

# BERJAYA BERJAYA AUTO BERHAD

(Company No. 900557-M)  
(Incorporated in Malaysia under the Companies Act, 1965)

## PROSPECTUS



PUBLIC ISSUE OF 82,763,000 NEW ORDINARY SHARES OF RM0.50 EACH IN BERJAYA AUTO BERHAD ("BAUTO") ("ISSUE SHARES") COMPRISING:

- 41,449,000 ISSUE SHARES ALLOCATED BY WAY OF PRIVATE PLACEMENT TO MALAYSIAN INSTITUTIONAL AND SELECTED INVESTORS;
- 10,157,000 ISSUE SHARES ALLOCATED TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;
- 19,157,000 ISSUE SHARES RESERVED FOR APPLICATION BY THE ENTITLED SHAREHOLDERS OF BERJAYA CORPORATION BERHAD (AS DEFINED HEREIN); AND
- 12,000,000 ISSUE SHARES RESERVED FOR APPLICATION BY THE ELIGIBLE DIRECTORS AND EMPLOYEES OF BAUTO AND ITS SUBSIDIARIES ("BAUTO GROUP"), AND THE ELIGIBLE BUSINESS ASSOCIATES WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE BAUTO GROUP,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AT AN ISSUE PRICE OF RM0.70 PER ISSUE SHARE IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF BAUTO ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.



[www.mazda.com.my](http://www.mazda.com.my)

BERJAYA AUTO BERHAD  
PROSPECTUS



INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

LISTING SOUGHT:  
MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS DATED 18 OCTOBER 2013

Principal Adviser, Managing Underwriter,  
Underwriter and Placement Agent



Maybank Investment Bank Berhad (15938-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Underwriter and Placement Agent



A Participating Organisation of Bursa Malaysia Securities Berhad  
A Trading Participant of Bursa Malaysia Derivatives Berhad

Underwriter



AmInvestment Bank Berhad (23742-V)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

ALL DEFINED TERMS USED IN THIS PROSPECTUS ARE DEFINED UNDER "PRESENTATION OF FINANCIAL AND OTHER INFORMATION", "DEFINITIONS" AND "GLOSSARY OF TECHNICAL TERMS" COMMENCING ON PAGES IX, XIII AND XVIII OF THIS PROSPECTUS RESPECTIVELY.

### **RESPONSIBILITY STATEMENTS**

OUR DIRECTORS AND THE PROMOTERS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE IS NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

MAYBANK IB, BEING THE PRINCIPAL ADVISER, MANAGING UNDERWRITER, UNDERWRITER AND PLACEMENT AGENT TO OUR IPO, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR IPO.

### **STATEMENTS OF DISCLAIMER**

THE SC HAS APPROVED OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

OUR COMPANY HAS OBTAINED THE APPROVAL OF BURSA SECURITIES FOR THE LISTING OF AND QUOTATION FOR OUR SHARES ON THE MAIN MARKET OF BURSA SECURITIES. OUR ADMISSION TO THE OFFICIAL LIST OF THE MAIN MARKET OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR COMPANY, OUR SHARES AND OUR IPO.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORMS, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

THE SAC HAS CLASSIFIED OUR SHARES AS SHARIAH-COMPLIANT BASED ON THE AUDITED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 APRIL 2013. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW IS UNDERTAKEN BY THE SAC. UPDATES ON THE CLASSIFICATION WILL BE RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES ON THE LAST FRIDAY OF THE MONTH OF MAY AND NOVEMBER OF EACH YEAR.

**ADDITIONAL STATEMENTS**

ACCEPTANCE OF APPLICATIONS FOR OUR SHARES BEING OFFERED WILL BE CONDITIONAL UPON THE LISTING OF AND QUOTATION FOR OUR SHARES ON THE MAIN MARKET OF BURSA SECURITIES. ACCORDINGLY, THE ALLOTMENTS MADE ON THE APPLICATIONS TO SUBSCRIBE FOR OUR SHARES WILL BE VOID AND MONIES PAID IN RESPECT OF ANY APPLICATION FOR THE ISSUE SHARES WILL BE RETURNED IN FULL WITHOUT INTEREST IF THE LISTING IS NOT GRANTED WITHIN 6 WEEKS FROM THE DATE OF THIS PROSPECTUS (OR SUCH LONGER PERIOD AS MAY BE SPECIFIED BY THE SC) PROVIDED THAT OUR COMPANY IS NOTIFIED BY OR ON BEHALF OF BURSA SECURITIES WITHIN THE AFORESAID TIMEFRAME. IF SUCH MONIES ARE NOT RETURNED IN FULL WITHIN 14 DAYS AFTER OUR COMPANY BECOMES LIABLE TO DO SO, THE PROVISION OF SUBSECTION 243(2) OF THE CMSA SHALL APPLY ACCORDINGLY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA. SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THIS PROSPECTUS AND OUR IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. OUR COMPANY, THE PROMOTERS, THE PRINCIPAL ADVISER, THE MANAGING UNDERWRITER, THE UNDERWRITERS AND THE PLACEMENT AGENTS NAMED IN THIS PROSPECTUS HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF THE SHARES BASED ON THIS PROSPECTUS OR THE DISTRIBUTION OF THE PROSPECTUS OUTSIDE MALAYSIA. THIS PROSPECTUS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO PURCHASE OUR SHARES IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER OR INVITATION IS NOT AUTHORISED OR IS UNLAWFUL. THIS PROSPECTUS SHALL ALSO NOT BE USED TO MAKE AN OFFER OF OR INVITATION TO PURCHASE OUR SHARES TO ANY PERSON TO WHOM IT IS UNLAWFUL TO DO SO. INVESTORS ARE REQUIRED TO INFORM THEMSELVES AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF OUR IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER OUR IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED OUR IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHTS, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH OUR IPO OR YOU ARE OR MIGHT BE SUBJECTED TO. NEITHER WE NOR THE PRINCIPAL ADVISER NOR ANY OTHER ADVISERS IN RELATION TO OUR IPO SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, AVOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY IN CONNECTION WITH OUR IPO UNDER THE LAWS OF MALAYSIA. OUR SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. OUR COMPANY, THE PROMOTERS, THE PRINCIPAL ADVISER, THE MANAGING UNDERWRITER, THE UNDERWRITERS AND THE PLACEMENT AGENTS HAVE NOT AUTHORISED ANYONE TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS TO YOU.

#### **ELECTRONIC PROSPECTUS**

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME. THE ELECTRONIC PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM THE WEBSITE OF BURSA SECURITIES AT [www.bursamalaysia.com](http://www.bursamalaysia.com).

THE INTERNET IS NOT A FULLY SECURE MEDIUM. IF YOU DOUBT THE VALIDITY OR INTEGRITY OF THE ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM OUR COMPANY OR THE ISSUING HOUSE OR THE SHARE REGISTRAR, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IN THE EVENT THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

- (I) OUR COMPANY DOES NOT ENDORSE AND IS NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, OUR COMPANY IS NOT RESPONSIBLE FOR THE AVAILABILITY OF OR THE CONTENT OR ANY DATA, FILES OR OTHER MATERIALS PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

- (II) OUR COMPANY IS NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY TERMS OF ANY AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. OUR COMPANY IS ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILES OR OTHER MATERIALS PROVIDED BY SUCH PARTIES; AND
- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIALS DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. OUR COMPANY IS NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIALS.

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**INDICATIVE TIMETABLE**

The following events are intended to take place on the following indicative dates:

<b>Events</b>	<b>Date</b>
Entitlement Date	10 October 2013
Issuance of Prospectus/Opening of application for the Issue Shares	10.00 a.m., 18 October 2013
Closing of application for the Issue Shares	5.00 p.m., 1 November 2013
Determination of allocation of the Issue Shares	8 November 2013
Allotment of the Issue Shares	14 November 2013
Listing	18 November 2013

Application for the Issue Shares will open at 10.00 a.m. on 18 October 2013 and will remain open until 5.00 p.m. on 1 November 2013 or such other date or dates as our Directors and the Managing Underwriter may mutually decide in their absolute discretion.

In the event that the closing date and/or time of the application for the Issue Shares is extended, the dates for the determination of allocation and allotment of the Issue Shares and our Listing may be extended accordingly. Any extension will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

All defined terms used in this Prospectus are defined under "Presentation of Financial and Other Information", "Definitions" and "Glossary of Technical Terms" commencing on pages ix, xiii and xviii of this Prospectus respectively.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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All references to “our Company” or “BAuto” in this Prospectus are to Berjaya Auto Berhad. All references to “our Group” or “BAuto Group” in this Prospectus are to our Company and our subsidiaries taken as a whole. References to “we”, “us”, “our” and “ourselves” are to our Company and our subsidiaries, save where the context otherwise requires.

In this Prospectus, all references to the “Promoters” are to BGroup and Podium Success, and all references to the “Government” are to the Government of Malaysia.

All references to “RM” and “sen” are to the lawful currency of Malaysia.

Any discrepancies in the tables included in this Prospectus between totals and the sums of amounts listed or between percentage changes and the listed amounts being compared are due to rounding. Other abbreviations used herein are defined in the “Definitions” section and technical terms used herein are defined in the “Glossary of Technical Terms” section appearing after this section. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall include corporations.

Any reference to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified and supplemented by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a time or date shall be a reference to time and date in Malaysia, unless otherwise stated.

Any reference in this Prospectus to the CKD packs, spare parts, accessories and tools for Mazda CKD Vehicles as well as CKD assembly activities subsequent to the implementation of the Transfer of Operation Agreement and the approval granted by the MITI to transfer the approvals for the contract assembly of Mazda CKD Vehicles from Bermaz to MMSB (as defined in Section 3 of this Prospectus) are in relation to the activities undertaken by MMSB which is our 30% associated company.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate and our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted and/or derived from the Executive Summary of the Independent Market Research Report prepared by Frost & Sullivan for inclusion in Section 8 of this Prospectus. In addition, certain information in this Prospectus is extracted or derived from the Independent Market Research Report prepared by Frost & Sullivan for inclusion in this Prospectus. We have appointed Frost & Sullivan to provide the Industry Overview which is set out in Section 8 of this Prospectus. In compiling their data, Frost & Sullivan had relied on industry sources, published materials, their own private databanks and direct contacts within the industry. The statistical data and projections cited in this Prospectus is intended to help prospective investors understand the major trends in the industry in which we operate. However, we, the Promoters, the Principal Adviser, the Managing Underwriter, the Underwriters, the Placement Agents and the respective advisers have not independently verified these figures.

**PRESENTATION OF FINANCIAL AND OTHER INFORMATION (Cont'd)**

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Neither our Company nor the Promoters, the Principal Adviser, the Managing Underwriter, the Underwriters, the Placement Agents and the respective advisers make any representation as to the correctness, accuracy or completeness of such data and projections and accordingly, you should not place undue reliance on the statistical data and projections cited in this Prospectus. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurance can be given that such projections will be achieved, and you should not place undue reliance on the third-party projections cited in this Prospectus.

Reference to "LPD" in this Prospectus is to 26 September 2013, which is the latest practicable date for certain information to be obtained and disclosed in this Prospectus prior to the registration of this Prospectus with the SC.

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**FORWARD-LOOKING STATEMENTS**

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This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements also include statements relating to competition, trends and anticipated developments in our industry. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future result, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- our future financial position, earnings, cash flows and liquidity;
- our business strategies, trends and competitive position;
- our future overall business developments and operations;
- potential growth opportunities;
- the future demand for our products and general industry environment; and
- the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- the continued availability of capital and financing;
- interest rates, taxes and duties;
- changes in production of and demand for car vehicles;
- fixed and contingent obligations and commitments;
- the competitive environment of the industry in which we operate;
- the activities and financial position of our customers, supplier and other business partners;
- the general economic, political, social, investment and business conditions in Malaysia and globally;
- significant capital expenditure requirements;
- future government policy, legislation or regulatory changes affecting us or the industry in which we operate;
- liability for remedial actions under environmental and/or health and safety regulations;

**FORWARD-LOOKING STATEMENTS (Cont'd)**

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- the cost and availability of adequate insurance coverage; and
- any other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Sections 5 and 12.2 of this Prospectus pertaining to "Risk factors" and "Management's discussion and analysis of financial condition, results of operations and prospects", respectively. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD. Save as required by Subsection 238(1) of the CMAA and Paragraph 1.02 of the Prospectus Guidelines (Supplementary and Replacement Prospectus), we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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## DEFINITIONS

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The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

1S	: Sales centre
2S	: Spare parts and after sales service centre
3S	: Sales, spare parts and after sales service centre
Act	: Companies Act, 1965
ADA	: Authorised Depository Agent
AGM	: Annual general meeting
Ampang Branch	: Branch of BMTSB located at No. 214, Jalan Ampang, 50450 Kuala Lumpur
AP	: Approved permit for the importation of motor vehicles to Malaysia as prescribed under the Customs Act, 1967
Application Form	: Application form for the application of the Issue Shares accompanying this Prospectus
BAuto or Company	: Berjaya Auto Berhad
BAuto Group or Group	: Collectively, BAuto and our subsidiaries, namely the Bermaz Group
BAuto Share(s) or Share(s)	: Ordinary share(s) of RM0.50 each in our Company
BCorporation	: Berjaya Corporation Berhad, our ultimate holding company
BCorporation Group	: Collectively, BCorporation and its subsidiaries
BCorporation Share(s)	: Ordinary share(s) of RM1.00 each in BCorporation
Bermaz Acquisition	: Acquisition by our Company of 100% equity interest in Bermaz comprising 80,000,000 Bermaz Shares from the Vendors for a total purchase consideration of RM503,999,997 which was satisfied via the issuance of 719,999,996 new BAuto Shares at an issue price of RM0.70 per BAuto Share
Bermaz Acquisition SPA	: Conditional sale and purchase agreement dated 26 February 2013 between BAuto and the Vendors in relation to the Bermaz Acquisition
Bermaz Group	: Collectively, Bermaz and its subsidiaries, namely BMTSB, BMIL and BAP
Bermaz Share(s)	: Ordinary share(s) of RM1.00 each in Bermaz
BGroup	: Berjaya Group Berhad, our immediate holding company which is a wholly-owned subsidiary of BCorporation
BHJ Marketing	: BHJ Marketing Sdn Bhd
BLand	: Berjaya Land Berhad, a subsidiary of BCorporation
Board or Directors	: Board of Directors of our Company
Bumiputera	: In the context of individuals, Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad

## DEFINITIONS (Cont'd)

By-Laws	:	The rules, terms and conditions governing the ESOS and shall include any amendments or variations made thereto from time to time
CCB	:	Cycle & Carriage Bintang Berhad, the former distributor of Mazda vehicles in Malaysia
CDS	:	Central Depository System
Clawback and Reallocation Provisions	:	The clawback and reallocation provisions as set out in Section 4.3.2 of this Prospectus
CMSA	:	Capital Markets and Services Act, 2007
CRM	:	Customer Relationship Management
Distributorship and Collaboration Agreement	:	Distributorship and collaboration agreement dated 12 March 2008 (including any supplemental agreements thereto) between Bermaz and Prima Merdu for the importation of specific models of Mazda CBU vehicles by Prima Merdu from Mazda Japan and both Bermaz and Prima Merdu shall collaborate through their respective network of branches and/or dealers to co-retail the Mazda CBU vehicles
EBITDA	:	Earnings before interests, taxation, depreciation and amortisation
Eligible Business Associates	:	Eligible persons who have contributed to the success of our Group
Entitled Shareholders of BCorporation	:	Shareholders of BCorporation (except for the Excluded Shareholders) whose names appear in the Record of Depositors of BCorporation as at 5.00 p.m. on the Entitlement Date and who are eligible to participate in the Restricted Offering
Entitlement Date	:	10 October 2013, being the date as at the close of business on which the Entitled Shareholders of BCorporation must be registered as a member and whose names appear in the Record of Depositors of BCorporation
EPS	:	Earnings per share
Equity Guidelines	:	Equity Guidelines issued by the SC
ESOS	:	Employees' share option scheme for the granting of ESOS Options to our eligible Directors and employees
ESOS Option(s)	:	Right to subscribe for new BAUTO Share(s) upon acceptance of an offer made under the ESOS
Excluded Shareholders	:	Shareholders of BCorporation as stated in its Record of Depositors who fall into any one of the following categories as at the Entitlement Date: <ul style="list-style-type: none"> <li>(i) major shareholders of BCorporation and persons connected to them;</li> <li>(ii) persons with a registered address in jurisdictions outside Malaysia;</li> <li>(iii) persons who are bound under jurisdictions outside Malaysia in which acceptance under the Restricted Offering would result in the contravention of the laws of such jurisdictions (whether in the absence of any necessary consent and/or compliance with any registration of other legal requirements or for any other reason); or</li> </ul>

**DEFINITIONS (Cont'd)**

Excluded Shareholders (cont'd)	: (iv) persons who are, in the opinion of our Board (on the advice of our legal adviser), necessary or expedient to be excluded from participating in the Restricted Offering by reason of legal or regulatory requirements
Frost & Sullivan	: Frost & Sullivan Malaysia Sdn Bhd
FYE	: Financial year ended/ending, as the case may be
Government	: Government of Malaysia
Inokom	: Inokom Corporation Sdn Bhd, MMSB's contract assembler for Mazda CKD Vehicles
IPO	: Initial public offering
Issue Price	: RM0.70 per Issue Share, payable in full upon application pursuant to the Public Issue
Issue Shares	: 82,763,000 new BAUTO Shares, being the subject of the Public Issue
Joint Venture Agreement	: Joint venture agreement dated 11 September 2012 (including any supplemental agreements thereto) between Mazda Japan and Bermaz collaborating for the assembly and supply of CKD vehicles of Mazda in Malaysia
Konsep Aktif	: Konsep Aktif Sdn Bhd
Listing	: Listing of and quotation for 802,763,000 BAUTO Shares, representing our entire enlarged issued and paid-up share capital, on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities, including any amendment made from time to time
Listing Scheme	: Collectively, the Bermaz Acquisition, the Public Issue, the Listing and the ESOS
Lot 9 Branch	: Branch of BMTSB located at Lot 9, Jalan 219, 46100 Petaling Jaya, Selangor Darul Ehsan
LPD	: 26 September 2013, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysia CBU Agreement	: CBU agreement dated 31 March 2011 (including any supplemental agreements, memorandums and addendum thereto) between Mazda Japan and Bermaz for the supply of specific models of Mazda CBU vehicles, spare parts, accessories and tools for distribution in Malaysia
Market Day	: A day on which Bursa Securities is open for trading in securities
Maybank IB or Principal Adviser or Managing Underwriter	: Maybank Investment Bank Berhad
Mazda CKD Vehicles	: Collectively, Mazda3 CKD and Mazda CX-5 CKD vehicles, all of which are assembled in Malaysia
Mazda CX-5 CKD	: Mazda CX-5 2.0L 2WD and AWD, all of which are assembled in Malaysia
Mazda Japan	: Mazda Motor Corporation, Japan
Mazda3 CKD	: Mazda3 Sedan 1.6L and 2.0L, and Mazda3 Hatchback 1.6L and 2.0L, all of which are assembled in Malaysia
MIH or Issuing House	: Malaysian Issuing House Sdn Bhd



**DEFINITIONS (Cont'd)**

MITI	: Ministry of International Trade and Industry
NAP	: National Automotive Policy
NBV	: Net book value
Nusa	: Nusa Otomobil Corporation Sdn Bhd
Official List	: A list specifying all securities listed on Bursa Securities
Padang Jawa Branch	: Branch of BMTSB located at Lot 765, Jalan Padang Jawa, Seksyen 16, 40200 Shah Alam, Selangor Darul Ehsan
PAT	: Profit after taxation, being profit for the year
PBT	: Profit before taxation
Philippines CBU Agreement	: CBU agreement dated 12 September 2012 (including any supplemental agreements, memorandums and addendum thereto) between Mazda Japan and BAP for the supply of specific models of Mazda CBU vehicles, spare parts, accessories and tools for distribution in the Philippines
Pink Form Allocation	: The allocation of 12,000,000 Issue Shares for application by our eligible Directors and employees, and the Eligible Business Associates
Placement Agents	: Collectively, Maybank IB and Inter-Pacific Securities Sdn Bhd
Podium Success	: Podium Success Sdn Bhd
Prima Merdu	Prima Merdu Sdn Bhd, being the AP holder and importer of Mazda vehicles to Malaysia
Promoters	: Collectively, BGroup and Podium Success
Prospectus Guidelines	: Prospectus Guidelines issued by the SC
Public Issue	: IPO involving a public issue of 82,763,000 Issue Shares at the Issue Price, subject to the terms and conditions of this Prospectus
R&D	: Research and development
Record of Depositors	: A record of securities holders established by Bursa Depository pursuant to the Rules of Bursa Depository
Restricted Offering	: Offering of 19,157,000 Issue Shares to the Entitled Shareholders of BCorporation
Retail Underwriting Agreement	: Retail underwriting agreement dated 30 September 2013 between our Company, the Managing Underwriter and the Underwriters in relation to the Public Issue
ROFR	: Right of first refusal
Rules of Bursa Depository	: The rules of Bursa Depository as issued pursuant to the SICDA
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission Malaysia
SICDA	: Securities Industry (Central Depositories) Act, 1991
Terrific Dynamics	: Terrific Dynamics Sdn Bhd
Transfer of Operation Agreement	: Transfer of operation agreement dated 16 January 2013 between Mazda Japan, Bermaz and MMSB to facilitate the transfer of the assembly activities of CKD vehicles of Mazda from Bermaz to MMSB with effect from 1 February 2013
TSVT	: Tan Sri Dato' Seri Vincent Tan Chee Yioun

**DEFINITIONS (Cont'd)**

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Underwriters	: Collectively, Maybank IB, Inter-Pacific Securities Sdn Bhd and AmInvestment Bank Berhad
UK	: United Kingdom
Vendors	: Collectively, BGroup, Podium Success, Tunku Aminah Binti Tunku Ibrahim Ismail, BHJ Marketing, Konsep Aktif and Terrific Dynamics in relation to the Bermaz Acquisition

**CURRENCIES**

Peso	: Philippine Peso
RM and sen	: Ringgit Malaysia and sen
USD	: United States Dollar
Yen	: Japanese Yen

**OUR SUBSIDIARIES AND ASSOCIATED COMPANY**

BAP	: Berjaya Auto Philippines Inc, a 60%-owned subsidiary of BMIL, which in turn is a wholly-owned subsidiary of Bermaz
Bermaz	: Bermaz Motor Sdn Bhd, a wholly-owned subsidiary of BAuto
BMIL	: Bermaz Motor International Ltd, a wholly-owned subsidiary of Bermaz
BMTSB	: Bermaz Motor Trading Sdn Bhd, a wholly-owned subsidiary of Bermaz
MMSB	: Mazda Malaysia Sdn Bhd, a 30% associated company of Bermaz

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## GLOSSARY OF TECHNICAL TERMS

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2WD	:	2-wheel drive
AWD	:	All-wheel drive
CBU	:	Completely built-up
cc and L	:	Cubic centimetres and litre, which are measurements of engine size, 1L = 1,000cc
CKD	:	Completely knocked-down
DOHC	:	Double overhead camshaft. It is a valvetrain configuration which places the engine camshaft within the cylinder heads, above the combustion chambers, and drive the valves or lifters in a more direct manner compared to overhead valves
ECT	:	Electronic control transmission
MPS	:	Mazda performance series
MPV	:	Multi-purpose vehicle
MZR	:	Brand name of a generation of engines engineered and built by Mazda Japan with all 4 cylinders mounted in a straight line. The MZR generation includes gasoline and diesel powered engines ranging in displacements from 1.3L to 2.5L
Nm	:	Newton meter, a measurement of engine torque
PS	:	Pferdestärke, a measurement of engine power output
rpm	:	Revolutions per minute
S-VT	:	Sequential Valve Timing. It is an automobile variable valve timing technology developed by Mazda Japan which varies the timing of the intake valves by using hydraulic pressure to rotate the camshaft
SUV	:	Sports utility vehicle
TSCV	:	Tumble swirl control valve
VTG	:	Variable geometry turbochargers. It is designed to allow the effective aspect ratio of the turbo to be altered as conditions change to ensure minimal amount of lag, low boost threshold and ensure efficiency at higher engine speeds
VIS	:	Variable induction system

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**1. CORPORATE DIRECTORY****DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin (Chairman/Independent Non-Executive Director)	4, Jalan P10 A2/2 Presint 10 62250 Putrajaya Wilayah Persekutuan	Malaysian	Company Director
Dato' Yeoh Choon San (Chief Executive Officer/Executive Director)	18, Jalan U1/6 Glenmarie Court 40150 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Dato' Lee Kok Chuan (Non-Independent Non-Executive Director)	145, Jalan Athinahapan 2 Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	Company Director
Dato' Abdul Manap Bin Abd Wahab (Independent Non-Executive Director)	10, Jalan Ubin U8/19F Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Loh Chen Peng (Independent Non-Executive Director)	11-6-3, Desa Damansara 99, Jalan Setiakasih Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Loh Chen Peng	Chairman	Independent Non-Executive Director
Dato' Abdul Manap Bin Abd Wahab	Member	Independent Non-Executive Director
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	Member	Chairman/Independent Non-Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Abdul Manap Bin Abd Wahab	Chairman	Independent Non-Executive Director
Loh Chen Peng	Member	Independent Non-Executive Director
Dato' Lee Kok Chuan	Member	Non-Independent Non-Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	Chairman	Chairman/Independent Non-Executive Director
Dato' Abdul Manap Bin Abd Wahab	Member	Independent Non-Executive Director
Loh Chen Peng	Member	Independent Non-Executive Director

**1. CORPORATE DIRECTORY (Cont'd)**

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- COMPANY SECRETARIES** : Su Swee Hong (MAICSA No. 0776729)  
Gan Swee Peng (MAICSA No. 7001222)  
Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur
- Telephone no.: +603 2149 1999
- REGISTERED OFFICE** : Lot 13-01A, Level 13 (East Wing)  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur
- Telephone no.: +603 2149 1999
- HEAD OFFICE** : No. 7, Jalan Pelukis U1/46  
Temasya Industrial Park  
Seksyen U1  
40150 Shah Alam  
Selangor Darul Ehsan
- Telephone no.: +603 7627 8888  
Email address: general@bermaz.com.my
- WEBSITE** : [www.mazda.com.my](http://www.mazda.com.my)
- PRINCIPAL ADVISER AND  
MANAGING UNDERWRITER** : Maybank Investment Bank Berhad  
32nd Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur
- Telephone no.: +603 2059 1888
- SOLICITORS** : Messrs Jeff Leong, Poon & Wong  
B-11-8, Level 11  
Megan Avenue II  
Jalan Yap Kwan Seng  
50450 Kuala Lumpur
- Telephone no.: +603 2166 3225
- AUDITORS AND REPORTING  
ACCOUNTANTS** : Messrs Ernst & Young (AF0039)  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur
- Telephone no.: +603 7495 8000

**1. CORPORATE DIRECTORY (Cont'd)**

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- PRINCIPAL BANKERS**
- : Malayan Banking Berhad  
14th Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur
- Telephone no.: +603 2070 8833
- AmBank (M) Berhad  
22nd Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur
- Telephone no.: +603 2036 2633
- CIMB Bank Berhad  
10th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur
- Telephone no.: +603 2084 8888
- UNDERWRITERS**
- : Maybank Investment Bank Berhad  
32nd Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur
- Telephone no.: +603 2059 1888
- Inter-Pacific Securities Sdn Bhd  
Level 13, West Wing  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur
- Telephone no.: +603 2117 1888
- AmInvestment Bank Berhad  
Level 22, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur
- Telephone no.: +603 2036 2633
- PLACEMENT AGENTS**
- : Maybank Investment Bank Berhad  
32nd Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur
- Telephone no.: +603 2059 1888
- Inter-Pacific Securities Sdn Bhd  
Level 13, West Wing  
Berjaya Times Square  
No. 1, Jalan Imbi  
55100 Kuala Lumpur
- Telephone no.: +603 2117 1888

**1. CORPORATE DIRECTORY (Cont'd)**

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<b>INDEPENDENT MARKET RESEARCHER</b>	:	Frost & Sullivan Malaysia Sdn Bhd Suite C-11-02, Block C Plaza Mont' Kiara 2, Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur  Telephone no.: +603 6204 5800
<b>SHARE REGISTRAR</b>	:	Berjaya Registration Services Sdn Bhd Lot 06-03, Level 6, East Wing Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur  Telephone no.: +603 2145 0533
<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan  Telephone no.: +603 7841 8000
<b>LISTING SOUGHT</b>	:	Main Market of Bursa Securities
<b>SHARIAH STATUS</b>	:	Approved by the SAC

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## 2. INTRODUCTION

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This Prospectus is dated 18 October 2013.

