of spiral welded pipes for the oil and gas industry.				
	Jiangsu Tube-Cote Shuguang Coating Co Ltd	28.13	28.13	Provision of internal epoxy coating for OCTG and line pipes for the oil and gas industry.				

(ii) The following company is under members' voluntary liquidation/deregistration:

		oup interest	
Company	2019 %		Principal activities
(b) Associates incorporated in Malaysia			
Held through Toyota Capital Malaysia Sdn Bhd:			
Seabanc Kredit Sdn Bhd	30	30	Hire purchase, leasing and debt factoring

Other than E-Lock Corporation Sdn Bhd whose financial year end is 31 January, UMW Toyotsu Motors Sdn Bhd, Toyota Capital Malaysia Sdn Bhd and its subsidiaries whose financial year end is 31 March, the financial year end of all of the above associated companies is 31 December.

#### 41. Significant events

(a) On 11 January 2019, the Company entered into a Share Sale and Purchase Agreement (SSPA) with Mr Paul Anthony Montague (Mr Montague), an Australian citizen, for the proposed disposal of 1,410,601 ordinary shares, representing 100% of the issued and paid-up capital of UMW Australia Venture (L) Ltd (UAV), for a purchase price of AUD2.00.

On 5 February 2019, UAV together with its subsidiaries and associate listed below ceased to be subsidiaries and associate of the Group:

- PFP Holdings Pty Ltd
- PFP (Aust) Holdings Pty Ltd
- PFP (Aust) Pty Ltd
- Australasia Piping Products Pty Ltd
- PFP (Malaysia) Sdn Bhd
- PFP Singapore Pte Ltd
- PFP (Shenzhen) Piping Materials Co Ltd
- (b) On 13 November 2019, the Group completed the disposal of its leasehold industrial land and building totalling 38.803 acres in Shah Alam, Selangor to Strategic Sonata Sdn Bhd (SSSB), a wholly-owned subsidiary of Mapletree Dextra Pte Ltd, a company incorporated in Singapore for a sale proceed of RM287.7 million. The gain arising from the disposal amounts to RM188.1 million.

The disposal is to facilitate the planned relocation of ongoing business operations in Shah Alam to the proposed UMW High Value Manufacturing Park in Serendah, Selangor. In the interim, the Group rented a part of the land from SSSB for a tenure of three years at a yearly rental of RM12.6 million, to ensure the Group's ongoing business operations will continue without undue disruptions prior to the planned relocation to the UMW High Value Manufacturing Park.

#### 42. Subsequent event

The COVID-19 outbreak is a global crisis that is having a growing impact on the global economy. In its Economic Monetary Review, Bank Negara Malaysia has revised Malaysia's 2020 GDP forecast to be within a range of -2.0% to 0.5%; as it contends with global supply and demand shocks, as well as lower domestic private consumption due to the imposition of the Movement Control Order (MCO).

From the Group's preliminary assessment, sales of new vehicles in the Automotive segment are likely to be affected by the cautious consumer sentiment. S&P Global Ratings is projecting a decline of almost 15% for the sale of light-vehicles globally. Demand for our lubricants and auto parts is likely to be impacted by low consumer spending. However, the Malaysian Government's economic stimulus package could potentially support demand of our products, as it has introduced several measures to safeguard household income.

A slowdown in the manufacturing and industrial sector in general, arising from restricted operating capacities and supply-chain disruptions, could also affect our industrial equipment business. Delays or downsizing of construction projects could reduce demand in the heavy equipment segment. However, enhanced access to financing for small and medium enterprises under the stimulus package could potentially sustain demand for this segment.

As for the Aerospace business, while the COVID-19 outbreak has led to a rapid decline in global air passenger traffic, demand for aerospace components is likely to be sustainable in the near term.

While the exact scale and duration of the outbreak's economic impact is yet to be determined, the UMW Group is confident of withstanding any business interruptions caused by the COVID-19 outbreak in the year ahead. The Group will remain vigilant, strive to preserve cash and continue to enhance its operational efficiencies as it navigates its way in this unprecedented and fast-changing global situation. Together with a series of rapid-response initiatives, the Group is also actively enhancing and redeploying its existing transformation resources to build capabilities, accelerate recovery and retool the business for a new, post COVID-19 world.

## 43. Significant related party disclosures

(a) In addition to the related party transaction information disclosed elsewhere, transactions by UMW Holdings Berhad and its subsidiaries with the associates and corporate shareholder of the subsidiaries are as follows:

Group companies		Transacting parties	Nature of transactions	2019 RM'000	2018 RM'000
UMW Industries (1985) Sdn Bhd	)		Lease rental	8,068	7,748
KYB-UMW Malaysia Sdn Bhd and its subsidiary	)		Sale of shock absorbers	59,869	51,255
U-TravelWide Sdn Bhd	)		Air tickets	5,302	2,503
UMW Toyota Motor Sdn Bhd and subsidiaries	)	Perodua Group*	Sale of goods and services	149,845	127,582
UMW Industrial Power Services Sdn Bhd	)	Group	Sale of goods and services	2,483	3,477
UMW Advantech Sdn Bhd	)		Sale of goods and services	30,084	26,455
Lubetech Sdn Bhd	)		Sale of goods and services	19,579	15,189
UMW Corporation Sdn Bhd	) )	Toyota Capital	Purchase of goods and services	4,260	2,559
UMW Holdings Berhad	) ) )	Malaysia Sdn Bhd and its subsidiaries	Purchase of goods and services	376	436

- \* Comprises Perusahaan Otomobil Kedua Sdn Bhd, its subsidiaries and associates.
- (b) Transactions by the Group with Toyota Motor Corporation, Japan (the corporate shareholder of UMW Toyota Motor Sdn Bhd) and its subsidiaries and associates are as follows:

Group companies	Transacting parties	Nature of transactions	2019 RM'000	2018 RM'000
UMW Toyota Motor Sdn Bhd and its subsidiaries	Toyota Motor Corporation, Japan	Sale of goods and services	697,421	724,890
	and its subsidiaries	Purchase of goods and services	2,922,962	2,894,038
	UMW Toyotsu	Sale of goods	177,760	157,867
	Motors Sdn Bhd	Purchase of goods and services	4,510	3,467

## 43. Significant related party disclosures (cont'd.)

(c) Transactions by the Group with the corporate shareholders of KYB-UMW Malaysia Sdn Bhd are as follows:

Group companies	Transacting parties	Nature of transactions	2019 RM'000	2018 RM'000
KYB-UMW Malaysia Sdn Bhd and its subsidiary	Kayaba Industry Co Ltd, Japan and its	Sale of goods and services	76,878	71,713
	subsidiaries	Purchase of goods and services	10,443	9,594
	Toyota Tsusho	Sale of goods and services	121	231
	Corporation, Japan and its affiliated company	Purchase of goods and services	36,288	35,027

(d) Transactions by the Group with a related company of the corporate shareholder of UMW Sher (L) Ltd and Jaybee Drilling Pvt. Ltd are as follows:

Group companies	Transacting parties	Nature of transactions	2019 RM'000	2018 RM'000
UMW Sher (L) Ltd	) Jackes Franki	Bare boat charter	8,046	10,300
Jaybee Drilling Pvt Ltd	Jaybee Energy ) Pte Ltd )	Purchase of goods and services	13,013	12,589

(e) Transactions by the Group with a former non-executive director of the Company and with a company in which he has interests are as follows:

Group companies	Transacting parties	Nature of transactions	2019 RM'000	2018 RM'000
UMW IT Services Sdn Bhd	<ul> <li>) Dr Leong Chik</li> <li>) Weng/E-Lock</li> <li>) Corporation Sdn</li> <li>) Bhd, a Company</li> <li>) which Dr Leong</li> <li>) Chik Weng has a</li> <li>) interest</li> </ul>		2,786	1,765

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

#### 43. Significant related party disclosures (cont'd.)

(f) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

	2019	2018
	RM'000	RM'000
Salaries, wages and allowances	13,996	13,959
Provision for unutilised leave	242	332
Pension costs – defined benefit plan	1,849	1,735
Others	2,472	1,234
	18,559	17,260

## 44. Fair value disclosures

The financial instruments of the Group and the Company consist of cash and cash equivalents, trade and other receivables, borrowings, trade and other payables and derivatives.

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

#### Determination of fair value

#### Quoted investment in money market funds

Fair value is determined directly by reference to their published market price at the reporting date.

#### Quoted equity instruments

Fair value is determined directly by reference to their published market price at the reporting date.

#### Unquoted equity instruments

Fair value is determined by calculating the future expected dividend to be received.

#### Derivatives

Forward exchange contracts and embedded derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

#### Borrowings

Fair values of the Group's interest-bearing borrowings are determined by using the discounted cash flow method using discount rates that reflect the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2019 was assessed to be insignificant.

## 44. Fair value disclosures (cont'd.)

## Determination of fair value (cont'd.)

#### Leases

The fair value of lease liabilities are estimated by discounting expected future cash flows at a rate for similar types of leasing arrangements at the reporting date.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

#### (i) Financial instruments not carried at fair value

		2019	)	2018	3
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group					
Financial liabilities					
Long term borrowings					
– Fixed rate borrowings	23	685,705	501,038	648,362	473,752
– Fixed rate Sukuk	23	1,349,927	1,335,068	1,649,887	1,401,293
		2,035,632	1,836,106	2,298,249	1,875,045
Company					
Financial assets					
Long term borrowings – Fixed rate Sukuk	23	1,349,927	1,335,068	1,649,887	1,401,293

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

## 44. Fair value disclosures (cont'd.)

## Determination of fair value (cont'd.)

## (ii) Financial instruments carried at fair value

	2019 RM'000	2018 RM'000
Financial assets:		
Group		
Quoted investment in money market fund	1,071,881	1,133,856
Quoted shares	1,689	2,804
Unquoted shares	4,302	4,302
Forward currency contracts	582	586
Embedded derivatives	5,016	7,027
Company		
Quoted investment in money market fund	562,843	693,437
Financial liabilities:		
Group		
Lease liabilities	94,015	-
Forward currency contracts	2,901	881
Company		
Lease liabilities	704	-

#### (iii) Assets valued at fair value less costs to sell upon classification to held for sale

	2019 RM'000	2018 RM'000
Property, plant and equipment	-	14,324
Investments in associates	37,433	37,844
Receivables	-	6,467

## 44. Fair value disclosures (cont'd.)

#### Fair value hierarchy

The following provides the fair value measurement hierarchy of the Group's assets and liabilities.

The different levels have been defined as follows:

- (a) Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

			Fair value		
	Level	Note	2019 RM'000	2018 RM'000	
Assets measured at fair value:					
Group					
Quoted investment in money market fund	1	13	1,071,881	1,133,856	
Quoted shares outside Malaysia	1	13	1,689	2,804	
Embedded derivatives	2	14	5,016	7,027	
Forward currency contracts	2	14	582	586	
Unquoted shares	3	13	4,302	4,302	
Company					
Quoted investment in money market fund	1	13	562,843	693,437	
Assets for which fair values are disclosed:					
Group					
Investment properties	3	5	237,628	263,027	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

## 44. Fair value disclosures (cont'd.)

Fair value hierarchy (cont'd.)

			Fair value		
	Level	Note	2019 RM'000	2018 RM'000	
Assets valued at fair value less costs to sell upon classification to held for sale:					
Group					
Investment in associates	2	18	37,433	37,844	
Liabilities measured at fair value:					
Group					
Forward currency contracts	2	14	2,901	881	
Liabilities for which fair values are disclosed:					
Group					
Lease liabilities	2	8	94,015	-	
Long term borrowings					
- Fixed rate borrowings	2	23	501,038	473,752	
– Fixed rate Sukuk	2	23	1,335,068	1,401,293	
Company					
Long term borrowings					
– Fixed rate Sukuk	2	23	1,335,068	1,401,293	

### 44. Fair value disclosures (cont'd.)

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There has been no transfers between Level 1 and Level 2 fair values during the financial year (2018: No transfer in either direction).

#### Valuation process applied by the Group for Level 3 fair value

Investment properties of the Group, which were categorised as Level 3 fair value, have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

#### 45. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating to enjoy the best terms of borrowing and healthy capital ratios in its subsidiaries to support business and maximise shareholders' value.

The Group's dividend policy is for all its subsidiaries to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits and after taking into account any significant capital expenditure on Group's expansion plans among others.

	Gro	oup	Company		
	2019	2018	2019	2018	
	RM'000	RM'000	RM'000	RM'000	
Short term borrowings	386,361	534,961	299,997	349,991	
Long term borrowings	2,123,422	2,298,249	1,349,927	1,649,887	
Total borrowings	2,509,783	2,833,210	1,649,924	1,999,878	
Total equity	6,098,085	5,714,443	1,264,357	1,237,110	
Gearing ratio	41%	50%	> 100%	> 100%	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

#### 46. Financial risk management

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group. The financial risk management practices are part of the Group's Enterprise Risk Management Framework.

The Board of Directors has established a risk management framework for subsidiaries within the Group. The Group's risk governance structure comprises the following:

- (i) The Risk Management Committee at the Board level
- (ii) The Management Risk Committee at corporate management level
- (iii) Group Risk Management Division at corporate management level
- (iv) The Risk Management Unit at the respective operating units

Responsibilities of the Risk Management Committee include:

- (i) to monitor the role, effectiveness and efficiency of the Management Risk Committee, Group Risk Management Division and Risk Management Units at operating units;
- (ii) to review the risk profile of the UMW Group and risk mitigation action plans; and
- (iii) to review the risk management policies, procedures and measurement methodologies of the UMW Group and to effect changes thereto, if deemed necessary.

The Management Risk Committee comprises members of the Management Committee. This Committee identifies and assesses risks, and makes recommendations on risk management to the Risk Management Committee at the Board level.

Financial risk management objectives of UMW Group are as follows:

- (i) to minimise exposure to all financial risks including foreign currency exchange, interest, credit and liquidity risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- derivatives to hedge its exposure to currency, interest and cash flow risks. However, use of derivatives for speculation is specifically prohibited;
- credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably credit-worthy customers are accepted; and
- (iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

### 46. Financial risk management (cont'd.)

The Group's strategies and practices in dealing with its major financial risks are set out below:

#### (a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. These foreign exchange risk exposures are mainly in United States (**US**) Dollar, Pound Sterling, Japanese Yen and Euro.

Material foreign currency exposures are hedged via forward exchange contracts and cross currency swaps by using foreign exchange facilities maintained with leading banks in Malaysia and overseas. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The table below demonstrates the sensitivity of the Group's profit after tax as at year end to a possible reasonable change in the US Dollar, Pound Sterling, Japanese Yen and Euro exchange rates against Ringgit Malaysia with all other variables held constant:

		2019 RM'000	2018 RM'000
		Effect on pro	fit after tax
US Dollar	+10%	(19,748)	(4,209)
	-10%	19,748	4,209
Pound Sterling	+10%	(1,519)	-
	-10%	1,519	-
Japanese Yen	+10%	1,082	861
	-10%	(1,082)	(861)
Euro	+10%	(150)	(1,096)
	-10%	150	1,096

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of their placements with financial institutions, bank borrowings at floating rates and loans at floating rates given to related parties. Its policy is to:

- (i) have an optimal mixture of short term deposits or placements; and
- (ii) manage its interest cost using a combination of fixed and floating rate debts. Material interest rate exposures are hedged via interest rate swaps.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

#### 46. Financial risk management (cont'd.)

#### (b) Interest rate risk (cont'd)

#### Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's profit after tax, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings:

		2019 RM'000	2018 RM'000
	Basis points	Effect on profit	after tax
Ringgit Malaysia interest rates	+ 50	(22)	(648)
US Dollar interest rates	- 50 + 50 - 50	22 (2,607) 2,607	648 (4,147) 4,147

#### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risk is managed through the application of the UMW Group Credit Granting Guidelines. These guidelines outline the credit granting criteria and approval procedures as endorsed by the Board. A credit committee performs on-going monitoring on compliance and ensures that these authorisation policies and procedures are consistent with business requirements.

Due to its diverse customer base, the Group does not have significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial institution.

The total exposure to credit risk comprise total receivables as disclosed in Note 16, corporate guarantees and financial indemnity granted by the Group and the Company of RM137,815,000 (2018: RM121,502,000) and Nil (2018: Nil) respectively.

## 46. Financial risk management (cont'd.)

#### (d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations when due, as a result of shortage of funds arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's policy to:

- (i) have the right of liquid assets in its portfolio;
- (ii) maintain a healthy gearing ratio;
- (iii) finance long term assets with long term loans; and
- (iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000	
Group						
Financial liabilities:						
Trade and other payables Lease liabilities Derivatives: – Forward contracts (gross payments)	2,076,561 30,378 582	- 45,555 -	- 10,154 -	- 26,462 -	2,076,561 112,549 582	
Borrowings	403,112	529,008	1,070,966	569,636	2,572,722	
Total undiscounted financial liabilities	2,510,633	574,563	1,081,120	596,098	4,762,414	

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) - 31 DECEMBER 2019

## 46. Financial risk management (cont'd.)

(d) Liquidity risk (cont'd.)

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			2019		
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Company					
Financial liabilities:					
Trade and other payables Lease liabilities Borrowings	16,152 284 313,677	_ 499 419,378	- - 786,340	- - 209,681	16,152 783 1,729,076
Total undiscounted financial liabilities	330,113	419,877	786,340	209,681	1,746,011
	I		2018		
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Group					
Financial liabilities:					
Trade and other payables Derivatives:	1,853,459	_	-	-	1,853,459
<ul> <li>Forward contracts (gross payments)</li> </ul>	881	-	-	-	881
Financial guarantee contracts Borrowings	588 669,770	- 59,514	- 1,811,478	- 509,698	588 3,050,460
Total undiscounted financial liabilities	2,524,698	59,514	1,811,478	509,698	4,905,388

## 46. Financial risk management (cont'd.)

### (d) Liquidity risk (cont'd.)

	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000		
Company							
Financial liabilities:							
Trade and other payables	21,752	_	_	_	21,752		
Financial guarantee contracts	27,000	-	-	-	27,000		
Borrowings	366,966	314,540	1,205,690	209,678	2,096,874		
Total undiscounted financial liabilities	415,718	314,540	1,205,690	209,678	2,145,626		

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial year ended 31 December 2019.

#### (e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market price (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investments in money market funds as they are quoted in the market.

#### Sensitivity analysis for market price risk

At the reporting date, if the market price of money market fund had been 1% higher/lower, with all other variables held constant, the Group's profit/(loss) net of tax would have been RM10.7 million (2018: RM11.4 million) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments.

# SHAREHOLDINGS STATISTICS

AS AT 17 APRIL 2020

Issued Shares	:	1,168,293,932 ordinary shares
Voting Rights	:	One (1) vote per one (1) ordinary share held

#### **ANALYSIS BY SIZE OF SHAREHOLDINGS**

Size of		No. of Total No. of Shareholders Shareholders			No. of Issued Shares		Total No. of Issued Shares	
Shareholdings	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	612	22	634	8.80	10,343	702	11,045	0.00
100 to 1,000	2,135	79	2,214	30.74	1,471,610	46,763	1,518,373	0.13
1,001 to 10,000	3,178	162	3,340	46.37	13,036,399	676,973	13,713,372	1.17
10,001 to 100,000	705	134	839	11.65	19,920,454	4,517,462	24,437,916	2.09
100,001 to less than								
5% of issued shares	120	52	172	2.39	302,552,235	40,237,755	342,789,990	29.34
5% and above of issued shares	4	0	4	0.05	785,823,236	0	785,823,236	67.26
Total	6,754	449	7,203	100.00	1,122,814,277	45,479,655	1,168,293,932	100.00

#### ANALYSIS OF EQUITY STRUCTURE

Category of	No. of Shareholders		No. Issued	. of Shares	% of Issued Shares		
Shareholders	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner	
1. Individual	5,360	187	30,020,507	1,301,831	2.57	0.11	
2. Body Corporate							
(a) Banks/finance companies	37	1	815,650,876	5,206	69.82	0.00	
(b) Investment trusts/foundations/							
charities	1	0	5,112	0	0.00	0.00	
(c) Industrial and commercial							
companies	97	6	2,577,662	1,683,504	0.22	0.14	
3. Government agencies/institutions	3	0	2,199,084	0	0.19	0.00	
4. Nominees	1,254	255	272,354,368	42,489,114	23.31	3.64	
5. Others	2	0	6,668	0	0.00	0.00	
Total	6,754	449	1,122,814,277	45,479,655	96.11	3.89	

## **TOP 30 SECURITIES ACCOUNT HOLDERS**

No.	Name	No. of Shares	%
1.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera	480,662,600	41.14
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	144,916,768	12.40
3.	Permodalan Nasional Berhad	83,545,900	7.15
4.	Kumpulan Wang Persaraan (Diperbadankan)	76,697,968	6.56
5.	Amanahraya Trustees Berhad – Amanah Saham Malaysia 3	39,036,200	3.34
6.	Amanahraya Trustees Berhad – Amanah Saham Malaysia	35,079,400	3.00
7.	Amanahraya Trustees Berhad – Amanah Saham Malaysia 2 – Wawasan	30,420,500	2.60
8.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	26,285,000	2.25
9.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera 2	17,898,700	1.53
10.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera 3 - Didik	12,810,400	1.10
11.	Cartaban Nominees (Tempatan) Sdn Bhd – Pamb For Prulink Equity Fund	9,822,000	0.84
12.	HSBC Nominees (Asing) Sdn Bhd - HSBC Bk Plc For Kuwait Investment Office (KIO)	7,000,000	0.60
13.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Amundi)	6,852,400	0.59
14.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (CIMB Prin)	6,744,100	0.58
15.	Amanahraya Trustees Berhad – Public Islamic Dividend Fund	6,524,400	0.56
16.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	6,161,600	0.53
17.	Maybank Nominees (Tempatan) Sdn Bhd – Mtrustee Berhad For Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	6,090,100	0.52
18.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	5,000,000	0.43
19.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	4,772,600	0.41
20.	Amanahraya Trustees Berhad – Public Ittikal Sequel Fund	4,282,500	0.37
21.	Pertubuhan Keselamatan Sosial – Bahagian Pelaburan	3,860,300	0.33
22.	Citigroup Nominees (Asing) Sdn Bhd – Exempt An For Citibank New York (Norges Bank 1)	3,537,528	0.30
23.	Cartaban Nominees (Tempatan) Sdn Bhd – PBTB For Takafulink Dana Ekuiti	3,469,400	0.30

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## SHAREHOLDINGS STATISTICS

No.	Name	No. of Shares	%
24.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (LSF)	3,300,900	0.28
25.	Amanahraya Trustees Berhad – Public Islamic Select Enterprises Fund	3,187,400	0.27
26.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	3,117,300	0.27
27.	Amanahraya Trustees Berhad – Public Islamic Equity Fund	2,884,900	0.25
28.	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS)	2,882,900	0.25
29.	Cartaban Nominees (Asing) Sdn Bhd – Exempt An For State Street Bank & Trust Company (West CLT OD67)	2,844,600	0.24
30.	Amanahraya Trustees Berhad – Public Dividend Select Fund	2,817,800	0.24
	TOTAL	1,042,506,164	89.23

#### SUBSTANTIAL SHAREHOLDERS

No.	Shareholders	No. of Shares	%
1.	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	480,662,600	41.14
2.	Employees Provident Fund Board <sup>1</sup>	167,829,768	14.36
3.	Permodalan Nasional Berhad	83,545,900	7.15
4.	Yayasan Pelaburan Bumiputera <sup>2</sup>	83,545,900	7.15
5.	Kumpulan Wang Persaraan (Diperbadankan) <sup>3</sup>	85,188,101	7.29

<sup>1</sup> Held under multiple securities accounts of its nominees.