Our Company has registered this Prospectus with the SC. Our Company has also lodged a copy of this Prospectus, together with the Application Form, with the Registrar of Companies Malaysia, who takes no responsibility for its contents.

On 20 August 2013 and 26 September 2013, we obtained the SC's approval in respect of the Public Issue and our Listing. The approval of the SC shall not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. On 30 August 2013, the SAC has classified our Shares as Shariah-compliant based on the audited financial statements of our Company for the FYE 30 April 2013. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review is undertaken by the SAC. Updates on the classification will be released in the updated list of Shariah-compliant securities on the last Friday of the month of May and November of each year.

**You should rely on your own evaluation to assess the merits and risks of our IPO and an investment in us.**

Our Company has obtained the approval of Bursa Securities on 17 September 2013 for the listing of and quotation for our Shares, including the Issue Shares on the Main Market of Bursa Securities. Official quotation will commence upon receipt of confirmation from Bursa Depository that all the Issue Shares have been credited into the respective CDS accounts of the successful applicants and the notices of allotment have been despatched to all successful applicants. Our admission to the Official List of the Main Market of Bursa Securities shall not be taken as an indication of the merits of our Company, our Shares and our IPO.

**Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a prescribed security. Consequently, the Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificate to the successful applicants.**

Pursuant to the Listing Requirements, at least 25% of the total number of Shares for which listing is sought must be held by at least 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing. Should such an event occur, we will return in full, without interest, monies paid in respect of all applications and if such monies are not returned in full within 14 days after we become liable to do so, in accordance with the provision of Subsection 243(2) of the CMSA, in addition to the liability of our Company and the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.



## 2. INTRODUCTION (Cont'd)

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You must have a CDS account before you make an application by way of Application Form. For applicants using BLUE Application Forms, you must ensure that your CDS account number printed on the space provided in the BLUE Application Form is identical to the CDS account number maintained by the Bursa Depository and for applicants using PINK Application Forms, you must state your CDS account number in the space provided in the PINK Application Form and shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account. If you do not presently have a CDS account, you must open a CDS account with an ADA before making an application for our Issue Shares.

**If you are in doubt of any information contained in this Prospectus or in considering your investment or if you are in any doubt as to the action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants or any other professional advisers immediately.**

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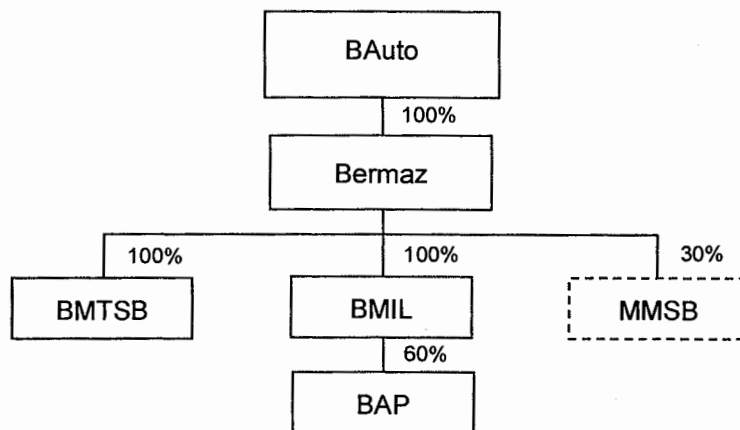
### 3. SUMMARY


The information contained in this Section is only a summary of the salient information relating to our Group and the Public Issue. The information concerned is derived from and should be read in conjunction with the full text of this Prospectus. You should read and understand the whole Prospectus prior to deciding whether to invest in our Shares.

#### 3.1 Overview

Our Company was incorporated in Malaysia under the Act on 11 May 2010 as a private limited company under the name Fiscal Start Sdn Bhd. We assumed the name Berjaya Auto Sdn Bhd on 14 February 2011 and were subsequently converted into a public company on 11 July 2011. Our Company is the listing vehicle for the Listing.

As at the LPD, the corporate structure of our Group, including our associated company, is as follows:



 *Our associated company*

On 28 February 2008, Bermaz entered into an agreement with Mazda Japan which awarded Bermaz the distributorship of specific models of Mazda CBU vehicles, spare parts, accessories and tools in Malaysia for a period of 3 years from 1 April 2008. It was subsequently extended for a further 3 years until 31 March 2014 via the execution of the Malaysia CBU Agreement on 31 March 2011. Via its letter dated 14 January 2013, Mazda Japan agreed to further extend the Malaysia CBU Agreement upon expiry of the said agreement, for another 5 years expiring on 31 March 2019, subject to an annual minimum purchase quota of Mazda CBU vehicles to be mutually agreed upon.

Prima Merdu is presently the sole AP holder for the importation of Mazda CBU vehicles for Bermaz in Malaysia. Pursuant to the Distributorship and Collaboration Agreement and our entrustment letter dated 10 January 2013 issued to and agreed by Mazda Japan, Prima Merdu shall, amongst others, import Mazda CBU vehicles from Mazda Japan for supply to Bermaz and Bermaz in turn shall carry out the distribution activities in Malaysia. Prima Merdu is also one of our dealers.

Bermaz also had arrangements with Mazda Japan for the supply of CKD packs, spare parts, accessories and tools for Mazda3 CKD vehicles for the purpose of local assembly and subsequent distribution in Malaysia. Upon obtaining the MITI's approval on 29 April 2010, Bermaz commenced preparations for the assembly activities of Mazda3 CKD vehicles and in October 2010, Bermaz appointed Inokom, a contract assembler, to carry out the assembly of Mazda3 CKD vehicles at Inokom's plant in Kulim, Kedah.

### 3. SUMMARY (Cont'd)

On 11 September 2012, Bermaz entered into the Joint Venture Agreement with Mazda Japan where MMSB was established to, amongst others, assemble and supply CKD vehicles of Mazda in Malaysia. Under the Joint Venture Agreement, Mazda Japan will provide the assembly and technical expertise to MMSB's operations in the rolling out of CKD vehicles of Mazda and Bermaz will provide support to the operations in all matters of administration. MMSB has entrusted its Malaysian distribution of locally assembled Mazda CKD Vehicles to Bermaz. Subsequently on 16 January 2013, Bermaz entered into the Transfer of Operation Agreement with Mazda Japan and MMSB to facilitate the transfer of the assembly activities of CKD vehicles of Mazda to MMSB. The MITI has, vide its letter dated 30 January 2013, approved the transfer of the approvals granted by the MITI to Bermaz for the contract assembly of Mazda CKD Vehicles to MMSB ("**Transfer of MITI Approvals**"). Pursuant to the said MITI's approval, the assembly activities of Mazda CKD Vehicles have been undertaken by MMSB with effect from 1 February 2013. Inokom has been retained by MMSB as its contract assembler to carry out the assembly of Mazda3 CKD vehicles at Inokom's plant in Kulim, Kedah.

Bermaz, via BAP, had also on 12 September 2012 entered into the Philippines CBU Agreement with Mazda Japan for the distributorship of specific models of Mazda CBU vehicles, spare parts, accessories and tools in the Philippines for a period of 3 years from 1 October 2012 to 30 September 2015. BAP commenced operations on 2 January 2013.

In summary, we are principally involved in the following:

- (i) distribution and retailing of Mazda vehicles; and
- (ii) provision of after sales services for Mazda vehicles,

whilst our associated company, MMSB, is principally involved in the following:

- (i) local assembly of Mazda vehicles by third party contract assembler using local parts and imported Mazda supplied parts; and
- (ii) domestic distribution of locally assembled Mazda vehicles through Bermaz and export of Mazda vehicles assembled in Malaysia.

We distribute Mazda vehicles through our own branches and third party dealers in Malaysia as well as through third party dealers in the Philippines. As at the LPD, we have established 4 branches in Malaysia, all of which are 3S centres, and we have also appointed 68 dealers nationwide.

Save for the Mazda CKD Vehicles which are locally assembled, all the other Mazda models distributed in Malaysia are CBU units which are imported from Mazda Japan's manufacturing plants located in Japan and Thailand via Prima Merdu and all the Mazda models distributed in the Philippines are CBU units imported directly by BAP.

Further information on our Group's history and business is set out in Sections 6 and 7 of this Prospectus.

### 3. SUMMARY (Cont'd)

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#### 3.2 Competitive strengths

We believe that our Group is in a position to deliver growth based on the following competitive strengths:

- (i) Experienced key management team with extensive industry knowledge and vast exposure in the automotive segment;
- (ii) Established business relationship with Mazda Japan;
- (iii) Mazda is a well recognised and internationally acclaimed brand; and
- (iv) Strong support from the BCorporation Group.

Further details on our competitive strengths are set out in Section 7.3 of this Prospectus.

#### 3.3 Business strategies and future plans

Our aim is to further strengthen our competitive position in the automotive segment, increase shareholders' value and increase our market share in the segment that we compete in. We intend to achieve our aim through the following strategies:

- (i) Expand our range of CKD vehicles of Mazda and increase utilisation of local contents;
- (ii) Expand our distribution network and dealerships; and
- (iii) Launch the latest models of Mazda vehicles in the Malaysian and Philippines markets.

Further details on our business strategies and future plans are set out in Section 7.4 of this Prospectus.

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### 3. SUMMARY (Cont'd)

#### 3.4 Summary of historical financial information

##### 3.4.1 Proforma consolidated statements of comprehensive income

The table below sets out a summary of our proforma consolidated statements of comprehensive income for the past 4 FYE 30 April 2010, 2011, 2012 and 2013 on the assumption that our Group has been in existence throughout the financial years under review.

Our proforma consolidated statements of comprehensive income is prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 12.4 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

As the proforma consolidated financial statements are prepared for illustrative purposes only, such information, because of its nature, may not be reflective of our Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of our Group.

	FYE 30 April			
	2010	2011	2012	2013
	(RM'000, except for percentages and per share data)			
Revenue	286,829	592,603	663,581	1,064,349
Cost of sales	(245,229)	(512,712)	(568,557)	(925,299)
<b>Gross profit</b>	<b>41,600</b>	<b>79,891</b>	<b>95,024</b>	<b>139,050</b>
Other income	598	899	807	3,441
Marketing and selling expenses	(8,597)	(10,543)	(14,845)	(28,258)
Administrative and other operating expenses	(12,218)	(18,959)	(23,453)	(38,693)
<b>Operating profit</b>	<b>21,383</b>	<b>51,288</b>	<b>57,533</b>	<b>75,540</b>
Finance costs	(1,484)	(2,445)	(2,332)	(4,813)
Share of results of associate	-	-	-	(1,503)
<b>PBT</b>	<b>19,899</b>	<b>48,843</b>	<b>55,201</b>	<b>69,224</b>
Income tax expense	(5,754)	(12,697)	(14,518)	(17,211)
<b>Profit for the year</b>	<b>14,145</b>	<b>36,146</b>	<b>40,683</b>	<b>52,013</b>
Foreign currency translation, representing other comprehensive loss for the year, net of taxation	-	-	-	(202)
<b>Total comprehensive income for the year</b>	<b>14,145</b>	<b>36,146</b>	<b>40,683</b>	<b>51,811</b>
Profit attributable to:				
- Shareholders of the Company	14,145	36,146	40,683	50,861
- Non-controlling interests	-	-	-	1,152
	<b>14,145</b>	<b>36,146</b>	<b>40,683</b>	<b>52,013</b>
Total comprehensive income attributable to:				
- Shareholders of the Company	14,145	36,146	40,683	50,740
- Non-controlling interests	-	-	-	1,071
	<b>14,145</b>	<b>36,146</b>	<b>40,683</b>	<b>51,811</b>
<b>Other selected financial data:</b>				
EBITDA <sup>(1)</sup>	22,323	54,040	62,080	81,624
Gross profit margin (%) <sup>(2)</sup>	14.5	13.5	14.3	13.1
PBT margin (%) <sup>(3)</sup>	6.9	8.2	8.3	6.5
PAT margin (%) <sup>(4)</sup>	4.9	6.1	6.1	4.9
Basic EPS (sen) <sup>(5)</sup>	2.0	5.0	5.7	7.1
Diluted EPS (sen) <sup>(6)</sup>	1.7	4.3	4.8	6.0

### 3. SUMMARY (Cont'd)

**Notes:**

(1) The table below sets forth a reconciliation of our EBITDA to operating profit:

	FYE 30 April			
	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000
EBITDA	22,323	54,040	62,080	81,624
Depreciation	(1,102)	(2,861)	(4,801)	(6,864)
Interest income	162	109	254	780
<b>Operating profit</b>	<b>21,383</b>	<b>51,288</b>	<b>57,533</b>	<b>75,540</b>

(2) Computed based on gross profit over total revenue of our Group.

(3) Computed based on PBT over total revenue of our Group.

(4) Computed based on profit for the year over total revenue of our Group.

(5) The basic EPS is computed based on total profit attributable to the shareholders of the Company over our enlarged issued and paid-up share capital of 720,000,000 BAUTO Shares after the Bermaz Acquisition.

(6) For illustrative purpose only, the diluted EPS is computed based on total profit attributable to the shareholders of the Company over our enlarged issued and paid-up share capital of 842,901,150 BAUTO Shares after the Bermaz Acquisition, the Public Issue and assuming full exercise of 40,138,150 ESOS Options to be granted under the ESOS.

Further information on our proforma consolidated statements of comprehensive income is set out in Section 12.1.1 of this Prospectus.

#### 3.4.2 Proforma consolidated statement of financial position

Our proforma consolidated statement of financial position as at 30 April 2013 as set out below is prepared to show the effects of the Listing Scheme, the utilisation of proceeds from the Public Issue and full exercise of the ESOS Options on the assumption that they had been completed on 30 April 2013. The proforma consolidated statement of financial position is prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 12.4 of this Prospectus.

	Company Level	Proforma Group <sup>(1)</sup>		
	As at 30 April 2013	Proforma I After Bermaz Acquisition	Proforma II After Proforma I, Public Issue and utilisation of proceeds from the Public Issue	Proforma III After Proforma II and full exercise of ESOS Options <sup>A</sup>
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	-	20,338	20,338	20,338
Deferred tax assets	-	18,613	18,613	18,613
Investment in an associate*	-	23,188	23,188	23,188
Goodwill	-	500	500	500
<b>Total non-current assets</b>	-	<b>62,639</b>	<b>62,639</b>	<b>62,639</b>

## 3. SUMMARY (Cont'd)

	Company Level	Proforma Group <sup>(1)</sup>		
		Proforma I	Proforma II After Proforma I, Public Issue and utilisation of proceeds from the Public Issue	Proforma III After Proforma II and full exercise of ESOS Options <sup>A</sup>
	As at 30 April 2013	After Bermaz Acquisition		
	RM'000	RM'000	RM'000	RM'000
<b>Current assets</b>				
Inventories	-	193,780	193,780	193,780
Trade receivables	-	31,409	31,409	31,409
Other receivables	-	15,632	15,632	15,632
Cash and cash equivalents	-	182,035	239,969	268,066
	-	422,856	480,790	508,887
<b>Total assets</b>	-	<b>485,495</b>	<b>543,429</b>	<b>571,526</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of our Company</b>				
Share capital	*	360,000	401,381	421,450
Share premium	-	144,000	156,353	171,405
Merger deficit	-	(424,000)	(424,000)	(424,000)
Foreign currency translation reserves	-	(121)	(121)	(121)
(Accumulated losses)/retained earnings	(1,470)	78,960	78,960	71,936
	(1,470)	158,839	212,573	240,670
Non-controlling interests	-	7,300	7,300	7,300
(Shareholders' deficit)/total equity	(1,470)	166,139	219,873	247,970
<b>Non-current liabilities</b>				
Borrowings	-	2,441	2,441	2,441
Deferred revenue	-	27,654	27,654	27,654
Provisions	-	4,580	4,580	4,580
Total non-current liabilities	-	34,675	34,675	34,675
<b>Current liabilities</b>				
Borrowings	-	126,575	126,575	126,575
Trade payables	-	83,155	83,155	83,155
Other payables	1,470	40,978	45,178	45,178
Provisions	-	6,250	6,250	6,250
Derivatives	-	1,125	1,125	1,125
Deferred revenue	-	17,516	17,516	17,516
Tax payable	-	9,082	9,082	9,082
Total current liabilities	1,470	284,681	288,881	288,881
<b>Total liabilities</b>	<b>1,470</b>	<b>319,356</b>	<b>323,556</b>	<b>323,556</b>
<b>Total equity and liabilities</b>	<b>-</b>	<b>485,495</b>	<b>543,429</b>	<b>571,526</b>
Number of Shares ('000)	*	720,000	802,763	842,901
Net (liabilities)/assets <sup>(2)</sup>	(1,470)	158,839	212,573	240,670
Net tangible (liabilities)/assets <sup>(3)</sup>	(1,470)	158,339	212,073	240,170
Net (liabilities)/assets per Share <sup>(4)</sup> (RM)	(367,500)	0.22	0.26	0.29
Net tangible (liabilities)/assets per Share <sup>(4)</sup> (RM)	(367,500)	0.22	0.26	0.28

### 3. SUMMARY (Cont'd)

**Notes:**

- <sup>^</sup> Assuming 40,138,150 ESOS Options has been granted and exercised under the ESOS.
- <sup>\*</sup> The share capital of our Company as at 30 April 2013 is RM2.00 comprising 4 BAUTO Shares.
- <sup>#</sup> Includes an additional investment of RM10.5 million in MMSB on 31 May 2013 subsequent to FYE 30 April 2013 as disclosed in Section 6.4.5(ii) of this Prospectus.
- <sup>(1)</sup> The proforma consolidated statement of financial position has been prepared assuming that all the transactions below had taken place on 30 April 2013:
- (i) **Proforma I**  
Incorporating the effects of the Bermaz Acquisition.
- (ii) **Proforma II**  
Incorporating the effects of Proforma I, the Public Issue and utilisation of proceeds from the Public Issue as follows:
- |   | <b>RM'million</b> |
|---|-------------------|
| Working capital of our Group  | 41.7              |
| Finance capital expenditure   | 7.5               |
| Investment in MMSB  | 4.5               |
| Defray estimated fees and expenses for our Public Issue and the Listing | 4.2               |
|   | <b>57.9</b>       |
- (iii) **Proforma III**  
Incorporating the effects of Proforma II and assuming full exercise of 40,138,150 ESOS Options to be granted under the ESOS.
- <sup>(2)</sup> Computed based on total equity minus non-controlling interests.
- <sup>(3)</sup> Computed based total equity minus non-controlling interests and goodwill.
- <sup>(4)</sup> Computed based on net assets/(liabilities) or net tangible assets/(liabilities) of our Company/Group over number of Shares in issue.

Further information on our proforma consolidated statement of financial position is set out in Section 12.1.2 of this Prospectus.

#### 3.4.3 Proforma consolidated statement of cash flows

The summary of our proforma consolidated statement of cash flows for the FYE 30 April 2013 set out below is provided for illustrative purposes only and on the assumption that our Group has been in existence throughout the financial years under review. The proforma consolidated statement of cash flows should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information as set out in Section 12.4 of this Prospectus.

	<b>FYE 30 April 2013</b>
	<b>RM'000</b>
Net cash flows generated from operating activities	53,059
Net cash flows used in investing activities*	(38,817)
Net cash flows generated from financing activities	90,577
<b>Net change in cash and cash equivalents</b>	<b>104,819</b>
Cash and cash equivalents at the beginning of financial year	77,216
<b>Cash and cash equivalents at the end of financial year</b>	<b>182,035</b>



### 3. SUMMARY (Cont'd)

**Note:**

- \* Includes an additional investment of RM10.5 million in MMSB on 31 May 2013 subsequent to FYE 30 April 2013 as disclosed in Section 6.4.5(ii) of this Prospectus.

Further details on our proforma consolidated statement of cash flows are set out in Section 12.1.3 of this Prospectus.

#### 3.5 Capitalisation and indebtedness

The following information should be read in conjunction with the Reporting Accountants' Letter on the Proforma Consolidated Financial Information and the notes thereon, and the Accountants' Report set out in Sections 12.4 and 13 of this Prospectus, respectively.

The following table shows the proforma cash and cash equivalents as well as capitalisation and indebtedness of our Group based on the audited consolidated financial statements and the proforma consolidated statement of financial position as at 30 April 2013 of our Company as set out in Section 12.1.2 of this Prospectus. The proforma financial information below does not represent our Group's actual capitalisation and indebtedness as at 30 April 2013 and is provided for information purposes only.

	As at 30 April 2013 RM'000	Proforma I After Bermaz Acquisition RM'000	Proforma II After Proforma I, Public Issue and utilisation of proceeds from the Public Issue RM'000	Proforma III After Proforma II and full exercise of ESOS options RM'000
<b>Cash and cash equivalents</b>	-	182,035	239,969	268,066
<b>Indebtedness</b>				
<u>Short term - Secured:</u>				
Hire purchase payables <sup>(1)</sup>	-	8	8	8
<u>Short term - Guaranteed &amp; secured:</u>				
Bankers' acceptances <sup>(2)</sup>	-	118,456	118,456	118,456
Term loans <sup>(3)</sup>	-	4,228	4,228	4,228
Trust receipts <sup>(4)</sup>	-	3,883	3,883	3,883
	-	126,575	126,575	126,575
<u>Long term - Guaranteed &amp; secured:</u>				
Term loans <sup>(3)</sup>	-	2,441	2,441	2,441
<b>Total indebtedness</b>	-	129,016	129,016	129,016
<b>Net cash<sup>(5)</sup></b>	-	53,019	110,953	139,050
<b>Capitalisation</b>				
Total shareholders' equity	(1,470)	158,839	212,573	240,670
Non-controlling interests	-	7,300	7,300	7,300
<b>Total equity/capitalisation</b>	(1,470)	166,139	219,873	247,970
<b>Gearing ratio (times)<sup>(6)</sup></b>	-	0.8	0.6	0.5

**Notes:**

<sup>(1)</sup> Secured against the assets financed.

<sup>(2)</sup> Secured by corporate guarantees from BCorporation which has been discharged and substituted with a corporate guarantee from our Company.

### 3. SUMMARY (Cont'd)

- <sup>(3)</sup> Secured by a piece of freehold land and building, specific debenture covering certain assembly and building equipment, quoted shares pledged by a related company and corporate guarantees from BCorporation. However, as at the LPD, the outstanding amounts of these credit facilities have been fully settled by our Group. Accordingly, the corporate guarantees from BCorporation have been cancelled.
- <sup>(4)</sup> Secured against a standby letter of credit.
- <sup>(5)</sup> Calculated based on our total cash and cash equivalents minus total indebtedness.
- <sup>(6)</sup> Calculated based on our total indebtedness over total equity/capitalisation.

Further details of our capitalisation and indebtedness are set out in Section 12.3 of this Prospectus.

#### 3.6 Details of our IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the Issue Shares are expected to be allocated in the manner summarised below at the Issue Price of RM0.70, subject to the Clawback and Reallocation Provisions as set out in Section 4.3.2 of this Prospectus.

Categories	No. of Issue Shares	% of the enlarged share capital
Malaysian institutional and selected investors	41,449,000	5.16
Bumiputera investors approved by the MITI	10,157,000	1.27
Entitled Shareholders of BCorporation	19,157,000	2.39
Pink Form Allocation	12,000,000	1.49
<b>Total</b>	<b>82,763,000</b>	<b>10.31</b>

Further details of our IPO are set out in Section 4 of this Prospectus.

#### 3.7 Utilisation of proceeds

The Public Issue is expected to raise gross proceeds of approximately RM57.9 million, which are to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation upon completion of the Listing	RM'million	%
Working capital of our Group	12 months	41.7	72.0
Finance capital expenditure	18 months	7.5	12.9
Investment in MMSB	12 months	4.5	7.8
Defray estimated fees and expenses for our Public Issue and the Listing	3 months	4.2	7.3
<b>Total proceeds</b>		<b>57.9</b>	<b>100.0</b>

Further details on our utilisation of proceeds are set out in Section 4.9 of this Prospectus.

### 3. SUMMARY (Cont'd)

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#### 3.8 Risk factors

Before investing in our Shares, you should pay particular attention to the fact that, to a large extent, we are subject to the legal, regulatory and business environment in countries in which we operate whether presently or in the future. Our business is subject to a number of factors, many of which are beyond our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below. The risks and investment considerations set out below is not an exhaustive list of the risks and challenges that we currently face or that may develop in the future. These and other risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

##### 3.8.1 Risks relating to our industry

- (i) Our business is subject to risks in the automotive segment;
- (ii) Our business is subject to regulations and policies governing the importation of CBU vehicles and CKD packs into Malaysia;
- (iii) We face competition from other existing and new distributors as well as other brands in the markets in which we operate;
- (iv) Our business is subject to changes in consumer preference and spending trend;
- (v) Our business may be materially and adversely affected by unfavourable economic, social and political conditions, particularly in countries where we or Mazda Japan operate; and
- (vi) Global capital and credit market issues could negatively affect our liquidity, increase our costs of borrowing and disrupt the operations of our suppliers and customers.

##### 3.8.2 Risks relating to our business

- (i) We are dependent on the Malaysia CBU Agreement, the Philippines CBU Agreement and the Joint Venture Agreement;
- (ii) We are dependent on Mazda Japan for supply of Mazda vehicles;
- (iii) We are subject to interruption of supply of Mazda CKD Vehicles;
- (iv) We are dependent on our key management team;
- (v) We are exposed to foreign exchange fluctuations which would impact the cost of Mazda vehicles;
- (vi) Our business is subject to the availability of financing facilities to customers;
- (vii) We are exposed to financing cost and breach of debt covenants;
- (viii) We may not be able to achieve our future plans; and
- (ix) Control by substantial shareholders.

**3. SUMMARY (Cont'd)**

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**3.8.3 Risks relating to our Shares**

- (i) There has been no public market for our Shares;
- (ii) The trading price and trading volume of our Shares may be volatile;
- (iii) Our Company may not be able to pay dividends;
- (iv) There may be a delay or termination of the Listing;
- (v) Certain transactions that our Company may undertake subsequent to the Listing may dilute the ownership of shareholders in our Shares;
- (vi) The sale of substantial amounts of our Shares in the public or private market following the Public Issue could adversely affect the price of our Shares; and
- (vii) Forward-looking statements are subject to uncertainties and contingencies.

Further details of our risk factors are set out in Section 5 of this Prospectus.

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## 4. DETAILS OF OUR IPO

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### 4.1 Opening and closing of applications

Application for the Issue Shares will open at 10.00 a.m. on 18 October 2013 and will remain open until 5.00 p.m. on 1 November 2013 or such other date or dates as our Directors and the Managing Underwriter may mutually decide in their absolute discretion.