<sup>2</sup> Deemed interested by virtue of its shareholding in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act 2016.

<sup>3</sup> Includes all shares held under multiple securities accounts of its nominees.

The information above was extracted from the Record of Depositors received from the Bursa Malaysian Depository Sdn Bhd on 6 May 2020.

# TOP 10 PROPERTIES HELD BY THE UMW GROUP

AS AT 31 DECEMBER 2019

No.	Location	Description	Existing Use	Tenure	Approximate Area of Land/ Built–up (Sq. Metres)	Approximate Age of Building (Years)	Revaluation Date	Acquisition Date	Net Book value
1	No. 1, Jalan Keluli 2/KU 2, Kawasan Perindustrian Bukit Raja, Klang, Selangor	Industrial Land	Integrated Quality Hub, Test Track and Centralised Body & Paint	Freehold	Land – 674,300 Built–up – 27,753.34	8	-	28.12.2008	661,854,728
2	Part of Lot 29138 Mukim Serendah Ulu Selangor, Selangor	Industrial Land	Office, Training Facilities and Workshop	Leasehold 99 years expiring 05.06.2094	Land - 95,263 Built-up - 24,661.5	3	-	01.08.2016	96,689,454
3	Lot 40020 to Lot 40021, Lot 40025 to Lot 40027, Lot 40029 to Lot 40033 Mukim Serendah Ulu Selangor, Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 07.07.2109	Land - 2,963,851.22 Built-up - Nil	-	-	17.04.1995	73,046,606
	Lot 15001 to 15009 & Lot 15019 to 15024 Mukim Serendah Ulu Selangor, Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 25.10.2098 (formerly known as PT 4445)					
4	No. 2, Persiaran Raja Muda, Section 15 Shah Alam, Selangor	Land	UMW Toyota Motor Head Office	Leasehold 99 years expiring 22.07.2067	Land - 24,283.2 Built-up - 19,840.5	15	-	06.08.1985	35,829,266
5	Lot 43, SMI Phase 1 IZ3, Jalan 1D KKIP District of Kota Kinabalu, Sabah	Industrial Land	Stockyard (Sabah IQH)	Leasehold 60 years expiring 31.12.2066	Land - 34,669.42	4	-	27.07.2015	35,522,647
6	Part of Lot 61716 H.S (D) 58036 Bandar Subang Jaya Daerah Petaling Selangor	Commercial Land	Showroom, Parts and Service Centre	Freehold	Land – 10,967.1 Built–up – 10,219.3	12	-	28.03.2006	34,147,231
7	No 8, Jalan Jelutong Section 9W Bandar Georgetown North-East District Pulau Pinang	Industrial Land	Showroom, Parts and Service Centre	Freehold	Land – 12,137.8 Built–up – 2,653.78	12	-	29.12.2003	32,785,453
8	Lot 759 Mukim of Mentakab District of Temerloh Pahang	Industrial Land	Showroom, Body & Paint, Parts and Service Centre	Freehold	Land - 14,285.40 Built-up - 5,992	3	-	30.04.2015	29,139,166
9	Lot 44580, Mukim Sungai Buloh Daerah Petaling Selangor	Commercial Land	Showroom, Parts and Service Centre	Freehold	Land – 4,228.5 Built–up – 11,375.5	14	-	13.08.2004	28,168,433
10	No. 19, Jalan Subang Utama 2 (Jalan Puchong) Lion Industrial Park Section 22, Shah Alam Selangor	Industrial Land	Office and Factory Buildings	Freehold	Land - 46,871 Built-up - 12,243.72	17	-	14.05.1997	26,044,380

# **CORPORATE** INFORMATION

### **BOARD OF DIRECTORS**

#### TAN SRI DATO' SRI HAMAD KAMA PIAH CHE OTHMAN

Group Chairman Non-Independent Non-Executive Director

#### **BADRUL FEISAL ABDUL RAHIM**

President & Group Chief Executive Officer/ Executive Director

#### TAN SRI HASMAH ABDULLAH

Senior Independent Non-Executive Director

#### DATO' ESHAH MEOR SULEIMAN

Independent Non-Executive Director

#### DATIN PADUKA KARTINI HJ ABDUL MANAF

Non-Independent Non-Executive Director

#### SALWAH ABDUL SHUKOR Non-Independent Non-Executive Director

DR. VEERINDERJEET SINGH A/L TEIWANT SINGH

Independent Non-Executive Director

LIM TZE SEONG Non-Independent Non-Executive Director

RAZALEE AMIN Independent Non-Executive Director

DATO' SERI PROF. DR. IR. ZAINI UJANG Independent Non-Executive Director

## **BOARD COMMITTEES**

#### AUDIT COMMITTEE

Dr. Veerinderjeet Singh *(Chairman)* Tan Sri Hasmah Abdullah Razalee Amin

## NOMINATION & REMUNERATION COMMITTEE

Tan Sri Hasmah Abdullah (*Chairperson*) Dato' Eshah Meor Suleiman Datin Paduka Kartini Hj Abdul Manaf Dato' Seri Prof. Dr. Ir. Zaini Ujang

#### **INVESTMENT COMMITTEE**

Datin Paduka Kartini Hj Abdul Manaf (*Chairperson*) Badrul Feisal Abdul Rahim Lim Tze Seong Dr. Veerinderjeet Singh Dato' Seri Prof. Dr. Ir. Zaini Ujang

### **RISK MANAGEMENT COMMITTEE**

Dato' Eshah Meor Suleiman *(Chairperson)* Tan Sri Hasmah Abdullah Salwah Abdul Shukor Razalee Amin

## INTEGRITY AND WHISTLE-BLOWING COMMITTEE

Tan Sri Hasmah Abdullah (*Chairperson*) Dato' Eshah Meor Suleiman Salwah Abdul Shukor Razalee Amin

#### **GROUP SECRETARY**

Mohd Nor Azam Mohd Salleh Practising Certificate No. 201908002015

#### **REGISTERED OFFICE**

UMW Holdings Berhad 198201010554 (90278-P) Level 6, Menara UMW Jalan Puncak Off Jalan P. Ramlee, 50250 Kuala Lumpur Wilayah Persekutuan, Malaysia Telephone : (603) 2025 2025 Facsimile : (603) 2025 2029

#### REGISTRAR

Securities Services (Holdings) Sdn Bhd 197701005827 (36869-T) Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur, Malaysia Telephone : (603) 2084 9000 Facsimile : (603) 2094 9940

#### **AUDITORS**

Ernst & Young PLT 20206000003 (LLP0022760-LCA) & AF0039 Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur, Malaysia Telephone : (603) 7495 8000 Facsimile : (603) 2095 5332

#### **PRINCIPAL BANKERS**

Malayan Banking Berhad CIMB Bank Berhad MUFG Bank (Malaysia) Berhad Sumitomo Mitsui Banking Corporation Malaysia Berhad

#### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad Stock Name : UMW Stock Code : 4588

#### WEBSITE

<u>www.umw.com.my</u>

## GROUP DIRECTORY AS OF JANUARY 2020

## **CORPORATE OFFICE**



UMW Corporation Sdn Bhd Level 6, Menara UMW Jalan Puncak, Off Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia Tel : +603 2025 2025 Fax : +603 2025 2026

## AUTOMOTIVE



UMW Toyota Motor Sdn Bhd Head Office

No. 2, Persiaran Raja Muda Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5123 6688 Fax : +603 5123 6201

#### Perusahaan Otomobil Kedua Sdn Bhd (PERODUA)

Head Office PERODUA Corporate Building Sg. Choh 48009 Rawang Selangor Darul Ehsan, Malaysia Tel : +603 6733 8888 Fax : +603 6099 2402

## MANUFACTURING/ASSEMBLY PLANTS

#### UMW TOYOTA MOTOR SDN BHD

#### Assembly Services Sdn Bhd

#### Bukit Raja Plant

No. 1, Jalan Keluli 2/KU2 Kawasan Perindustrian Bukit Raja 41050 Klang Selangor Darul Ehsan, Malaysia Tel : +603 3348 2000

#### Shah Alam Plant

Persiaran Selangor 40000 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5123 2000

#### Automotive Industries Sendirian Berhad

Lot 9, Jalan Puchong Section 22 Lion Industrial Park 40300 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5191 8487 Fax : +603 5191 1604

#### Toyota Boshoku UMW Sdn Bhd

No. 1, (Gate 2) Jalan Keluli 2/KU2 Kawasan Perindustrian Bukit Raja 41050 Klang Selangor Darul Ehsan, Malaysia Tel : +603 3346 7000 Fax : +603 3346 7130

#### PERODUA

- Perodua Auto Corporation Sdn Bhd
- Perodua Manufacturing Sdn Bhd
- Perodua Engine Manufacturing Sdn Bhd
- Perodua Global Manufacturing Sdn Bhd

#### **PERODUA Complex**

Sg. Choh 48009 Rawang Selangor Darul Ehsan, Malaysia Tel : +603 6733 8888 Fax : +603 6099 2402

## GROUP DIRECTORY

## **EQUIPMENT - CORPORATE OFFICE**



UMW Equipment Division Sdn Bhd HEAD OFFICE Lot 16, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 3706 Fax : +603 5510 5517

## **HEAVY EQUIPMENT**



#### UMW Komatsu Heavy Equipment Sdn Bhd HEAD OFFICE Lot 16, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 3706 Fax : +603 5510 5517

## **BRANCHES**

#### UMW Equipment Sdn Bhd

#### **HEAD OFFICE**

Lot 16, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 5000 Fax : +603 5510 4288

#### BRANCHES

#### NORTH REGION

#### Butterworth

Plot 57 Jalan Perindustrian Bukit Minyak Taman Perindustrian Bukit Minyak 14000 Bukit Mertajam Seberang Perai, Pulau Pinang Malaysia Tel : +604 508 3378 +604 508 3367 Fax : +604 508 3372

#### Ipoh

No. 8, Persiaran Tun Perak 30200 Ipoh Perak Darul Ridzuan, Malaysia Tel : +605 241 2777 Fax : +605 253 5862

#### SOUTH REGION

#### Johor Bahru

64, Jalan Langkasuka Larkin Industrial Estate 80350 Johor Bahru Johor Darul Takzim, Malaysia Tel : +607 238 1258 +607 237 1109 Fax : +607 236 5503

#### EAST COAST

#### Kuantan

Lot 140, Semambu Industrial Estate 25710 Kuantan Pahang Darul Makmur, Malaysia Tel : +609 566 1162 Fax : +609 566 2809 +609 566 2855

#### UMW (East Malaysia) Sdn Bhd

#### **HEAD OFFICE**

Lot 2478, Jalan Belian Pending Industrial Estate 93738 Kuching Sarawak, Malaysia Tel : +608 248 9911 Fax : +608 248 2537

#### SARAWAK

#### Kuching

Lot 2478 Jalan Belian Pending Industrial Estate 93738 Kuching Sarawak, Malaysia Tel : +608 248 9911 Fax : +608 248 2537