### 4.2 Indicative timetable

The following events are intended to take place on the following indicative dates:

Events	Date
Entitlement Date	10 October 2013
Issuance of Prospectus/Opening of application for the Issue Shares	10.00 a.m., 18 October 2013
Closing of application for the Issue Shares	5.00 p.m., 1 November 2013
Determination of allocation of the Issue Shares	8 November 2013
Allotment of the Issue Shares	14 November 2013
Listing	18 November 2013

Our Directors and the Managing Underwriter may mutually decide in their absolute discretion, to extend the closing date of the application for the Issue Shares to a further date or dates.

In the event that the closing date and/or time of the application for the Issue Shares is extended, the dates for the determination of allocation and allotment of the Issue Shares and our Listing may be extended accordingly. Any extension will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

### 4.3 Particulars of our IPO

#### 4.3.1 Public Issue

The Public Issue involves the offering of 82,763,000 Issue Shares at the Issue Price of RM0.70 per Issue Share, representing approximately 10.31% of our enlarged issued and paid-up share capital, subject to the terms and conditions of this Prospectus and will be allocated in the following manner:

**(i) Malaysian institutional and selected investors**

41,449,000 Issue Shares, representing approximately 5.16% of our enlarged issued and paid-up share capital, will be allocated by way of private placement to Malaysian institutional and selected investors.

**(ii) Bumiputera investors approved by the MITI**

10,157,000 Issue Shares, representing approximately 1.27% of our enlarged issued and paid-up share capital, will be allocated to Bumiputera investors approved by the MITI.

**4. DETAILS OF OUR IPO (Cont'd)**

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**(iii) Entitled Shareholders of BCorporation**

19,157,000 Issue Shares, representing approximately 2.39% of our enlarged issued and paid-up share capital, are reserved for application by the Entitled Shareholders of BCorporation as follows:

- (a) each Entitled Shareholder of BCorporation who applies for at least 100 Issue Shares will be guaranteed an allocation of 100 Issue Shares; and
- (b) any remaining Issue Shares after the allocation under item (a) above will only be allocated to the Entitled Shareholders of BCorporation who apply in excess of 100 Issue Shares. The allocation of the remaining Issue Shares will be based on pro-rata basis according to their respective shareholdings in BCorporation as at the Entitlement Date which is to be rounded down to the nearest board lot with fractional entitlements to be disregarded.

The balance of the application monies, if any, will be refunded to the Entitled Shareholder of BCorporation without interest by ordinary post to the last address maintained with the Bursa Depository within 10 Market Days from the date of determination of allocation of the Issue Shares.

**THE ENTITLEMENT OF THE ENTITLED SHAREHOLDERS OF BCORPORATION TO PARTICIPATE IN THE RESTRICTED OFFERING IS NON-RENOUNCEABLE AND NON-TRADABLE. ENTITLED SHAREHOLDERS OF BCORPORATION ARE NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS FOR THE ISSUE SHARES AND OUR BOARD HAS THE ABSOLUTE DISCRETION TO REJECT MULTIPLE APPLICATIONS. ACCORDINGLY, ENTITLED SHAREHOLDERS OF BCORPORATION ARE ENCOURAGED TO CONSOLIDATE THEIR SHAREHOLDINGS IN BCORPORATION INTO A SINGLE CDS ACCOUNT FOR THE FOLLOWING REASONS:**

- (A) TO AVOID MULTIPLE APPLICATIONS; AND**
- (B) SUBJECT TO THE FINAL BASIS OF ALLOCATION OF THE REMAINING ISSUE SHARES ON PRO-RATA BASIS, ENTITLED SHAREHOLDERS OF BCORPORATION WHO APPLY IN EXCESS OF THE GUARANTEED ALLOCATION OF 100 ISSUE SHARES MAY RECEIVE ADDITIONAL ALLOCATION BASED ON PRO-RATA BASIS ACCORDING TO THEIR RESPECTIVE SHAREHOLDINGS IN BCORPORATION AS AT THE ENTITLEMENT DATE.**

It is the intention of our Company to allocate the Issue Shares to no less than 1,000 public shareholders holding not less than 100 Issue Shares each in conjunction with the public shareholding spread requirement and to establish an adequate market for our Shares. In view that BCorporation has a large shareholder base, the Restricted Offering is expected to assist us in establishing an adequate market for our Shares, after taking into consideration the size of our IPO.

#### 4. DETAILS OF OUR IPO (Cont'd)

At the extraordinary general meeting of BCorporation held on 25 September 2013, the shareholders of BCorporation had approved the Listing Scheme. A CD-ROM of the Prospectus (contents of which are in printable format) has been despatched to each Entitled Shareholder of BCorporation (except for the Excluded Shareholders) who has a registered address in Malaysia as stated in the Record of Depositors of BCorporation as at the Entitlement Date.

Excluded Shareholders are shareholders of BCorporation as stated in its Record of Depositors who fall into any one of the following categories as at the Entitlement Date:

- (i) major shareholders of BCorporation and persons connected to them;
- (ii) persons with a registered address in jurisdictions outside Malaysia;
- (iii) persons who are bound under jurisdictions outside Malaysia in which acceptance under the Restricted Offering would result in the contravention of the laws of such jurisdictions (whether in the absence of any necessary consent and/or compliance with any registration of other legal requirements or for any other reason); or
- (iv) persons who are, in the opinion of our Board (on the advice of our legal adviser), necessary or expedient to be excluded from participating in the Restricted Offering by reason of legal or regulatory requirements.

Excluded Shareholders, save for the major shareholders of BCorporation and persons connected to them, are advised that they shall be solely responsible to seek their own advice as to the laws of any jurisdiction which they may be subject to. Participation in the Restricted Offering by any of the shareholders of BCorporation shall be based on their warranty to our Company and BCorporation that they may lawfully so participate without our Company, BCorporation and/or Maybank IB being in breach of the laws of any jurisdiction.

Excluded Shareholders will have no rights or claims whatsoever against us, the Promoters, the Principal Adviser, the Managing Underwriter, the Underwriters, advisers, any of our Directors or any other persons involved in the Restricted Offering in respect of their entitlement to apply for the Issue Shares in respect of the Restricted Offering. We, the Promoters, the Principal Adviser, the Managing Underwriter, the Underwriters, advisers, any of our Directors or any other persons involved in the Restricted Offering shall not accept any responsibility and liability in the event that any acceptance under the Restricted Offering is or becomes illegal, unenforceable, voidable or void or shall contravene the laws in such countries or jurisdictions.

**(iv) Our eligible Directors and employees, and the Eligible Business Associates**

12,000,000 Issue Shares, representing approximately 1.49% of our enlarged issued and paid-up share capital, have been reserved for application by our eligible Directors and employees, and the Eligible Business Associates pursuant to the Pink Form Allocation.

## 4. DETAILS OF OUR IPO (Cont'd)

A summary of the allocation of the 12,000,000 Issue Shares is set out below:

<b>Category</b>	<b>No. of persons</b>	<b>Aggregate no. of Issue Shares to be allocated</b>
Eligible Directors of our Group <sup>(1)</sup>	9	1,250,000
Eligible employees of our Group <sup>(2)</sup>	189	4,904,200
Eligible Business Associates <sup>(3)</sup>	74	5,845,800
<b>Total</b>	<b>272</b>	<b>12,000,000</b>

**Notes:**

<sup>(1)</sup> The criteria for allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities and contribution to our Group. The number of Issue Shares to be allocated to our eligible Directors is as follows:

<b>Name</b>	<b>Designation</b>	<b>No. of Issue Shares to be allocated</b>
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	Chairman/Independent Non-Executive Director of BAuto	120,000
Dato' Yeoh Choon San	Chief Executive Officer/Executive Director of BAuto	200,000
Dato' Lee Kok Chuan	Non-Independent Non-Executive Director of BAuto	150,000
Dato' Abdul Manap Bin Abd Wahab	Independent Non-Executive Director of BAuto	120,000
Loh Chen Peng	Independent Non-Executive Director of BAuto	120,000
Dato' Robin Tan Yeong Ching	Director of Bermaz and BMTSB	150,000
Tan Teck Wah	Chief Executive Officer/Director of BAP	150,000
Tan Eng Hwa	Director of BAP	120,000
Paulino Sy Soo	Director of BAP	120,000
<b>Total</b>		<b>1,250,000</b>

<sup>(2)</sup> The criteria for allocation to our eligible employees is based on, amongst others, the following criteria:

- (i) length of service and performance;
- (ii) job grade; and
- (iii) employees who have been confirmed as at 31 July 2013 and have not tendered their resignation as at 17 October 2013, being the day prior to the issuance of this Prospectus.

<sup>(3)</sup> The criteria for allocation to the Eligible Business Associates is based on, amongst others, their length of business relationship with our Group and their contribution to the success of our Group.



#### 4. DETAILS OF OUR IPO (Cont'd)

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##### 4.3.2 Clawback and Reallocation Provisions

The Public Issue is subject to the following Clawback and Reallocation Provisions:

- (i) Should there be an over-subscription of the Issue Shares made available for application by Malaysian institutional and selected investors and an under-subscription of the Issue Shares made available for application by Bumiputera investors approved by the MITI, such unsubscribed Issue Shares shall be made available for application by Malaysian institutional and selected investors;
- (ii) Should there be an over-subscription of the Issue Shares made available for application by Malaysian institutional and selected investors and an under-subscription of the Issue Shares made available for application by the Entitled Shareholders of BCorporation, such unsubscribed Issue Shares shall be made available for application by Malaysian institutional and selected investors;
- (iii) Should there be an over-subscription of the Issue Shares made available for application by Malaysian institutional and selected investors and an under-subscription of the Issue Shares made available for application under the Pink Form Allocation, such unsubscribed Issue Shares shall be made available for application by Malaysian institutional and selected investors; and
- (iv) Should there be an over-subscription of the Issue Shares made available for application by the Entitled Shareholders of BCorporation and an under-subscription of the Issue Shares made available for application by Malaysian institutional and selected investors, such unsubscribed Issue Shares shall be made available for application by the Entitled Shareholders of BCorporation.

There will be no clawback and reallocation in the event all the Issue Shares made available for application by Malaysian institutional and selected investors, the Bumiputera investors approved by the MITI, the Entitled Shareholders of BCorporation and under the Pink Form Allocation are fully subscribed.

##### 4.3.3 Minimum subscription level

There is no minimum subscription level in terms of the proceeds to be raised from the Public Issue. However, in order to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription in terms of the number of shares to be subscribed will be the number of Shares required to be held by the public shareholders for our Company to comply with the public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

In the event that the public shareholding spread requirement is not met pursuant to our Public Issue and/or if we decide in our absolute discretion not to proceed with the Listing, monies paid in respect of any application for the Issue Shares will be returned in full, without interest and if such monies are not returned in full within 14 days after our Company become liable to do so, the provision of Subsection 243(2) of the CMSA shall apply accordingly.

#### 4. DETAILS OF OUR IPO (Cont'd)

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##### 4.4 ESOS

In conjunction with the Listing, we established an ESOS which involves the granting of ESOS Options to our eligible Directors and employees.

The ESOS will also be extended to the Non-Executive Directors (including Independent Directors) of our Group to attract and retain capable individuals to act as Non-Executive Directors, who together with the other members of our Board will be responsible for making strategic decisions for our Group. The grant of ESOS Options to the Non-Executive Directors (including Independent Directors) of our Group is also to take cognisance of their responsibilities and liabilities inherent in their appointments, albeit in non-executive capacities.

The ESOS shall be administered by the ESOS committee to be appointed by our Board and governed by the By-Laws.

The salient features of the ESOS are as follows:

**(i) Maximum number of new BAUTO Shares**

The total number of new BAUTO Shares which may be made available under the ESOS shall not exceed 5% of our total issued and paid-up share capital (excluding treasury shares, if any) from time to time or at any point of time, during the tenure of the ESOS.

**(ii) Maximum allowable allotment and basis of allocation**

Subject to any adjustments which may be made under the By-Laws, the aggregate number of new BAUTO Shares which may be offered to the eligible Directors and employees of our Group shall be subject to the following:

- (a) the eligible Directors and senior management of our Group do not participate in the deliberation or discussion of their own allocation;
- (b) the aggregate allocation to the eligible Directors and senior management of our Group shall not exceed 50% of the total number of new BAUTO Shares to be issued under the ESOS; and
- (c) the allocation to any eligible Director or employee of our Group who, either singly or collectively through persons connected with the eligible Director or employee, holds 20% or more of the issued and paid-up share capital of our Company, shall not exceed 10% of the total number of new BAUTO Shares to be issued under the ESOS.

The basis for determining the aggregate number of new BAUTO Shares that may be offered to the eligible Directors and employees of our Group under the ESOS shall be at the sole and absolute discretion of the ESOS committee after taking into consideration, amongst others, the position, ranking, performance, seniority and the length of service of the eligible Directors and employees of our Group and such other matters which the ESOS committee may in its sole and absolute discretion deem fit.

**(iii) Duration of the ESOS**

The ESOS shall be in force for a period of 5 years from the effective date and is renewable for a period of up to 5 years immediately from the expiry of the first 5 years.

**4. DETAILS OF OUR IPO (Cont'd)**

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**(iv) Eligibility**

The employee of any company within our Group which is not dormant, shall be eligible for participation in the ESOS if at the date of the offer is made in writing by the ESOS committee to him/her ("**Offer Date**"), he/she:

- (a) has attained the age of at least 18 years;
- (b) is employed on a full time basis and is on the payroll of at least one company within our Group which is not dormant;
- (c) must have been confirmed as an employee on the Offer Date; and
- (d) has fulfilled any other criteria as may be set by the ESOS committee from time to time,

provided always that the selection of any eligible Directors and employees for participation in the ESOS shall be at the discretion of the ESOS committee and the decision of the ESOS committee shall be final and binding.

All the Directors of any company within our Group which is not dormant, shall be eligible to be considered to participate in the ESOS.