#### Sibu

No. 6, Lot 55, Block 9 Jalan Upper Lanang 96000, Sibu Sarawak, Malaysia Tel : +608 421 4200 Fax : +608 421 3191 +608 421 1541

#### Bintulu

Lot 3155, Block 26 Kemena Land District Kidurong Road 97008 Bintulu Sarawak, Malaysia Tel : +608 625 5351

#### Miri

Mile 3, Jalan Krokop 98007 Miri Sarawak, Malaysia Tel : +608 565 4744

#### SABAH

## Kota Kinabalu

Mile 5½, Jalan Tuaran 88817 Kota Kinabalu Sabah, Malaysia Tel : +608 842 7044 Fax : +608 842 0727

#### Sandakan

Mile 4½, Jalan Batu Sapi Karamunting Estate 90724 Sandakan Sabah, Malaysia Tel : +608 961 2604 Fax : +608 961 2432

#### Tawau

Mile 4½, Jalan Apas 91009 Tawau Sabah, Malaysia Tel : +608 991 2137 Fax : +608 991 3140

#### Lahad Datu Branch

Lot 3 & 4 New Kimbell Light Industrial Centre Mile 2½, Jalan Dam 91100 Lahad Datu Sabah, Malaysia Tel : +608 9883 311 Fax : +608 9883 300

#### MYANMAR

#### UMW Engineering Services Limited Myanmar

#### **HEAD OFFICE**

No. 1944/B, Block (6) Bogyoke Street A Sint Myint Quarter Yangon-Pathein Highway Road Hlaing Thar Yar Township, Yangon The Republic of the Union of Myanmar Tel : +959 863 4714 +959 863 4715 +951 684 924 +951 684 925 Fax : +951 684 535

#### BRANCHES

#### Mandalay

No. Ma-9/3, Corner of 64<sup>th</sup> Street & Theik Pan Road Chan Mya Thar Si Township Mandalay The Republic of the Union of Myanmar Tel : +959 752 480 663 +959 752 480 664

#### Nay Pyi Taw

No. 3345/3346 Corner of 18<sup>th</sup> Street & Padomar Street Bawgawaddi Quarter Pyinmana, Naypyitaw Myanmar Tel : +956 725 563 +956 725 564 Fax : +956 725 564

#### Hpakant

No. (Ma Hta/133) Block-6 Gyan Guard Street Mashikahtaung Quarter-D Hpakant, Myanmar Tel : +957 470 096 +957 470 097 +959 735 062 83 +959 432 021 91

#### **Mawlamyine Service Support Station**

No. 133, Ngan Tae Road Zay Yar Myine – Ngan Tae Ward Mawlamyine Township Mon State Myanmar Tel : +959 449 009 951 +959 964 490 995

#### SINGAPORE

#### UMW Heavy Equipment (S) Pte Ltd

108 International Road 629173 Singapore Tel : +656 661 4253

#### **UMW Niugini Limited**

#### HEAD OFFICE

#### Port Moresby

Section: 57, Allotment: 463 Morea Tobo Road, 6 Mile Port Moresby National Capital District Papua New Guinea Tel : +675 325 5766 +675 323 9425 Fax : +675 325 0593

#### BRANCHES

#### Lae

Section: 70, Allotment: 01 Butibum Road, Voco Point Lae 411 Morobe Province Papua New Guinea Tel : +675 472 2444 +675 7501 0416 Fax : +675 472 5094

#### Kokopo

Section: 302 Allotment: 03 Williams Road Vonapope Kokopo, East New Britain Province Papua New Guinea Tel : +675 982 9799 +675 7200 8743 Fax : +675 982 8979

## GROUP DIRECTORY

## **EQUIPMENT – INDUSTRIAL EQUIPMENT**



#### UMW Industries (1985) Sdn Bhd Head Office No. 16, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 3800

#### NORTH REGION

#### Butterworth

Plot 57, Jalan Perindustrian Bukit Minyak Taman Perindustrian Bukit Minyak 14000 Bukit Mertajam Seberang Perai Pulau Pinang Malaysia Tel : +604 508 3368 Fax : +604 508 3370

#### Ipoh

93, Persiaran Klebang 1 Kawasan Perindustrian IGB Off Jalan Kuala Kangsar 31200 Ipoh Perak Darul Ridzuan Malaysia Tel : +605 291 1460 Fax : +605 291 4460

#### SOUTH REGION

Johor Bahru

No. 64 Jalan Langkasuka Larkin Industrial Estate 80350 Johor Bahru Johor Darul Takzim Malaysia Tel : +607 237 3068 +607 237 1684 Fax : +607 236 5197

#### Nilai

Lot 4961, Jalan TS 2/1 Taman Semarak Fasa 2, 71800 Nilai Negeri Sembilan, Malaysia Tel : +606 799 3315 Fax : +606 799 3343

#### Melaka

Fax: +603 5519 1550

No. 2, Jalan Jasa Merdeka 4 Kawasan Perindustrian Ringan Taman Datuk Tamby Chik Karim 75350 Batu Berendam Melaka, Malaysia Tel : +606 317 2948 Fax : +606 317 1952

**BRANCHES** 

#### Kluang

No. 1, Jalan Padang Tembak Taman Padang Tembak 86000 Kluang Johor Darul Takzim, Malaysia Tel : +607 773 2216 Fax : +607 772 3976

#### EAST COAST

#### Kuantan

Lot 140, Semambu Industrial Estate 25710 Kuantan Pahang Darul Makmur, Malaysia Tel : +609 566 1986 Fax : +609 566 2502

#### SARAWAK

#### Kuching

Lot 2478, Section 66 KTLD Jalan Belian, Pending Industrial Estate 93738 Kuching Sarawak, Malaysia Tel : +608 233 6462 Fax : +608 233 6159

#### Sibu

No. 6A Lorong Nyatoh, Jalan Lanang 96000, Sibu Sarawak, Malaysia Tel : +608 431 1315 Fax : +608 432 0309

#### Bintulu

Lot 3155, Block 26 Kemena Land District Jalan Sungai Nyigu 97007 Bintulu Sarawak, Malaysia Tel : +608 625 5328 Fax : +608 625 5329

#### Miri

Mile 3, Jalan Krokop 98007 Miri Sarawak, Malaysia Tel : +608 565 4798 Fax : +608 565 7825

#### SABAH

#### Kota Kinabalu

Mile 5½, Tuaran Road 88817 Kota Kinabalu Sabah, Malaysia Tel : +608 843 0007 Fax : +608 842 7088

#### Sandakan

Mile 4½, Jalan Batu Sapi Karamunting Estate 90724, Sandakan Sabah, Malaysia Tel : +608 961 6100 Fax : +608 961 1071

#### Tawau

Mile 4½, Apas Road 91009 Tawau Sabah, Malaysia Tel : +608 991 2261 Fax : +608 991 4610

#### Keningau

Lot 31 Ground Floor Block B 1 KM Tenom Road Keningau Wood Light Industrial 89008 Keningau Sabah, Malaysia Tel : +608 733 4388 Fax : +608 733 4928

#### SINGAPORE

#### UMW Equipment & Engineering Pte Ltd

#### **HEAD OFFICE**

108, International Road Singapore 629173 Tel : +656 265 3155 Fax : +656 265 8494

#### VIETNAM

#### UMW Equipment Systems (Vietnam) Company Limited, Vietnam

#### HEAD OFFICE

12A, Doc Lap Avenue Vietnam – Industrial Park Binh Hoa Ward, Thuan An District, Binh Duong Province Vietnam Tel : +84 274 374 333 Fax : +84 274 374 3888

#### BRANCHES

#### UMW Equipment Systems (Vietnam) Co Ltd

### (Bac Ninh Branch)

Lot B1-3, Dai Dong Industrial Park – Hoan Son, Tien Du District, Bac Ninh, Vietnam Tel : +84 2223 848 899

#### UMW Equipment Systems (Vietnam) Co Ltd

#### (Quang Ngai Branch)

No 1, Road 6A Vietnam-Singapore Industrial Park Tinh Phong Commune, Son Tinh District Quang Ngai, Vietnam Tel : +84 2553 900 188

#### **Representative Offices**

#### UMW Equipment Systems (Vietnam) Co Ltd (Can Tho Office)

06, Tran Bach Dang Street Resettlement Area of Urban Upgrading Project Area 4, An Khanh Ward, Ninh Kieu District Can Tho, Vietnam Tel : +84 2923 737 331

#### UMW Equipment Systems (Vietnam) Co Ltd

## (Dong Nai Office)

No 64- Hamlet 5 – An Phuoc Commune Long Thanh District Dong Nai, Vietnam Tel : +84 2513 682 108

#### UMW Equipment Systems (Vietnam) Co Ltd

#### (Da Nang Office) 509 Ton Duc Thang Street Hoa Khanh Nam Ward Lien Chieu District Da Nang, Vietnam Tel : +84 2363 731 731

## UMW Equipment Systems (Vietnam) Company Limited – Warehouse

17B, 4 Street Vietnam-Singapore Industrial Park Binh Hoa Ward Thuan An City Binh Duong, Vietnam Tel : +84 2743 991 668

#### CHINA

#### UMW Material Handling Shanghai Group, China

#### **HEAD OFFICE**

Room 118, Building A, No. 118 East Huguang Road, Minhang District Shanghai 201108, P.R. China Tel : +862 154 300 338 Fax : +862 168 500 866

#### BRANCHES

UMW Industrial Equipment (Shanghai) Co Ltd (Hangzhou Branch)

No. 14 & 1 Avenue, Xiasha District Hangzhou 310018 Zhejiang Province P.R. China Tel : +860 571 868 375 88 Fax : +860 571 868 375 87

## UMW Industrial Equipment (Shanghai) Co Ltd

#### (Jiaxing Branch)

No. 258, Xingchang Road Xincheng Town Xiuzhou District Jiaxing 314015 Zhejiang Province P.R. China Tel : +860 573 822 090 48 Fax : +860 573 822 090 49

### UMW Industrial Equipment (Shanghai) Co Ltd

(Ningbo Branch) No. 825 North Jiangcheng Road Jiangdong District Ningbo 315042 Zhejiang Province P.R. China Tel: +860 573 822 090 48 Fax: +860 573 822 090 49

#### **Representative Offices**

#### UMW Industrial Equipment (Shanghai) Co Ltd

(Jinhua Office)

No. 1332 Dongshi Beijie, Wucheng District Jinhua 321000 Zhejiang Province P.R. China Tel : +860 579 824 239 80 Fax : +860 579 824 239 60

## GROUP DIRECTORY

## **EQUIPMENT - MARINE & POWER EQUIPMENT**



UMW Industrial Power Services Sdn Bhd Head Office No. 12, Jalan Utas 15/7, Seksyen 15 40200 Shah Alam, Selangor Darul Ehsan, Malaysia Tel : +603 5163 3600 Fax : +603 5519 2800

## BRANCHES

Plot 57, Jalan Perindustrian Bukit Minyak Kawasan Perindustrian Bukit Minyak Mukim 13, 14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang, Malaysia Tel : +604 508 3375/3376 Fax : +604 508 3373

Lot 140 Kawasan Perindustrian Semambu 25710 Kuantan Pahang Darul Makmur, Malaysia Tel : +609 566 5924 Fax : +609 566 2976

No. 93, Persiaran Klebang 1 Kawasan Perindustrian IGB Off Jalan Kuala Kangsar 31200 Ipoh Perak Darul Ridzuan, Malaysia Tel : +605 291 5460 Fax : +605 291 7460 No. 64, Jalan Langkasuka Kawasan Perindustrian Larkin 80350 Johor Bahru Johor Darul Takzim, Malaysia Tel : +607 235 0268 +607 232 0268 Fax : +607 236 9268

#### **Regional Office**

Lot 2478 Jalan Belian Pending Industrial Estate 93738 Kuching Sarawak, Malaysia Tel : +608 248 5102 +608 248 9911 Fax : +608 233 4867 Lot 55, Block 9 Upper Lanang Road 96008 Sibu Sarawak, Malaysia Tel : +608 421 2934 +608 421 8121 Fax : +608 421 0019

Mile 3, Jalan Krokop 98007 Miri Sarawak, Malaysia Tel : +608 566 1820 Fax : +608 565 5889

## MANUFACTURING & ENGINEERING – CORPORATE OFFICE



#### UMW M&E Sdn Bhd

No. 8, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan Malaysia Tel : +603 5163 5000 Fax : +603 5519 2527

## MANUFACTURING & ENGINEERING – LUBRICANTS



#### UMW Grantt International Sdn Bhd

Lot 8, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 5316 Fax : +603 5519 0132

#### UMW Lubricant International Sdn Bhd

Lot 8, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 5316 Fax : +603 5519 0132

#### UMW Pennzoil Distributors Sdn Bhd

Lot 8, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 5316 Fax : +603 5519 0132

#### Lubetech Sdn Bhd

Lot 8, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 5316 Fax : +603 5519 0132

#### **Lubritech Limited**

No. 169, Qi Chao Avenue Xinhui District Jiangmen 529100 Guangdong, China Tel : +86 750 639 6026 Fax : +86 750 639 6027

## MANUFACTURING & ENGINEERING – AUTOMOTIVE COMPONENTS



#### UMW Advantech Sdn Bhd

No. 3, Jalan Utas 15/7 Seksyen 15, 40200 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603 5163 5000 Fax : +603 5510 4381

#### KYB-UMW Malaysia Sdn Bhd

Lot 8, Jalan Waja 16 42500 Telok Panglima Garang Kuala Langat Selangor Darul Ehsan, Malaysia Tel : +603 3322 0800 Fax : +603 3122 6677

## MANUFACTURING & ENGINEERING – AEROSPACE



UMW Aerospace Sdn Bhd Lot 29138, Mukim Bandar Serendah 48200 Serendah, Hulu Selangor Selangor Darul Ehsan, Malaysia Tel : +603 6028 7000 Fax : +603 5519 7204

#### UMW Aero Assets Sdn Bhd

Lot 29138, Mukim Bandar Serendah 48200 Serendah, Hulu Selangor Selangor Darul Ehsan, Malaysia Tel : +603 6028 7000 Fax : +603 5519 7204

# **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the 38<sup>th</sup> Annual General Meeting **(AGM)** of the Company will be conducted on a full virtual basis via live streaming from the Broadcast Venue at The Hallmark, Level 12, Menara UMW, Jalan Puncak, Off Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia, on Thursday, 25 June 2020 at 10.00 a.m. to transact the following businesses –

## **ORDINARY BUSINESS**

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.	
2.	To re-elect the following Directors who retire pursuant to Article 112 of the Company's Constitution and who being eligible, offer themselves for re-election –	
	(a) Razalee bin Amin	Resolution 1
	(b) Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	Resolution 2
3.	To re-elect the following Directors who retire pursuant to Articles 126 and 128 of the Company's Constitution and who being eligible, offer themselves for re-election –	
	(a) Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	Resolution 3
	(b) Salwah binti Abdul Shukor	Resolution 4
	(c) Dr. Veerinderjeet Singh a/l Tejwant Singh	Resolution 5
4.	To approve the payment of the following Directors' fees for the period from 26 June 2020 until the next AGM of the Company –	Resolution 6
	(a) RM27,500 per month for the Non-Executive Chairman and RM13,750 per month for each Non-Executive Director of the Company; and	
	(b) RM10,000 per annum for each Non-Executive Director who is the Chairman at the board of subsidiaries and RM8,000 per annum for each Non-Executive Director who is a board member at subsidiaries.	
5.	To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM1,980,000 for the period from 26 June 2020 until the next AGM of the Company.	Resolution 7
6.	To re-appoint Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration.	Resolution 8

#### **SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following Ordinary Resolution -

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

"THAT the mandate granted by shareholders on 23 May 2019 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries (**UMW Group**) to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.3(b)(i) of the Circular to Shareholders dated 28 May 2020 (**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 additional recurrent transactions of a revenue or trading nature as set out in Section 2.3(b)(ii) of the Circular with the related parties 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 parties 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 -

- (a) the conclusion of the next 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 340(1) and (2) of the Companies Act 2016 (CA 2016) (but shall not extend to any extension as may be allowed pursuant to Section 340(4) of the CA 2016); 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."

8. To transact any other business for which due notice has been given.

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend the 38<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd pursuant to Article 76(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors (**ROD**) as at 18 June 2020. Only a depositor whose name appears on the ROD as at 18 June 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

#### By Order of the Board

#### MOHD NOR AZAM MOHD SALLEH

Practising Certificate No. 201908002015 Group Secretary

Kuala Lumpur, Malaysia. 28 May 2020

## NOTICE OF ANNUAL GENERAL MEETING

#### NOTES

#### 1. Mode of Meeting

In light of the COVID-19 pandemic and with the advice from the Ministry of Health Malaysia (**MOH**) for public to avoid participating in mass gatherings/events in the next 6 months to a year, as a precautionary measure to curb the spread of COVID-19, the 38<sup>th</sup> Annual General Meeting (**AGM**) will be conducted **on a full virtual basis via live streaming from the Broadcast Venue** and online remote voting using the Remote Participation and Voting (**RPV**) facilities.

As health and safety remain our utmost priority, the Company **strongly encourages** Shareholders/Proxies to use the RPV facilities provided to participate and vote remotely at the AGM, in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission on 18 April 2020, where listed companies are encouraged to continue leveraging on technology beyond the Movement Control Order period.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. **NO SHAREHOLDERS/PROXIES ARE ALLOWED** to physically attend the 38<sup>th</sup> AGM at the Broadcast Venue on the day of the meeting.

Shareholders/Proxies are advised to check the Company's website or announcements at Bursa Malaysia Securities Berhad (**Bursa Securities**) for the latest updates on the status of the 38<sup>th</sup> AGM that may require changes to be made at a short notice due to the constantly evolving COVID-19 situation in Malaysia. The Company will continue to comply with the guidelines issued by MOH and will take all necessary precautionary and safety measures as advised.

#### 2. Proxy and/or Authorised Representatives

(i) A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person as proxy to attend, participate, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

- (ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, is allowed to appoint at least one
   (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member is an exempt authorised nominee, which holds ordinary shares of the Company for multiple beneficial owners in one (1) security account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under seal or under the hand of an officer or attorney duly authorised. The appointment of proxy/proxies may be made manually or electronically. If the appointment of proxy/ proxies is to be made manually, the Proxy Form must be deposited with our Special Registrar appointed for the AGM, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. If the appointment of proxy/proxies is to be made electronically, the submission must be made via TIIH Online at https://tiih.online. All submissions of Proxy Form must be made not less than twenty-four (24) hours before the time appointed for the taking of the poll or any adjournment thereof. Please refer to the Administrative Guide for submission of Proxy Form electronically.
- (iv) A shareholder who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <u>https://tiih.online</u>.
- (v) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements (MMLR) of Bursa Securities, the resolutions set out in the Notice will be put to vote by poll.

## 3. Audited Financial Statements for the financial year ended 31 December 2019

The Audited Financial Statements are laid out for discussion only pursuant to Section 340(1)(a) of the Companies Act 2016 (**CA 2016**) and will not be put forward for voting.

#### 4. Ordinary Resolutions 1 to 5: Re-election of Directors who retire pursuant to Articles 112, 126 and 128 of the Company's Constitution

(i) Article 112 of the Company's Constitution provides that Directors appointed by the Board shall hold office until the conclusion of the next AGM following their appointment and shall be eligible for re-election.

Accordingly, Razalee Amin and Dato' Seri Prof Dr. Ir. Zaini Ujang, who were appointed Directors on 1 September 2019 and 1 November 2019, respectively, have offered themselves for re-election at this AGM.

(ii) Article 126 of the Company's Constitution provides that at least one-third (1/3) of the Directors are subject to retirement by rotation at each AGM while Article 128 of the Company's Constitution further provides that the Directors shall be eligible for re-election.

Accordingly, Tan Sri Dato' Sri Hamad Kama Piah Che Othman, Salwah Abdul Shukor and Dr. Veerinderjeet Singh have offered themselves for re-election at this AGM.

For the purpose of determining the eligibility of Directors standing for re-election, a comprehensive annual performance evaluation had been carried out by the Nomination and Remuneration Committee (**NRC**) and the Board for 2019 to assess the performance and contribution of each individual Director, taking into consideration among others, character, integrity, professionalism and competency. The Board is satisfied that the retiring Directors have discharged their functions, duties and responsibilities well.

With regard to Razalee Amin and Dato' Seri Prof Dr. Ir. Zaini Ujang, a comprehensive performance evaluation will only be carried out for 2020, as their tenure as Directors is too short for the 2019 performance evaluation to be carried out effectively.

In addition, NRC had also conducted an assessment on the independence and effectiveness of Dr. Veerinderjeet Singh as an Independent Director as recommended under Principle A of the Malaysian Code on Corporate Governance (**MCCG**) 2017. The Board is satisfied that Dr. Veerinderjeet Singh has complied with the independence criteria as defined under the MMLR of Bursa Securities.

The Board recommends the re-election of all retiring Directors.

#### 5. Ordinary Resolution 6: Payment of Directors' Fees to the Non-Executive Directors

Pursuant to Section 230(1) of the CA 2016, any fees and benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Accordingly, shareholders' approval is sought at this AGM for the payment of Directors' fees to the Non-Executive Directors (**NEDs**) of the Company for the period from 26 June 2020 until the next AGM, as follows –

Board of the	Company
--------------	---------

Board of subsidiary

	Monthly Payment (RM)		Annual Payment (RM)
Chairman	27,500	Chairman	10,000
Member	13,750	Member	8,000

The Board is not proposing any revision to the existing Directors' fees payable.

#### 6. Ordinary Resolution 7: Payment of benefits payable to the Non-Executive Directors

The benefits payable to NEDs, comprising meeting allowance, benefits and other emoluments, are as follows -

#### Meeting Allowance

Meeting allowance (per meeting) as follows -

Description	Chairman	Member
Board of the Company	RM2,250	RM1,500
Board Committee of the Company	RM2,000	RM1,500
Board of Subsidiary/Board Committee of Subsidiary	RM2,000	RM1,500

## NOTICE OF ANNUAL GENERAL MEETING

#### Other benefits and emoluments

The customary benefits and other emoluments payable to the NEDs comprising, among others, the following -

Non-Executive Chairman	Non-Executive Directors
<ul> <li>Leave passage;</li> <li>Medical and insurance coverage;</li> <li>Car, petrol/toll charges and driver;</li> <li>Club memberships;</li> <li>Telecommunication devices;</li> <li>Per diem allowance;</li> <li>Security services;</li> <li>Claimable benefits; and</li> <li>Others</li> </ul>	<ul> <li>Medical and insurance coverage;</li> <li>Car and petrol/toll charges;</li> <li>Telecommunication devices;</li> <li>Per diem allowance;</li> <li>Claimable benefits; and</li> <li>Others</li> </ul>

Payment of fees and benefits will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred.

The amount of benefits payable to NEDs for the period from 26 June 2020 until the next AGM of the Company is up to the amount of RM1,980,000. In determining the estimated amount of benefits payable, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees and Board of subsidiaries, as well as the number of NEDs involved in these meetings.