**(v) Subscription price**

The subscription price payable by our eligible Directors and employees upon the exercise of their ESOS Options under the ESOS shall be:

- (a) in respect of any offer which is made in conjunction with the Listing, the Issue Price; and
- (b) in respect of any offer which is made subsequent to the Listing, the 5-day weighted average market price of BAUTO Shares on the Offer Date, with a discount not exceeding 10% or at the par value of BAUTO Shares, whichever is higher.

The subscription price shall be subject to adjustments as provided under the By-Laws.

We intend to offer up to 40,138,150 ESOS Options to our eligible Directors and employees excluding our dormant subsidiaries, who meet the eligibility criteria to participate in the ESOS as set out in the By-Laws in Section 15 of this Prospectus, subject to the discretion of the ESOS committee, representing 5% of our issued and paid-up share capital upon Listing, assuming the 40,138,150 ESOS Options are fully exercised into 40,138,150 new BAUTO Shares. In compliance with item (v)(a) above, the subscription price for the said 40,138,150 ESOS Options is RM0.70 per BAUTO Share, which is equivalent to the Issue Price.

#### 4. DETAILS OF OUR IPO (Cont'd)

The maximum allocation of ESOS Options to our Directors is as follows:

Name	Designation	Maximum allocation of ESOS Options*
Dato' Syed Ariff Fadzillah Bin Syed Awalluddin	Chairman/Independent Non-Executive Director of BAuto	300,000
Dato' Yeoh Choon San	Chief Executive Officer/Executive Director of BAuto	1,200,000
Dato' Lee Kok Chuan	Non-Independent Non-Executive Director of BAuto	1,000,000
Dato' Abdul Manap Bin Abd Wahab	Independent Non-Executive Director of BAuto	300,000
Loh Chen Peng	Independent Non-Executive Director of BAuto	300,000
Dato' Robin Tan Yeong Ching	Director of Bermaz and BMTSB	1,000,000
Tan Teck Wah	Chief Executive Officer/Director of BAP	800,000
Tan Eng Hwa	Director of BAP	500,000
Paulino Sy Soo	Director of BAP	500,000
<b>Total</b>		<b>5,900,000</b>

**Note:**

\* The actual number of ESOS Options to be allocated to them will be determined by our ESOS committee in accordance with the provisions in the By-Laws.

The maximum allocation of ESOS Options to the above Directors of our Group represents approximately 0.73% of our enlarged issued and paid-up share capital upon Listing.

#### 4.5 Classes of shares and ranking

As at the date of this Prospectus, we have only one class of shares, being ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The Issue Shares shall, upon allotment and issue, rank *pari passu* in all respects with our existing issued and paid-up BAuto Shares, including voting rights and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the allotment date of the Issue Shares.

The new BAuto Shares to be allotted upon the exercise of ESOS Options shall, upon allotment and issue, rank *pari passu* in all respects with our existing BAuto Shares, including voting rights and will be entitled to all rights, dividends and other distributions that may be declared subsequent to the allotment date of the new BAuto Shares. These new BAuto Shares will not be entitled to any rights, dividends or other distributions which is to be determined on the book closure date of which is prior to the date of allotment of the new BAuto Shares to be issued pursuant to the exercise of the ESOS Options.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the profits to be paid out by us in the forms of dividends and other distributions as well as any surplus in the event of the liquidation of our Company, in accordance with our Articles of Association.

Each shareholder shall be entitled to vote at any of our general meeting in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote, and in the case of a poll, every shareholder present either in person or by proxy or by attorney or by other duly authorised representative shall have one vote for each Share held. A proxy need not be a member of our Company. There shall be restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to our Company.

## 4. DETAILS OF OUR IPO (Cont'd)

### 4.6 Basis of arriving at the Issue Price

#### 4.6.1 Issue Price

The Issue Price was determined and agreed upon between our Directors and the Underwriters, after taking into consideration the following factors:

- (i) the price-earnings multiple ("PER") of approximately 11.1 times based on the EPS of 6.3 sen after taking into account our proforma consolidated PAT attributable to the shareholders of our Company of RM50.9 million for the FYE 30 April 2013 and our enlarged issued and paid up share capital upon Listing of 802,763,000 Shares. In arriving at the Issue Price, we have also taken into consideration the PER of companies which are in businesses similar to ours and that are listed on the Main Market of Bursa Securities;
- (ii) our operating history and financial performance as elaborated in Sections 7, 12 and 13 of this Prospectus;
- (iii) our competitive strengths, business strategies and future plans as outlined in Sections 7.3 and 7.4 of this Prospectus;
- (iv) the future outlook of the industry in which we operate as described in Section 8 of this Prospectus; and
- (v) the prevailing market conditions, such as the market performance of key global indices, the market performance of Bursa Securities and investors' sentiment.

Applicants should also note that the vagaries of market forces and other uncertainties may affect the price of our Shares after Listing.

#### 4.6.2 Expected market capitalisation

Based on the Issue Price of RM0.70 per Issue Share and the issued and paid-up share capital of 802,763,000 Shares upon Listing, the total market capitalisation of our Company upon Listing is approximately RM561.9 million.

### 4.7 Objectives of our IPO

The objectives of our IPO are as follows:

- (i) to provide our Company with direct access to the equity capital market which will enable our Company to have greater capital management flexibility;
- (ii) to enhance our corporate stature through our listing status on the Main Market of Bursa Securities;
- (iii) to create liquidity for our Shares; and
- (iv) to provide an opportunity for the Entitled Shareholders of BCorporation, our eligible Directors and employees, and the Eligible Business Associates to participate in our Group's continuing growth by way of equity participation.

## 4. DETAILS OF OUR IPO (Cont'd)

### 4.8 Dilution

Dilution is the amount by which the Issue Price to be paid by retail, institutional and selected investors pursuant to the Public Issue exceeds our proforma consolidated net assets per Share immediately after the Public Issue. Our proforma consolidated net assets per Share as at 30 April 2013 stood at RM0.22, based on our issued and paid-up share capital of 720,000,000 Shares following the Bermaz Acquisition. Our proforma consolidated net assets per Share represents the equity attributable to the existing shareholders of our Company over the number of Shares outstanding immediately prior to the Public Issue.

After giving effect to the issue of 82,763,000 new Shares under the Public Issue, and after adjusting for the estimated fees and expenses for our IPO and the Listing, our proforma consolidated net assets per Share as at 30 April 2013 (based on our enlarged issued and paid-up share capital of 802,763,000 Shares) would be RM0.26. This represents an immediate increase in the proforma consolidated net assets per Share of RM0.04 to our existing shareholders and an immediate dilution in the proforma consolidated net assets per Share of RM0.44 to our retail, institutional and selected investors based on the Issue Price.

The following table illustrates such dilution on a per Share basis:

	RM
Issue Price	0.70
Proforma consolidated net assets per Share as at 30 April 2013 before the Public Issue	0.22
Proforma consolidated net assets per Share as at 30 April 2013 after the Public Issue*	0.26
Increase in the proforma consolidated net assets per Share attributable to existing shareholders	0.04
Dilution in the proforma consolidated net assets per Share to our new public investors	0.44
Dilution in the proforma consolidated net assets per Share as a percentage of the Issue Price	62.9%

**Note:**

\* After deducting estimated fees and expenses for our Public Issue and the Listing of about RM4.2 million.

Save as disclosed below, none of our substantial shareholders, Directors, key management or persons connected to them have acquired Shares in our Company and/or subscribed for our Shares in the past 3 years up to the LPD:

- (i) 2 ordinary shares of RM1.00 each in our Company were transferred from Ms Tan Wang Tiang and Ms Ng Lui Keng@Ng Joo Keng to Mr Tan Say Chye and Mr Hiew Hock Ngan as described in Section 9.2.4 of this Prospectus at the cost of RM1.00 per ordinary share. Subsequently, the 2 ordinary shares of RM1.00 each in our Company were subdivided into 4 ordinary shares of RM0.50 each;
- (ii) the Shares issued to BGroup and Podium Success, our substantial shareholders, pursuant to the Bermaz Acquisition where the Shares were issued at the cost of RM0.70 each. Further details on the Bermaz Acquisition is set out in Section 6.1 of this Prospectus; and
- (iii) in conjunction with the Bermaz Acquisition, a total of 4 Shares were acquired by BGroup from Mr Tan Say Chye and Mr Hiew Hock Ngan as described in Section 6.1 of this Prospectus at the cost of RM0.70 per BAuto Share.

#### 4. DETAILS OF OUR IPO (Cont'd)

##### 4.9 Utilisation of proceeds

The Public Issue is expected to raise gross proceeds of approximately RM57.9 million, which are to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation upon completion of the Listing	RM'million	%
Working capital of our Group <sup>(1)</sup>	12 months	41.7	72.0
Finance capital expenditure <sup>(2)</sup>	18 months	7.5	12.9
Investment in MMSB <sup>(3)</sup>	12 months	4.5	7.8
Defray estimated fees and expenses for our Public Issue and the Listing <sup>(4)</sup>	3 months	4.2	7.3
<b>Total proceeds</b>		<b>57.9</b>	<b>100.0</b>

**Notes:**

<sup>(1)</sup> Working capital requirements would be utilised towards reducing our dependence on trade financing when purchasing Mazda vehicles and spare parts, thereby reducing our finance cost coupled with an estimated interest saving of approximately RM2.0 million per annum.

<sup>(2)</sup> Our capital expenditure mainly relates to the establishment of new 3S centres in Malaysia. As part of our future plans as disclosed in Section 7.4(ii) of this Prospectus, we intend to expand our market presence and distribution network by penetrating further into prime marketing areas in Malaysia, via the establishment of additional 3S centres. The establishment of our new 3S centres within the next 2 financial years is expected to be implemented in the following manner:

Period of the year	No. of new 3S centre
4th quarter of FYE 30 April 2014	1
2nd quarter of FYE 30 April 2015	1
4th quarter of FYE 30 April 2015	1
<b>Total</b>	<b>3</b>

For these three new 3S centres, we intend to lease land and buildings from third parties. The set-up cost for each 3S centre which involves enhancement of the showrooms and workshops as well as the machinery and tools to be utilised in the said centres amounts to approximately RM2.5 million. We have yet to identify the location in prime marketing areas in Malaysia to expand our market presence and distribution network.

<sup>(3)</sup> The investment in MMSB entails an increase in MMSB's paid-up share capital. The proceeds will be utilised by MMSB for working capital and capital expenditure purposes involving the purchase of CKD packs and spare parts, and new assembly equipment and facilities. Please refer to Section 7.4(i) of this Prospectus for further details of the future expansion plans of MMSB.

<sup>(4)</sup> The estimated fees and expenses for our Public Issue and the Listing to be borne by our Company are as follows:

	RM'million
Professional fees	1.5
Underwriting commission and placement fees	1.4
Fees payable to the relevant authorities	0.5
Other fees and expenses including printing and advertising expenses incurred in connection with our Public Issue and the Listing	0.6
Miscellaneous expenses and contingencies	0.2
<b>Total</b>	<b>4.2</b>

If the actual fees and expenses are higher than budgeted, the deficit will be funded from our internally-generated funds.

#### 4. DETAILS OF OUR IPO (Cont'd)

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Pending full utilisation of the gross proceeds from the Public Issue to be received, the proceeds to be raised or the balance thereof will be placed in interest-bearing fixed deposit with licensed financial institutions.

The gross proceeds arising from the exercise of the ESOS Options throughout the duration of the ESOS will be utilised for working capital of our Group as and when the proceeds are received.

The financial impact of the utilisation of proceeds from the Public Issue and the exercise of the ESOS Options on our proforma consolidated statement of financial position as at 30 April 2013 is set out in Section 12.4 of this Prospectus.

#### 4.10 Underwriting commission and placement fee

##### 4.10.1 Underwriting commission

As stipulated in the Retail Underwriting Agreement, the Underwriters have agreed to underwrite the Issue Shares which have been reserved for application by the Entitled Shareholders of BCorporation, our eligible Directors and employees, and the Eligible Business Associates for an underwriting commission payable by our Company at the rate of 1.75% of the Issue Price multiplied by the number of Issue Shares underwritten in accordance with the terms of the Retail Underwriting Agreement. In addition, our Company will pay the Managing Underwriter a managing underwriting commission of 0.35% of the Issue Price multiplied by the number of Issue Shares underwritten in accordance with the terms of the Retail Underwriting Agreement.

##### 4.10.2 Placement fee

The placement fee is payable by our Company to the Placement Agents at a rate of 1.75% of the Issue Price in respect of the number of Issue Shares successfully placed out to Malaysian institutional and selected investors and Bumiputera investors approved by the MITI. In addition, our Company will also pay the Placement Agents a discretionary fee of 0.35% of the Issue Price in respect of the number of Issue Shares successfully placed out to Malaysian institutional and selected investors and Bumiputera investors approved by the MITI.

#### 4.11 Details of the Retail Underwriting Agreement

We have entered into the Retail Underwriting Agreement with the Managing Underwriter and the Underwriters to jointly underwrite the Issue Shares which have been reserved for application by the Entitled Shareholders of BCorporation, our eligible Directors and employees, and the Eligible Business Associates, subject to the Clawback and Reallocation Provisions as set out in Section 4.3.2 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement.

The obligations of the Underwriters under the Retail Underwriting Agreement are conditional upon, amongst others, the following:

- (i) there having been on or prior to the closing of application for the Issue Share ("**Closing Date**"), neither any Material Adverse Change, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material in the reasonable opinion of the Underwriters, which makes any of the representations and warranties contained in the Retail Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained therein;



**4. DETAILS OF OUR IPO (Cont'd)**

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- (ii) all approvals required in relation to the Listing, including but not limited to approvals from the SC, Bursa Securities and the MITI having been obtained and are in full force and effect and have not been revoked as at the Closing Date and that all conditions of the approvals (except for any which can only be complied with after the Listing has been completed) have been complied with; and
- (iii) the Underwriters having been satisfied that there are no breach of, or failure on the part of our Company to comply with, any of their obligations under the Retail Underwriting Agreement, and that our Company have complied with, and that the Listing and the transactions contemplated under the Retail Underwriting Agreement are in compliance with, all relevant laws of Malaysia.