The Board is of the view that it is equitable and fair for the NEDs to be paid such payment upon them discharging their responsibilities and rendering their services to the Company and its subsidiaries.

## 7. Ordinary Resolution 8: Re-appointment of Ernst & Young PLT as Auditors of the Company

The Audit Committee (**AC**) has carried out an annual assessment on the external auditors, Ernst & Young PLT (**EY**) to evaluate their suitability, effectiveness and independence as recommended under Principle B of MCCG 2017. The annual evaluation provides AC with the disciplined approach for maintaining effective oversight of the external auditors' overall performance, covering among others, the adequacy of the audit team, degree of independence, performance level and audit scope. Based on the evaluation conducted, AC is satisfied with the quality of EY's performance, technical competency and audit independence.

#### 8. Ordinary Resolution 9: Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate)

The Board proposes to seek a mandate for recurrent related party transactions (**RRPT**) of a revenue or trading nature. The Proposed Shareholders' Mandate, if passed, will enable the UMW Group to enter into RRPT of a revenue or trading nature, which are necessary for the UMW Group's day-to-day operations, and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public.

Details of the Proposed Shareholders' Mandate are set out in Section 2.3 of the Circular to Shareholders dated 28 May 2020. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

#### ABSTENTION FROM VOTING

- 1. All Directors standing for re-election, who are also the shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 1 to 5 in respect of their re-elections at this AGM.
- All NEDs, who are also the shareholders of the Company (direct or indirect), will abstain from voting on Resolutions 6 and 7 in respect of the approval of Directors' fees and benefits payable to NEDs at this AGM.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profiles of the Directors who are standing for re-election at the 38<sup>th</sup> Annual General Meeting of the Company and their interest in the securities of the Company and its related corporations are set out in the Directors' Profile on pages 21, 26, 27, 29 and 30 of the Integrated Annual Report 2019.

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UMW HOLDINGS BERHAD 198201010554 (90278-P) INTEGRATED ANNUAL REPORT 2019

# ADMINISTRATIVE GUIDE

38<sup>TH</sup> ANNUAL GENERAL MEETING



Thursday, 25 June 2020

10.00 a.m.

: The Hallmark, Level 12, Menara UMW, Jalan Puncak, Off Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia.

#### 1. Mode of Meeting

In light of the COVID-19 pandemic and with the advice from the Ministry of Health Malaysia (**MOH**) for public to avoid participating in mass gatherings/events in the next 6 months to a year, as a precautionary measure to curb the spread of COVID-19, the 38<sup>th</sup> Annual General Meeting (**AGM**) will be conducted **on a full virtual basis via live streaming from the Broadcast Venue** and online remote voting using the Remote Participation and Voting (**RPV**) facilities.

As health and safety remain our utmost priority, the Company **strongly encourages** Shareholders/Proxies to use the RPV facilities provided to participate and vote remotely at the AGM, in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission on 18 April 2020, where listed companies are encouraged to continue leveraging on technology beyond the Movement Control Order period.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. **NO SHAREHOLDERS/PROXIES ARE ALLOWED** to physically attend the 38<sup>th</sup> AGM at the Broadcast Venue on the day of the meeting.

Shareholders/Proxies are advised to check the Company's website or announcements at Bursa Malaysia Securities Berhad (**Bursa Securities**) for the latest updates on the status of the 38<sup>th</sup> AGM that may require changes to be made at a short notice due to the constantly evolving COVID-19 situation in Malaysia. The Company will continue to comply with the guidelines issued by MOH and will take all necessary precautionary and safety measures as advised.

#### 2. RPV Facilities

The RPV facilities are made available by our Special Registrar appointed for the AGM, Tricor Investor & Issuing House Services Sdn Bhd (**Tricor**), at its TIIH Online website at <u>https://tiih.online</u>.

Shareholders who attend the 38<sup>th</sup> AGM remotely may pose questions to the Board through a real time submission of typed texts during the proceeding of the AGM.

Shareholders may submit questions for the Board in advance of the 38<sup>th</sup> AGM via Tricor's TIIH Online website by selecting "e-Services" to login, pose questions and submit electronically no later than **Wednesday, 24 June 2020 at 10.00 a.m.** The Board will endeavour to answer the questions received at the AGM.

#### 3. General Meeting Record of Depositors

Only a depositor whose name appears on the Record of Depositors and/or Register of Members as at 18 June 2020 shall be entitled to attend remotely at the AGM or appoint proxy/proxies. A member of the Company entitled to attend and vote remotely at the meeting is entitled to appoint any person as proxy to attend, participate, speak and vote in his/ her stead remotely by submitting the Proxy Form in accordance with the notes and instructions as set out in the Notice of the AGM/Proxy Form.

#### 4. Procedures for Lodgement of Proxy Form

The appointment of proxy/proxies may be made manually or electronically. If the appointment of proxy/proxies is to be made manually, the Proxy Form must be deposited with our Special Registrar appointed for the AGM, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. If the appointment of proxy/proxies is to be made electronically, the submission must be made via TIIH Online at <u>https://tiih.online</u>. Please read and follow the procedure below on lodgement of Proxy Form electronically –

	Procedure	Action
(a)	Register as a User with TIIH Online	<ul> <li>Using your computer, please access the website at <u>https://tiih.online</u>. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIIH Online, you are not required to register again.</li> </ul>
(b)	Proceed with submission of Proxy Form	<ul> <li>After the release of the Notice of Meeting by the Company, login with your username (i.e. email address) and password.</li> <li>Select the corporate event: "Submission of Proxy Form".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Insert your CDS account number and indicate the number of shares for your proxy/proxies to vote on your behalf.</li> <li>Appoint your proxy/proxies and insert the required details of your proxy/proxies or appoint Chairman as your proxy.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.</li> <li>Review and confirm your proxy/proxies appointment.</li> <li>Print Proxy Form for your record.</li> </ul>

Shareholders who appoint proxies to participate via RPV in the 38<sup>th</sup> AGM must ensure that the duly executed Proxy Forms are deposited in a hard copy form or by electronic means via TIIH Online to Tricor no later than **Wednesday**, 24 June 2020 at 10.00 a.m.

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than **Wednesday, 24 June 2020 at 10.00 a.m.** to participate via RPV in the 38<sup>th</sup> AGM.

As the 38<sup>th</sup> AGM is a fully virtual AGM, members who are unable to participate in this AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

A shareholder who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <u>https://tiih.online</u>.

Please refer to the Personal Data Protection Notice issued pursuant to the Personal Data Protection Act 2010 which is available on the Company's website at <u>www.umw.com.my</u> concerning the Company's collection of your personal data, whether personally or through an appointed proxy/proxies and or representative(s) for the purpose of facilitating your participation at this AGM.



#### 5. Procedures For RPV

Shareholders/proxies/corporate representatives are required to read and follow the procedures below to remotely participate at the 38<sup>th</sup> AGM through live streaming and online remote voting using the RPV facilities –

	Procedure	Action
BEFC	RE THE 38 <sup>TH</sup> AGM DA	Y
(a)	Register as a user with TIIH Online	• Please refer to item 4(a) for details of actions if you have not registered.
(b)	Submit your request	<ul> <li>Registration is open from 10.00 a.m. Thursday, 28 May 2020 up to 10.00 a.m. Wednesday, 24 June 2020.</li> <li>Login with your user ID and password and select the corporate event: "(REGISTRATION) UMW 38<sup>TH</sup> AGM".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting".</li> <li>Review your registration and proceed to register.</li> <li>System will send an email to notify that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the General Meeting ROD as at 18 June 2020, the system will send you an email to approve or reject your registration for remote participation.</li> </ul>
ON T	HE DAY OF THE 38 <sup>TH</sup>	AGM
(c)	Login to TIIH Online	• Login with your user ID and password for remote participation at the 38 <sup>th</sup> AGM at any time from <b>9.40 a.m., i.e., 20 minutes before the commencement of the AGM on Thursday, 25 June 2020 at 10.00 a.m.</b>
(d)	Participate through Live Streaming	<ul> <li>Select the corporate event: "(LIVE STREAM MEETING) UMW 38<sup>TH</sup> AGM" to engage in the proceedings of the 38<sup>th</sup> AGM remotely.</li> <li>If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavor to respond to questions submitted by remote participants during the AGM. If there is time constraint the responses will be emailed to you at the earliest possible, after the meeting.</li> </ul>
(e)	Online Remote Voting	<ul> <li>Voting session commences from 10.00 a.m. on Thursday, 25 June 2020 until a time when the Chairman announces the completion of the voting session of the 38<sup>th</sup> AGM.</li> <li>Select the corporate event: "(REMOTE VOTING) UMW 38<sup>TH</sup> AGM".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
(f)	End of remote participation	• Upon the announcement by the Chairman on the closure of the AGM, the Live Streaming will end.

#### Note to users of the RPV facilities -

- Should your application to join the meeting be approved we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online website on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616/011-40803168/011-40803169/011-40803170 for assistance or email to <u>tiih.online@my.tricorglobal.com</u> for assistance.

#### 6. Voting Procedures

The voting at the 38<sup>th</sup> AGM for resolutions set out in the AGM notice will be conducted on a poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poll. The Company has also appointed Asia Securities Sdn Berhad as an Independent Scrutineer to verify the poll results.

Voting for each resolution set out in the AGM notice commences from 10.00 a.m. on Thursday, 25 June 2020 until a time when the Chairman announces the completion of the voting session of the 38<sup>th</sup> AGM using the RPV facilities.

#### 7. No Door Gift/Food Voucher

There will be no distribution of door gifts or food vouchers for the 38<sup>th</sup> AGM since the meeting will be conducted on a full virtual basis.

#### 8. Integrated Annual Report 2019 and Other Documents

The following documents are available on the Company's website at www.umw.com.my -

- Integrated Annual Report 2019
- Sustainability Report 2019
- Corporate Governance Report 2019
- Circular to Shareholders on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature
- Notice of 38<sup>th</sup> AGM, Proxy Form and Administrative Guide



#### 9. Enquiry

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If you have any general queries prior to the AGM, please contact our Special Registrar appointed for the AGM at any of the numbers below during office hours –

#### Tricor Investor & Issuing House Services Sdn Bhd

Registration No. 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

#### **Contact Details**

General Line	:	+603-2783 9299 (is.enquiry@my.tricorglobal.com)
Zulhafri Abdul Rahman	:	+603-2783 9289 (zulhafri@my.tricorglobal.com)
Cheng Kang Shaun	:	+603-2783 9241 (kang.shaun.cheng@my.tricorglobal.com)

Fax:+603-2783 9222

# PERSONAL DATA PROTECTION NOTICE

#### This Personal Data Protection Notice is issued pursuant to the Personal Data Protection Act, 2010 for the parties set out therein.

This Personal Data Protection Notice (Notice) is issued by UMW HOLDINGS BERHAD and its subsidiaries, associates, affiliates and related companies (collectively referred to as "UMW Group" or "we" or "us") and is applicable to all existing and prospective shareholders and/ or investors. This Notice explains how we collect and handle your personal data in accordance with the Personal Data Protection Act, 2010 (Act). For the avoidance of doubt, all existing and prospective shareholders and/or investors shall be referred to collectively as "shareholders and/or investors" or "you". Please note that the UMW Group reserves the right to make any variations and/or modification to this Notice shall be communicated through modes of communications deemed suitable by the UMW Group.

#### 1. Personal Data

As shareholders and/or investors of the UMW Group, we may process (to the extent applicable) the following personal data as provided by you and/or a service provider engaged by UMW Group and/or obtained from public domains, regulatory authorities, administrative authorities and/or supervisory authorities which may include, but is not limited to –

- your identity including photo, signature, name, contact numbers, email address(es), address(es), identification card/ passport number, age, gender, race, nationality and marital status;
- (ii) your bank account numbers, CDS account number, such other information that you provide as shareholders and/ or investors of UMW Group;
- (iii) video and voice recordings (including CCTV recordings and security recordings, images, testimonials, photograph and/ or any other recordings of you as obtained when you are in UMW Group's premises, facilities and offices and/or when you attend any of UMW Group related events, functions, activities and/or meetings);
- (iv) information relating to your shareholding interest in the UMW Group or any other companies;
- (v) any other personal data that you provide/declare to the UMW Group and/or that are collected from you as shareholders and/or investors of the UMW Group; and
- (vi) any other information that you provide or are required to be given to become shareholders and/or investors.

## 2. Purposes for collecting and further processing (including disclosing) your personal data

Where applicable, we will process your personal data for the following purposes –  $% \left[ \left( {{{\mathbf{x}}_{i}}} \right)^{2} \right]$ 

- to give effect and process your status as shareholders and/or investors of UMW Group;
- (ii) to process your request to become shareholders and/or investors;
- (iii) issuance of share certificates or securities, if applicable;
- (iv) to deliver, communicate and transmit UMW Group's integrated annual reports, newsletters, latest information and other shareholders and/or investors relation information

and materials through modes of communication and delivery we deem appropriate (including without limitation verbally, in hard print, electronically or online);

- (v) payment of dividends and other benefits to shareholders and/or investors, if applicable;
- (vi) to maintain, upkeep and update our records regarding our shareholders and/or investors;
- (vii) statistical analysis and historical data;
- (viii) execution of the relevant legal documents and instruments to give effect to your status as shareholders and/or investors of the UMW Group;
- (ix) as part of the UMW Group's internal records management, internal compliance and corporate governance (including auditing, internal investigations, compliance, risk management, conflict of interest reporting, management reporting and security processes);
- (x) verification and identification purposes;
- (xi) compliance with laws, regulations, guidelines, codes and statutory requirements;
- (xii) to provide you with the services or information requested;
- (xiii) for contact purposes;
- (xiv) to defend and/or enforce UMW Group's rights under law and/or obtain legal advice;
- (xv) to attend to your enquiries and generally to enable resolution of a concern or complaint;
- (xvi) to facilitate your participation in any of UMW Group's functions, activities, meetings and/or events;
- (xvii) administrative and operational purposes;
- (xviii)security and access within UMW Group's premises and facilities;
- (xix) inclusion in media engagement and/or any relevant or related events;
- (xx) publication in any printed materials, website, electronic media and/or social media platform arising from your participation in any UMW Group related functions, activities, meetings and/or events;

## PERSONAL DATA PROTECTION NOTICE

- (xxi) to better understand your needs as shareholders and/or investors;
- (xxii) for internal investigations, compliance, security and/or audit purposes;
- (xxiii) to prosecute, prevent, investigate and/or detect any illegal and/or prohibited activities conduct and/or transactions; and
- (xxiv) for any purpose that is incidental, ancillary or in furtherance to the above purposes.

The information you provide is necessary to the UMW Group. If you do not provide all the information as requested, we will not be able to keep your complete record of information, thus affecting the UMW Group's ability to accomplish the above stated purposes.

#### 3. Disclosure of information

We may disclose your personal data to the following parties (including those overseas) –

- (i) entities within the UMW Group;
- potential or actual purchasers, successors-in-title of the business or share (wholly or in part) of the UMW Group (including their advisers and representatives) as a result of a potential, proposed or actual sale of business, disposal, acquisition, merger or re-organisation;
- government departments and agencies, law enforcement agencies, regulatory authorities, statutory authorities and/ or industry regulators and to whom we are compelled or required to do so under law;
- (iv) third parties appointed by the UMW Group to provide services to the UMW Group or on behalf of the UMW Group (including the UMW Group's auditors, solicitors, financiers, agents, professional advisors, share registrars and other such service providers);
- (v) any person, who is under a duty of confidentiality and/ or who has undertaken the responsibility to keep such data confidential;
- (vi) any actual or proposed assignee, participant, sub-participant or transferee of any of our rights or obligations; and
- (vii) other parties, in respect of whom you have consented to the disclosure of your personal data.

#### 4. Websites

#### 4.1 Information Technology

When visiting the UMW Group's websites, we may be able to identify you through collection of the following information during your visit to the UMW Group's websites and/or the fully qualified domain name from which you accessed the UMW Group website, or alternatively, through your internet protocol (IP) address –

- (i) the date and time in which you accessed UMW Group's website;
- (ii) the URL of any webpage from which you accessed UMW Group's website; and
- (iii) the web browser which you are using and the pages which you have accessed.

The UMW Group's website may require you to provide a limited amount of information in order to obtain the services you requested and to enable the UMW Group to respond to your messages and requests. Any personal data provided will be used for its intended purpose only, i.e., to respond to your request for services, your messages and requests.

#### 4.2 Links to other sites

Links to other sites may be provided on the UMW Group's website for your convenience and information. These sites may have their own privacy statement and the UMW Group does not control, recommend or endorse these sites and the UMW Group will not be held responsible for these sites and their contents. As such, the UMW Group encourages you to read the privacy policies and terms of usage of these sites prior to accessing these sites.

#### 5. Access, corrections and complaints

If you would like to make any inquiries or complaints or requests to access, correct or limit processing of your personal data, you may contact our officer below –

#### Group Secretary

Tel : +603 – 2025 2025 (from 9am to 5pm on business days excluding public holidays)

Email : gsect.pdpa@umw.com.my

Where you elect to contact our officer via telephone, please also send an e-mail for verification and record purposes. The UMW Group shall proceed to address your concerns as soon as practicable upon receipt of your request. Any request for access or correction of personal data may be subject to a fee and will be subjected to the prevailing data protection laws in Malaysia.

#### 6. Conflict

In the event of any conflict between this English language version and the Bahasa Melayu version of this Notice, the terms in this English language Notice shall prevail.

# NOTIS PERLINDUNGAN DATA PERIBADI

## Notis Perlindungan Data Peribadi ini dikeluarkan menurut Akta Perlindungan Data Peribadi, 2010 untuk pihak-pihak yang dinyatakan di dalamnya.

Notis Perlindungan Data Peribadi ini (**Notis**) dikeluarkan oleh **UMW HOLDINGS BERHAD** dan anak-anak syarikatnya, syarikat-syarikat bersekutunya, syarikat-syarikat berkenaan dan syarikat-syarikat berkaitannya (**Kumpulan UMW** atau **kami**) untuk pemegang saham dan/atau pelabur yang sedia ada dan bakal pemegang saham dan/atau pelabur. Notis ini menerangkan bagaimana kami mengumpul dan mengendalikan data peribadi anda mengikut Akta Perlindungan Data Peribadi, 2010 (**Akta**). Bagi mengelakkan keraguan, semua pemegang saham dan/atau pelabur yang sedia ada dan bakal pemegang saham dan/atau pelabur akan dirujuk secara kolektif sebagai **"pemegang saham dan/atau pelabur"** atau **"anda"**. Sila maklum bahawa Kumpulan UMW berhak untuk membuat apa-apa perubahan dan/atau pengubahsuaian kepada Notis ini pada bila-bila masa. Apa-apa perubahan dan/atau pengubahsuaian kepada Notis ini akan disampaikan melalui mod komunikasi yang dianggap sesuai oleh Kumpulan UMW.

#### 1. Data Peribadi

Sebagai pemegang saham dan/atau pelabur Kumpulan UMW, kami mungkin memproses (setakat mana berkenaan) data peribadi yang berikut, sepertimana yang diberikan oleh anda dan/atau pembekal perkhidmatan yang dilantik oleh Kumpulan UMW dan/atau yang diperolehi daripada domain awam, pihak berkuasa, pihak berkuasa pentadbiran dan/atau pihak berkuasa penyeliaan, yang mungkin termasuk tetapi tidak terhad kepada –

- (i) identiti anda termasuk gambar, tandatangan, nama, nombor telefon, alamat-alamat e-mel, alamat-alamat, kad pengenalan/ nombor pasport, umur, jantina, kaum, kewarganegaraan dan status perkahwinan;
- (ii) akaun bank anda, nombor akaun "CDS", maklumat lain yang anda berikan sebagai pemegang saham dan/atau pelabur Kumpulan UMW;
- (iii) rakaman video dan suara (termasuk rakaman CCTV dan rakaman sekuriti, imej, testimoni, gambar dan/atau rakaman anda yang diperoleh apabila anda berada di premis, kemudahan dan pejabat Kumpulan UMW dan/atau di mana anda menghadiri mana-mana acara berkaitan, "function", aktiviti dan/atau mesyuarat Kumpulan UMW berkaitan;
- (iv) maklumat berkenaan pegangan saham dalam Kumpulan UMW atau syarikat lain;
- (v) data peribadi lain yang anda berikan/isytiharkan kepada Kumpulan UMW dan/atau dikumpulkan dari anda sebagai pemegang saham dan/atau pelabur Kumpulan UMW; dan
- (vi) maklumat lain yang anda berikan atau yang perlu diberikan untuk menjadi pemegang saham dan/atau pelabur.

#### Tujuan mengumpul dan seterusnya memproses (termasuk penzahiran) data peribadi anda

Setakat mana bersesuaian, kami akan memproses data peribadi anda untuk tujuan-tujuan berikut –

- (i) untuk memberi kesan dan memproses status anda sebagai pemegang saham dan/atau pelabur untuk Kumpulan UMW;
- (ii) untuk memproses permintaan anda untuk menjadi pemegang saham dan/atau pelabur;
- (iii) penerbitan sijil saham atau sekuriti, jika berkenaan;
- (iv) untuk menyampaikan, menghubungi dan menghantar laporan tahunan, surat berita, maklumat terkini Kumpulan UMW

dan lain-lain maklumat dan bahan-bahan berkaitan dengan pemegang saham dan/atau pelabur melalui mod komunikasi dan penyampaian yang kami anggap sesuai (termasuk tetapi tidak terhad kepada secara lisan, bahan bercetak, secara elektronik atau "online");

- (v) pembayaran dividen dan manfaat lain kepada pemegang saham dan/atau pelabur, jika berkenaan;
- (vi) pemeliharaan, penjagaan dan mengemaskini rekod kami mengenai pemegang saham dan/atau pelabur;
- (vii) analisis statistik dan penyimpanan rekod sejarah;
- (viii) perlaksanaan dokumentasi perundangan dan instrumen untuk memberi kesan kepada status anda sebagai pemegang saham dan/atau pelabur Kumpulan UMW;
- (ix) bagi pengurusan rekod dalaman, pematuhan dalaman dan tadbir urus korporat Kumpulan UMW (termasuk audit, penyiasatan dalaman, pematuhan, pengurusan risiko, laporan konflik kepentingan, laporan pengurusan dan proses-proses sekuriti);
- (x) bagi tujuan pengesahan dan pengenalan;
- (xi) pematuhan undang-undang dan peraturan-peraturan, garis panduan, kod dan keperluan statut;
- (xii) memberikan anda perkhidmatan atau informasi yang diminta;
- (xiii) tujuan perhubungan;
- (xiv) mempertahankan dan/atau menguatkuasakan hak Kumpulan UMW di bawah undang-undang dan/atau mendapatkan nasihat guaman;
- (xv) untuk melayani pertanyaan anda dan secara amnya untuk menangani kebimbangan atau aduan anda;
- (xvi) untuk memudahkan penyertaan anda dalam mana-mana "function", aktiviti, mesyuarat dan/atau acara Kumpulan UMW;
- (xvii) untuk tujuan pentadbiran dan operasi;
- (xviii) untuk tujuan sekuriti dan akses dalam premis dan kemudahan Kumpulan UMW;
- (xix) penyertaan dalam penglibatan media dan/atau apa-apa acara relevan atau berkaitan;

## NOTIS PERLINDUNGAN DATA PERIBADI

- (xx) penerbitan dalam bahan bercetak, laman sesawang, media elektronik dan/atau laman media sosial berikutan penyertaan anda dalam "function", aktiviti, mesyuarat dan/atau acara berkaitan dengan Kumpulan UMW;
- (xxi) untuk lebih memahami keperluan anda sebagai pemegang saham dan/atau pelabur;
- (xxii) bagi tujuan penyiasatan dalaman, pematuhan, sekuriti dan/ atau tujuan audit;
- (xxiii) untuk mendakwa, mencegah, menyiasat dan/atau mengesan sebarang aktiviti, tingkahlaku dan/atau transaksi haram dan/ atau dilarang; dan
- (xxiv) bagi apa-apa tujuan lain yang bersampingan, berdampingan atau lanjutan dengan tujuan di atas.