Notwithstanding anything therein contained, the Managing Underwriter and/or any of the Underwriters, acting through the Managing Underwriter, may by notice in writing to our Company given at any time before the Closing Date, terminate, cancel or withdraw its commitment to underwrite the Issue Shares, which have been reserved for application by the Entitled Shareholders of BCorporation, our eligible Directors and employees, and the Eligible Business Associates if:

- (i) there is any breach by our Company of any of the representations, warranties or undertakings contained therein, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriters within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, or by the Closing Date, whichever is earlier; or
- (ii) there is withholding of information by our Company which is required to be disclosed to the Underwriters pursuant to the Retail Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, which, in the opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a Material Adverse Effect on the business or operations of our Group, the success of the Listing, or the distribution or sale of the Issue Shares; or
- (iii) there shall have occurred, happened or come into effect any Material Adverse Change; or
- (iv) there shall have occurred, happened or come into effect any of the following circumstances which has an adverse effect on the condition or financial position of our Company:
  - (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

#### 4. DETAILS OF OUR IPO (Cont'd)

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a Material Adverse Effect on and/or materially prejudice, the success of the Listing, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of the Retail Underwriting Agreement incapable of performance in accordance with its terms; or

- (v) there is failure on the part of our Company to perform any of its obligations therein contained which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriters within such number of days as stipulated by the Underwriters to our Company or as stipulated in the notice informing our Company of such breach or by the Closing Date, whichever is earlier; or
- (vi) any of the conditions precedent set out in the Retail Underwriting Agreement are not duly satisfied by the Closing Date; or
- (vii) the Listing does not take place by six (6) months or such other date as may be agreed by the Underwriters.

The term "**Material Adverse Change/Effect**" means any material adverse change or effect, or any development or event which is likely to result to such change or effect, regardless whether or not arising in the ordinary course of business, or whether occurs individually or in the aggregate involving (a) the condition (financial or otherwise), general affairs, business, assets, liquidity, liabilities, prospects, properties or results of operations of our Group, taken as a whole; (b) the ability of our Company to perform in any material respect its obligations under or with respect to, or to consummate the transactions contemplated by the Prospectus and/or the Retail Underwriting Agreement; or (c) the IPO.

#### 4.12 Trading and settlement in secondary market

Upon Listing, the Issue Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository), which will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the purchasers of the Issue Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their names or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to the respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is currently a transfer fee of RM10 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate a company restructuring process;

**4. DETAILS OF OUR IPO (Cont'd)**

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- (iv) where a body corporate is removed from the Official List of the Main Market of Bursa Securities;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that the Issue Shares will not commence trading on Bursa Securities until about 10 Market Days after the closing of application for the Issue Shares. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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## 5. RISK FACTORS

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Before investing in our Shares, you should pay particular attention to the fact that, to a large extent, we are subject to the legal, regulatory and business environment in the countries in which we operate whether presently or in the future. Our business is subject to a number of factors, many of which are beyond our control. Before making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment considerations set out below. The risks and investment considerations set out below is not an exhaustive list of the risks and challenges that we currently face or that may develop in the future. These and other risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

### 5.1 Risks relating to our industry

#### 5.1.1 Our business is subject to risks in the automotive segment

Our Group is subject to risks inherent in the automotive segment. These include, but are not limited to, changes in general economic conditions, changes in government regulations, inflation and changes in business conditions such as deterioration in prevailing market conditions, availability and rising cost of financing and fluctuating demand for motor vehicles.

Our Group has taken steps to minimise such risks by providing a wide range of Mazda vehicles to cater for different market segments and responding quickly to the change in consumer preferences and requirements. Although our Group seeks to mitigate these risks, there can be no assurance that any change to these factors would not have a material adverse effect on the business and financial performance of our Group. There can also be no assurance that the demand for Mazda vehicles can be sustained.

#### 5.1.2 Our business is subject to regulations and policies governing the importation of CBU vehicles and CKD packs into Malaysia

An AP is required for importation of CBU vehicles and CKD packs into Malaysia. A party who has obtained the MITI's approval to operate locally assembled vehicles would automatically be an AP holder of CKD packs. To be an AP holder of CBU vehicles, the company must have at least 70% Bumiputera ownership. Prima Merdu is presently the sole AP holder for the importation of Mazda CBU vehicles into Malaysia. Pursuant to the Distributorship and Collaboration Agreement, Prima Merdu shall, amongst others, import specific models of Mazda CBU vehicles from Mazda Japan for supply to Bermaz and Bermaz in turn shall carry out the distribution activities in Malaysia.

The growth of our business involving the distribution of Mazda CBU vehicles in Malaysia is limited by the maximum number of APs allocated by the MITI to Prima Merdu as the demand for Mazda CBU vehicles can only be met subject to the number of APs available to Prima Merdu to import such vehicles. Any reduction in the number of APs allocated by the MITI to Prima Merdu may affect our ability to meet the demand for Mazda CBU vehicles that we distribute, and hence, may affect our revenue.

Any changes to the present regulations governing the AP system and/or the NAP set by the Government would have an impact to the automotive segment and accordingly, our business operations and profitability. Our distributorship of CKD vehicles of Mazda enables us to mitigate such risk as regulations governing the AP system for CKD packs are generally less stringent. Please refer to Section 2.5 of the Industry Overview in Section 8 of this Prospectus for the details of the AP system and the NAP.

## 5. RISK FACTORS (Cont'd)

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### 5.1.3 We face competition from other existing and new distributors as well as other brands in the markets in which we operate

We face competition from both existing and new players in the automotive segments of the countries which we operate namely, Malaysia and the Philippines. Some car distributors in Malaysia and the Philippines may have longer operating histories, international brand name recognition and greater financial, technical and marketing resources than what is available to us. Generally, the biggest challenge for an automotive distributor is to maintain and increase its market share. Stiff competition from local and foreign car distributors may result in competitive pricing strategies that would affect our profit margin.

Our continued success depends on numerous critical factors which include the ability to strategise the pricing and marketing for Mazda vehicles, improve after sales and customer services, nurture customer loyalty, ensuring prompt delivery, expansion of branches and dealers to penetrate new markets as well as offering high quality vehicles that meet the demand at competitive prices. Increase in competition may potentially cause us to lose market share and consequently, leave a negative impact on pricing strategies. If we are unable to compete effectively with existing or future competitors and adapt quickly to changing market conditions and trends, our business and financial performance could be materially and adversely affected.

Our Board believes that we are able to distinguish ourselves from our competitors as we have an experienced key management team with extensive industry knowledge and vast exposure in the automotive segment, an established business relationship with Mazda Japan as well as our position as the distributor of a well-recognised and internationally acclaimed brand, Mazda. Please refer to Section 7.3 of this Prospectus for further details on the abovementioned competitive strengths. Notwithstanding this, there can be no assurance that we can fully mitigate competition from our existing or new competitors.

### 5.1.4 Our business is subject to changes in consumer preference and spending trend

Demand for motor vehicles is significantly influenced by consumer preference and spending trend. Customers have shown a wide range of preference for motor vehicles and technologies that are relevant to today's automotive segment such as driving dynamics, efficiency of performance, environmentally friendly features and low energy consumption. Demand is also influenced by external factors including, amongst others, the state of the economy, the income level of customers, the consumers' demographic profiles and also individuals' environment awareness. These changing trends and demands may have a significant impact on the sales of our Mazda vehicles and the marketing strategies which we employ. Besides, a weak economic condition in general would lead to poor market sentiments, resulting in lower consumer spending. This may in turn lead to a lower demand for motor vehicles. Our Group's prospects, financial position and profitability may be materially and adversely affected in the event that Mazda vehicles are unable to appeal to the changing requirements of our customers.

Besides, consumers may also look at alternative modes of transportation available such as buses, taxis, light rail transits and monorails instead of owning a private car. The Government has been and is expected to introduce more measures to alleviate traffic congestion especially in the city area and this includes promoting and rationalising current public transportation system in the city centre. There is no assurance that such measures, if implemented successfully, could deter potential customers from purchasing new vehicles in the future.

## 5. RISK FACTORS (Cont'd)

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However, to minimise risk, we are working very closely with Mazda Japan to gain a good understanding and guidance on the latest or up-and-coming Mazda models to match our consumers' preferences and trends. In addition, we have established effective marketing strategies to maintain and increase our customer base, to capture a bigger market share and increase our revenue. Pursuant to the Joint Venture Agreement, we are expecting more CKD vehicles of Mazda to be assembled locally which will enable CKD vehicles of Mazda to be competitively priced among other local or foreign vehicles' brands.

Notwithstanding the above, there is no assurance that any adverse change in the market sentiment of the automotive segment, consumer preferences and spending trends would not have a material impact on our financial performance.

### 5.1.5 Our business may be materially and adversely affected by unfavourable economic, social and political conditions, particularly in countries where we or Mazda Japan operate

Our business, financial position, results of operations and prospects may be adversely affected by economic, social, political and other developments in Malaysia, Japan, Thailand and the Philippines. These developments, include but are not limited to, the risks of natural disasters, wars, terrorism, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, changes in law and regulations, changes in interest rates, foreign exchange control regulations and methods of taxation.

For instance, the earthquake and tsunami in Japan and the flooding in Thailand which occurred in 2011 had severely impacted the automotive industry in the respective countries, and to a certain extent, countries which are dependent on supplies from Thailand and Japan. However, these events did not materially affect our business operations as we had adequate stock holdings to cater to the demand for Mazda vehicles.

However, there can be no assurance that such event, if it occurs, will not materially and adversely affect our Group's financial position or business in the future.

### 5.1.6 Global capital and credit market issues could negatively affect our liquidity, increase our costs of borrowing and disrupt the operations of our suppliers and customers

Global capital and credit markets have experienced extreme volatility, disruption and decreased liquidity in recent years, making it more difficult for companies to access capital and credit markets. While there have been periods of stability in these markets, the environment has become more volatile and unpredictable. The deterioration in the markets for sovereign debt of several European countries, including Greece, Spain, Italy and Portugal has exacerbated the global economic crisis and raised a number of uncertainties regarding the stability and overall standing of the European Monetary Union and global capital as well as credit markets. The volatility in global financial markets has added to the uncertainty of the global economic outlook and a number of countries are experiencing the slowdown in the economic activities and may continue to adversely affect the Malaysian, Philippines and global economies.

## 5. RISK FACTORS (Cont'd)

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We depend on stable, liquid and well-functioning capital and credit markets to fund our operations. If market conditions continue to deteriorate due to economic, financial, political or other reasons, our ability to obtain bank financing and access the capital markets may be adversely affected and may be subject to higher costs. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy. Any of these developments could have a material adverse effect on our business, financial condition, results of operations and prospects.

### 5.2 Risks relating to our business

#### 5.2.1 We are dependent on the Malaysia CBU Agreement, the Philippines CBU Agreement and the Joint Venture Agreement

Our Group's distributorship of Mazda CBU vehicles, spare parts, accessories and tools in Malaysia and in the Philippines are governed by the Malaysia CBU Agreement and the Philippines CBU Agreement, respectively. We are dependent on these agreements for the continuous supply of Mazda CBU vehicles, spare parts, accessories and tools from Mazda Japan for distribution in Malaysia and the Philippines.

There can be no assurance that the Malaysia CBU Agreement and the Philippines CBU Agreement will be renewed upon expiry or if renewed, such renewals would be on similar terms, or that they will not be terminated. Should any of these agreements not be renewed or be terminated, it will result in us losing the distributorship of Mazda CBU vehicles in the respective markets and our business operations and profitability may be materially and adversely affected.

Pursuant to the Malaysia CBU Agreement, we are required to purchase a specified number of Mazda CBU vehicles to achieve a minimum market share during the 1<sup>st</sup> year (from 1 April 2011 to 31 March 2012) of the agreement and the minimum purchase quotas for Mazda CBU vehicles for the 2<sup>nd</sup> year (from 1 April 2012 to 31 March 2013) and 3<sup>rd</sup> year (from 1 April 2013 to 31 March 2014) of the agreement shall be mutually agreed upon between Mazda Japan and us. Mazda Japan had, via its letter dated 14 January 2013, agreed to further extend the Malaysia CBU Agreement upon the expiry of the said agreement on 31 March 2014, for another 5 years expiring on 31 March 2019, subject to an annual minimum purchase quota of Mazda CBU vehicles to be mutually agreed upon.

Likewise, the Philippines CBU Agreement also stipulates the annual minimum purchase quotas to be met during the term of the said agreement. Based on the terms of the Malaysia CBU Agreement and the Philippines CBU Agreement, if we fail to meet the annual minimum purchase quotas, Mazda Japan has the right to terminate the said agreements which will result in us losing the distributorship of Mazda CBU vehicles in the respective markets.

Due to the earthquake and tsunami in Japan and flooding in Thailand in 2011, Mazda Japan was unable to supply sufficient Mazda CBU vehicles to Bermaz. As a result, Mazda Japan revised downwards the minimum purchase quota for the 1<sup>st</sup> year from that set out in the Malaysia CBU Agreement which in turn, enabled Bermaz to meet.

## 5. RISK FACTORS (Cont'd)

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Bermaz has also met the minimum purchase quota for Mazda CBU vehicles for the 2<sup>nd</sup> year of the Malaysia CBU Agreement. We expect to be able to meet the minimum purchase quota for the 3<sup>rd</sup> year of the Malaysia CBU Agreement which is to be mutually agreed upon between Mazda Japan and us as any decision by us on the quota would have taken into consideration the expected market and demand conditions in Malaysia for Mazda vehicles, and consequently, the anticipated sales of Mazda vehicles unless events beyond our control occurs. Notwithstanding, as a result of the established business relationship between Mazda Japan and ourselves, Mazda Japan has thus far been supportive in the determination of the annual minimum purchase quotas which we are required to meet.