Maklumat ini perlu untuk Kumpulan UMW. Sekiranya anda gagal untuk menyediakan semua maklumat data peribadi seperti yang diminta, kami tidak dapat menyimpan rekod yang lengkap mengenai anda, dan ini akan menjejaskan keupayaan kami untuk mencapai tujuan-tujuan yang dinyatakan di atas.

#### 3. Penzahiran maklumat

Kami mungkin menzahirkan data peribadi anda kepada pihak-pihak berikut (termasuk yang berada di luar negara) –

- (i) entiti di dalam Kumpulan UMW;
- (ii) pembeli berpotensi atau sebenar, pengganti dalam hakmilik perniagaan atau saham (keseluruhannya atau sebahagian) Kumpulan UMW (termasuk penasihat dan wakil-wakil mereka) berikutan daripada potensi/cadangan atau jualan perniagaan sebenar, pelupusan, pemerolehan, penggabungan atau pengorganisasian semula;
- (iii) jabatan dan agensi kerajaan, agensi-agensi penguatkuasaan undang-undang, pihak berkuasa, pihak berkuasa berkanun dan/atau pengawal selia industri dan kepada pihak di mana kami dikehendaki berbuat demikian di bawah undang-undang;
- (iv) pihak ketiga yang dilantik oleh Kumpulan UMW untuk menyediakan perkhidmatan kepada Kumpulan UMW atau bagi pihak Kumpulan UMW (termasuk juruaudit, peguam, ahli kewangan, ejen, penasihat profesional, pendaftar saham dan lain-lain jenis pembekal perkhidmatan);
- (v) mana-mana individu di bawah kewajipan kerahsiaan dan/ atau telah mengaku janji untuk memastikan data tersebut dirahsiakan;
- (vi) mana-mana pemegang hak, peserta, sub-peserta atau penerima pindahan bagi mana-mana hak atau obligasi kami; dan
- (vii) mana-mana pemegang hak, peserta, sub-peserta atau penerima pindahan bagi mana-mana hak atau obligasi kami; dan

#### 4. Laman Sesawang

#### 4.1 Teknologi maklumat

Sekiranya anda melawat laman sesawang Kumpulan UMW, kami mungkin boleh mengenalpasti anda melalui pengumpulan maklumat berikut semasa anda melawat laman sesawang Kumpulan UMW dan/atau nama domain yang layak sepenuhnya (fully qualified domain name) dari mana anda melayari laman sesawang Kumpulan UMW, atau sebaliknya, melalui alamat protokol internet anda (IP) –

- tarikh dan masa di mana anda melayari laman sesawang Kumpulan UMW;
- (ii) mana-mana URL laman sesawang dari mana anda melayari laman sesawang Kumpulan UMW; dan
- (iii) pelayar sesawang yang anda gunakan dan halaman yang telah anda akses.

Laman sesawang Kumpulan UMW mungkin memerlukan anda untuk memberikan sejumlah maklumat yang terhad untuk mendapatkan perkhidmatan yang anda minta dan membolehkan Kumpulan UMW memberikan respons kepada pesanan-pesanan dan permintaan-permintaan anda. Apa-apa data peribadi yang diberikan akan digunakan untuk tujuan yang dimaksudkan sahaja, iaitu untuk memberikan respons kepada permintaan anda untuk perkhidmatan-perkhidmatan dan pesanan-pesanan dan permintaan anda.

#### 4.2 Pautan ke laman sesawang lain

Pautan ke laman sesawang lain mungkin disediakan di laman sesawang Kumpulan UMW untuk kemudahan dan maklumat anda. Laman-laman ini mungkin mempunyai pernyataan privasi tersendiri dan Kumpulan UMW tidak mengawal, mengesyorkan atau menyokong laman-laman ini dan Kumpulan UMW tidak akan bertanggungjawab bagi laman-laman ini serta kandungannya. Oleh itu, Kumpulan UMW menggalakkan anda untuk membaca polisi privasi dan terma-terma penggunaan laman-laman ini sebelum mengakses laman sesawang tersebut.

#### 5. Akses, pembetulan dan aduan

Jika anda ingin membuat sebarang pertanyaan, aduan atau permohonan untuk mengakses atau membetulkan atau menghadkan pemprosesan data peribadi anda, anda boleh menghubungi pegawai kami di bawah –

#### Setiausaha Kumpulan

- Tel : +603-2025 2025 (dari 9 pagi ke 5 petang pada hari bekerja tidak termasuk cuti umum)
- Emel : gsect.pdpa@umw.com.my

Sekiranya anda memilih untuk menghubungi pegawai kami melalui telefon, anda juga diminta menghantar e-mel untuk pengesahan dan tujuan penyimpanan rekod. Kumpulan UMW akan berusaha menangani isu anda secepat mungkin selepas menerima permohonan anda. Sebarang permintaan untuk akses atau pembetulan data peribadi mungkin tertakluk kepada bayaran dan akan tertakluk kepada undang-undang perlindungan data yang berkuatkuasa di Malaysia.

#### 6. Konflik

Sekiranya terdapat sebarang percanggahan di antara Notis versi Bahasa Inggeris dan Notis versi Bahasa Melayu ini, versi Bahasa Inggeris akan diguna pakai.

	UMW HOLDINGS	BERHAD	198201010554	(90278-P)
1	(Incorporated in Malaysia)			

Level 6, Menara UMW, Jalan Puncak Off Jalan P. Ramlee 50250 Kuala Lumpur Malaysia



I/W	e,	_
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(Full Name as per NRIC/Certificate of Incorporation)

Company/NRIC No. \_\_\_\_\_

of \_\_\_\_\_

(Full address)

being a member/members of UMW Holdings Berhad, hereby appoint:

	(Full Name as per NRIC/Certificate of Incorporation)	
Company/NRIC No		
of		
	(Full address)	
and		
	(Full Name as per NRIC/Certificate of Incorporation)	
Company/NRIC No		

(Full address)

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the 38<sup>th</sup> Annual General Meeting (**AGM**) of the Company to be conducted on a full virtual basis via live streaming from the Broadcast Venue at The Hallmark, Level 12, Menara UMW, Jalan Puncak, Off Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia, on Thursday, 25 June 2020 at 10.00 a.m. and at any adjournment thereof.

My/our proxy/proxies shall vote as follows -

(Please indicate with an "X" in the appropriate spaces provided below on how you wish to cast your votes. If you do not do so, your proxy will vote or abstain from voting at his/her discretion)

No.	Agenda					
1	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon					
	Ordinary Business		Re	solution	For	Against
2	Re-election of the following Direc	tors pursuant to Article 112 of the Company's Co	onstitution –			
	a) Razalee bin Amin			1		
	b) Dato' Seri Prof. Dr. Ir. Zaini b	in Ujang		2		
3	Re-election of the following Directors pursuant to Articles 126 and 128 of the Company's					
	Constitution –					
	a) Tan Sri Dato' Sri Hamad Kama	a Piah bin Che Othman		3		
	b) Salwah binti Abdul Shukor			4		
	c) Dr. Veerinderjeet Singh a/l Tejwant Singh			5		
4	Approval of the payment of Directors' fees from 26 June 2020 to the next AGM of the Company		the Company	6		
5	Approval of the payment of benefits payable to Non-Executive Directors from 26 June 2020 to the next AGM of the Company			7		
6			1 December	8		
	2020 and authorising Directors to fix their remuneration					
	Special Business			, i i		
7	Proposed Shareholders' Mandate for recurrent related party transactions			9		
Num	ber of Shares Held	CDS Account No.		Contact I	No.	

For appointment of two (2) proxies, please state the number of shares and percentage of shareholding to be represented by each proxy					
	No. of Shares	Percentage			
Proxy 1					
Proxy 2					
Total					

#### IMPORTANT

Please refer to the Personal Data Protection Notice issued pursuant to the Personal Data Protection Act, 2010 (**PDPA Notice**) which is available on the Company's website at <u>www.umw.com.my</u> concerning the Company's collection of your personal data, whether personally and/or through an appointed proxy/proxies and/or representatives. You, as a member, hereby declare that you have read, understood and accepted the statements and terms contained in the PDPA Notice.

In disclosing the proxy's personal data, you as a member, warrant that the proxy/proxies has/have given his/her/their consent for his/her/their personal data to be disclosed and processed in accordance with the PDPA Notice.

#### Notes

1. In light of the COVID-19 pandemic and with the advice from the Ministry of Health Malaysia (MOH) for public to avoid participating in mass gatherings/events in the next 6 months to a year, as a precautionary measure to curb the spread of COVID-19, the 38<sup>th</sup> Annual General Meeting (**AGM**) will be conducted on a full virtual basis via live streaming from the Broadcast Venue and online remote voting using the Remote Participation and Voting (RPV) facilities.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. NO SHAREHOLDERS/PROXIES ARE ALLOWED to physically attend the 38<sup>th</sup> AGM at the Broadcast Venue on the day of the meeting.

- 2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person as proxy to attend, participate, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 3. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member is an exempt authorised nominee which holds ordinary shares of the Company for multiple beneficial owners in one (1) security account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 4. The Proxy Form must be signed by the appointer or his/her attorney or in the case of a corporation, executed under its common seal or under the hand of the attorney duly authorised in writing.
- 5. The appointment of proxy/proxies may be made in a hard copy form or electronically. If the appointment of proxy/proxies is to be made in a hard copy form, the Proxy Form must be deposited with our Special Registrar appointed for the AGM, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. If the appointment of proxy/proxies is to be made electronically, the submission must be made via TIIH Online at <a href="https://tiih.online.all">https://tiih.online.all</a> submissions of Proxy Form must be made not less than twenty-four (24) hours before the time appointed for the taking of the poll or any adjournment thereof.
- 6. A corporation which is a member, may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting, in accordance with Article 98 of the Company's Constitution.
- 7. A shareholder who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <a href="https://tiih.online.com">https://tiih.online.</a>
- 8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll.
- 9. For the purpose of determining a member who shall be entitled to attend the 38<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd pursuant to Article 76(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors (**ROD**) as at 18 June 2020. Only a depositor whose name appears on the ROD as at 18 June 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

#### 1<sup>st</sup> fold this flap for sealing

Affix Stamp

#### Tricor Investor & Issuing House Services Sdn Bhd

Registration No. 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Malaysia

2<sup>nd</sup> fold here

UMW Holdings Berhad 198201010554 (90278-P) Menara UMW Jalan Puncak, Off Jalan P. Ramlee 50250 Kuala Lumpur Malaysia

Telephone : +603 2025 2025 Facsimile : +603 2025 2029

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