On the other hand, our Group's distributorship of CKD vehicles of Mazda, spare parts, accessories and tools in Malaysia is dependent on the Joint Venture Agreement for the continuous supply of CKD vehicles of Mazda, spare parts, accessories and tools. There can be no assurance that the Joint Venture Agreement will not be terminated. Should the Joint Venture Agreement be terminated, our business operations and profitability may be materially and adversely affected.

In addition, the Malaysia CBU Agreement, the Philippines CBU Agreement and the Joint Venture Agreement (collectively referred to as "**Highly Dependent Agreements**") are governed by laws of Japan, which in turn, create certain legal risks in the event we need to exercise our rights under these agreements. There may be a certain degree of uncertainty as to how the laws of Japan would apply under certain circumstances/events affecting our Group and such uncertainty also extends to the interpretation, implementation and enforcement thereof. However, we have maintained a good business relationship with Mazda Japan since 2008 and it has proven to be a strong and reliable partner of our Group. In fact, we believe the Joint Venture Agreement, a collaboration which requires increased participation and commitment from Mazda Japan, is the outcome of a successful working relationship and a testament of a relationship which we have nurtured throughout the years.

Please refer to Section 7.13 of this Prospectus for the salient terms (including termination events) of the Highly Dependent Agreements.

### 5.2.2 We are dependent on Mazda Japan for supply of Mazda vehicles

Our supply of Mazda CBU vehicles for distribution in Malaysia is sourced from Mazda Japan via Prima Merdu whereas our supply of spare parts, accessories and tools for distribution in Malaysia is directly sourced from Mazda Japan. Our supply of Mazda CBU vehicles, spare parts, accessories and tools for distribution in Philippines are also directly sourced from Mazda Japan via BAP. The supply of CKD packs, spare parts, accessories and tools for the assembly of CKD vehicles of Mazda by MMSB are also sourced from Mazda Japan.

The inability of Mazda Japan to meet its production schedules would affect its supply of Mazda vehicles, spare parts, accessories and tools to us. The Mazda CBU vehicles, spare parts, accessories and tools that we distribute in Malaysia and the Philippines, and the CKD packs, spare parts, accessories and tools used in the assembly of the CKD vehicles of Mazda by MMSB for our distribution in Malaysia are mainly produced in Japan and Thailand. Accordingly, any adverse change in the political, economic and regulatory environment, disruption due to labour shortages as well as recurrence of major disasters such as the earthquake, tsunami and nuclear disaster in Japan, and floods in Thailand or any other untoward events would have an unfavourable effect on Mazda Japan, in particular in terms of the production and supply of Mazda CBU vehicles, CKD packs, spare parts, accessories and tools.



## 5. RISK FACTORS (Cont'd)

Delays in the delivery of shipments would cause us to place potential customers on the waiting list, which in turn could dissuade them from placing orders if they prefer not to wait for delivery. Delay in the supply of spare parts, accessories and tools may affect our ability to provide maintenance services to Mazda vehicles serviced at our branches or dealers' service centres. Continued late deliveries and long waiting list would ultimately affect customers' confidence in us and as a result, our revenue and profitability may be materially and adversely affected.

As the distributor of Mazda CBU vehicles in Malaysia and the Philippines and the distributor of CKD vehicles of Mazda in Malaysia, we are also dependent upon the current models offered and also future models or variants as dictated by Mazda Japan. Changes to their vehicle line-up may not be well accepted in the Malaysian and Philippines markets, which could affect our overall market share and profitability. In addition, any adverse development and/or circumstance affecting Mazda Japan such as take-over of Mazda Japan may also have a material and adverse effect on our distributorship and consequently, our business as a result of a change in the business strategy of Mazda Japan with the introduction of a new controlling shareholder of Mazda Japan as a consequence of the take-over.

### 5.2.3 We are subject to interruption of supply of Mazda CKD Vehicles

Inokom is the contract assembler for Mazda CKD Vehicles. The relationship between our Company and Inokom is via our 30% equity interest in MMSB. Inokom undertakes the assembly of Mazda CKD Vehicles in Malaysia at its plant in Kulim, Kedah. As Bermaz is the distributor of Mazda CKD Vehicles in Malaysia, our business operations, profitability and reputation will be adversely affected if Inokom fails to meet its production schedules or if Inokom's operations are interrupted due to non-renewal of contracts, technical difficulties or labour shortages which in turn would cause a delay or shortage in the supply of Mazda CKD Vehicles.

### 5.2.4 We are dependent on our key management team

Our Group's continued success depends significantly on the abilities and continued services of our key management team. Our key management team comprises experienced managers with extensive industry knowledge and vast exposure in the automotive segment. Our Chief Executive Officer/Executive Director, Dato' Yeoh Choon San has over 40 years of experience in the automotive segment, encompassing the various fields of retail, distribution and manufacturing. Any inability by us to attract, recruit and retain appropriate replacement employees and successors, may lead to operating challenges and may affect our competitiveness in the industry. These challenges include lack of resources, loss of knowledge and a lengthy time period associated with skill development. We have made concerted efforts to identify and groom middle management in all key areas as an integral part of our management succession plan. The plan includes offering a competitive remuneration package and providing training and career development opportunities for our employees in all key functions of our operations. We also have key initiatives to groom young talent for future succession via the Mazda Apprenticeship Programme and Retail Management Trainee Programme.

In conjunction with our Listing, our Board has allocated certain number of Issue Shares under the Pink Form Allocation and ESOS Options under the ESOS, to our eligible Directors and employees, which include key management personnel. Should these employees subscribe for our Shares and/or exercised their ESOS Options, they will become our shareholders and participate in the equity of our Company which is expected to motivate them to strive harder to ensure the continued success of our Group.

## 5. RISK FACTORS (Cont'd)

However, there can be no assurance that we will be able to continue to retain our key management team with the aforementioned measures being undertaken. In addition, Mazda Japan also has the right to terminate the Highly Dependent Agreements at any time in the event Mazda Japan is of the opinion it is impossible to continue doing business transactions with us due to change in our management.

### 5.2.5 We are exposed to foreign exchange fluctuations which would impact the cost of Mazda vehicles

Our Group's profitability will, to a certain extent, depend on foreign exchange movements as it will ultimately affect the cost of Mazda vehicles, spare parts, accessories and tools. Any appreciation of Yen against the RM and Peso may adversely affect our financial performance as it would reduce our profit margin. Whilst we can increase the selling price of Mazda vehicles, spare parts, accessories and tools which we distribute to maintain our profit margin, such action would result in these Mazda vehicles, spare parts, accessories and tools becoming less competitive in the market and this in turn may affect our sales volume. Conversely, our profit margin is expected to improve if the RM and Peso strengthen against Yen which in turn could increase our profitability.

Based on our Group's policy, we do not undertake any derivatives except as hedging instruments where deemed appropriate and cost efficient. To mitigate our foreign exchange risk, we will enter into forward contracts after a purchase order has been placed, directly or indirectly, with Mazda Japan and/or when the exchange rate of Yen to RM is within our budgeted rate.

However, when the exchange rate between Yen and RM is very unfavourable and volatile, our policy is to hedge our foreign currency requirement in tranches, where we will enter into forward contracts for only 50% of our foreign currency requirement and the remaining 50% will be paid based on spot rate on the actual payment date. This will enable us to spread the foreign exchange risks and to further mitigate our foreign exchange exposure.

Please refer to Section 12.2.6 of this Prospectus and Section 12.3(f) of the Accountants' Report for further details of the impact of foreign exchange rates on our Group.

### 5.2.6 Our business is subject to the availability of financing facilities to customers

Purchases of motor vehicles are usually financed via hire purchase arrangements. Accordingly, higher interest rates charged by financial institutions would result in higher finance cost for customers. When the finance cost is high, consumers tend to find cheaper alternatives or substitutes and this could result in lower sales volume for motor vehicles, including Mazda.

In addition, any future amendment to the laws and requirements which relate to the provision of financing facilities for motor vehicles, including any amendment to the Hire Purchase Act, 1967, may affect the sales and financial performance of our Group.

### 5.2.7 We are exposed to financing cost and breach of debt covenants

We finance our operations through our internally generated funds and bank borrowings. All our bank borrowings are interest bearing. As such, any increase in the interest rates will increase our finance costs with regards to the interest payments on the bank borrowings. Therefore, there can be no assurance that our performance will not be affected in the event of a significant increase in interest rates.

## 5. RISK FACTORS (Cont'd)

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Furthermore, pursuant to facility or loan agreements entered into with financial institutions, we are bound by certain covenants which may limit our operating and financial flexibility. These covenants are commonly contained in facility or loan agreements pertaining to bank borrowings. Any breach of compliance with any of the covenants may lead to the bank withdrawing such facilities and force outstanding amounts to become immediately due. Such an event will materially impact the liquidity situation of our Group.

Nevertheless, since commencement of operations in April 2008, we have not been in default of any repayment obligation of facility or loan agreements. Our Board and management would continue to observe and comply with the terms and conditions of such facility agreements and loan covenants. We will negotiate with the financial institutions for the best interest rate in the event of a hike in interest rates.

Please refer to Section 12.2.3(vi) of this Prospectus and Section 13.17 of the Accountants' Report for further details of our financing cost.

### 5.2.8 We may not be able to achieve our future plans

Our future plans are set out in Section 7.4 of this Prospectus. Among these plans are the expansion of our range of CKD vehicles of Mazda models and the increase of utilisation of local content with the potential for export to overseas markets via MMSB. Pursuant to the Joint Venture Agreement, MMSB will focus on the assembly activities of CKD vehicles of Mazda and to support the localisation programme in Malaysia as well as the cost improvement activities to enable CKD vehicles of Mazda to gain more competitive advantage among the local car assemblers in Malaysia, which is in line with the sales and marketing efforts of our Group.

In addition, as disclosed in Section 7.4(ii) of this Prospectus, we intend to increase our existing distribution and servicing networks by setting up more showrooms or new service centres in Malaysia, improve customer service, diversify our customer base and place greater emphasis and focus on our brand. Our growth and future success will be dependent on, amongst others, the successful implementation of such expansion projects without incurring any significant increase in costs, the sufficiency of demand for our new vehicles as well as successful venture into new markets.

There can be no assurance that our strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and future plans may have a material and adverse effect on our business, financial results and prospects.

### 5.2.9 Control by substantial shareholders

Upon completion of the Public Issue, BCorporation, via BGroup, will become the single largest shareholder of our Company, holding 67.63% of our enlarged issued and paid-up share capital and thus will be able to exercise control over more than 33% of our Company. The direct and indirect substantial shareholders of BCorporation are set out in Section 9.2.2(iii) of this Prospectus. As our ultimate holding company, other than in respect of certain votes regarding matters in which it is an interested party and must abstain from voting under the Listing Requirements, BCorporation will be able to influence the election of our Directors and the approval of any corporate proposals or transactions requiring the approval from our shareholders.

## 5. RISK FACTORS (Cont'd)

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To facilitate good corporate governance and promote transparency, our Company has 3 independent non-executive directors on our Board, which is more than the one-third requirement under the Listing Requirements. Our Audit Committee also reviews any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group. This includes ensuring that, amongst others, all future transactions involving related parties are entered into on arm's length basis and on normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority shareholders.

### 5.3 Risks relating to our Shares

#### 5.3.1 There has been no public market for our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will sustain. The Issue Price was determined after taking into consideration, amongst others, competitive strengths, business strategies and future plans, our operating history and financial performance and the future outlook of the industry in which we operate. There can be no assurance that the Issue Price will correspond to the price at which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our Listing or that an active market for our Shares will develop and continue to develop upon or subsequent to our Listing.

The price at which our Shares will trade on the Main Market of Bursa Securities after the Public Issue may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions.

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and maybe unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is very dependent on external factors such as performance of the regional and world bourses and the inflow and outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the potential growth of various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding the risk to the market price of the listed securities. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of Bursa Securities.

## 5. RISK FACTORS (Cont'd)

### 5.3.2 The trading price and trading volume of our Shares may be volatile

Following the Public Issue, the price at which our Shares will trade may be volatile. The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices of securities. These fluctuations often have been unrelated or disproportionate to the operating performance of publicly-traded companies.

In the past, following periods of volatility in the market price of a particular company's securities, securities litigation or securities enforcement action has sometimes been brought against that company. If similar litigation or enforcement action were instituted against us, it could result in substantial costs and divert management's attention and resources from our core business.

### 5.3.3 Our Company may not be able to pay dividends

Our Company is principally an investment holding company and we operate our core business through our subsidiaries. Therefore, the availability of funds to pay dividends or make other distributions to our shareholders depends upon the dividends or distributions received from our subsidiaries and associate. The payment of dividends or other distributions by our subsidiaries and associate in turn will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective boards of directors deem appropriate.

In addition, there are covenants in our subsidiary's loan agreements that may limit their ability to declare or pay cash dividends. Hence, there is no assurance that we will be able to distribute dividends to our shareholders as a result of the abovementioned factors. There is also no assurance that we will be able to record profits and have sufficient funds for our requirements, other obligations and business plans to declare dividends to shareholders. Please refer to Section 12.5 of this Prospectus for more information in relation to our Group's dividend policy.

### 5.3.4 There may be a delay or termination of the Listing

Our Listing may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) Force majeure events or events or circumstances including war, riot, flood, fire, tsunami, storm, hijacking, sabotage crime, epidemic and acts of God, which are beyond the control of our Company and/or the Underwriters, arising prior to our Listing;
- (ii) The Underwriters exercising their rights pursuant to the Retail Underwriting Agreement and discharging themselves from the obligations therein;
- (iii) We are unable to meet the public shareholding spread requirement, which is at least 25% of the total number of Shares for which listing is sought in the hands of a minimum number of 1,000 public shareholders holding not less than 100 Shares each; and
- (iv) Bursa Securities does not grant its permission for the quotation for the enlarged issued and paid-up share capital of our Company.

In this respect, we will exercise our best endeavour to comply with the various regulatory requirements, including, amongst others, the public shareholding spread requirement in item (iii) above. However, there can be no assurance that the abovementioned factors or events will not cause a delay in or non-implementation of our Listing.

## 5. RISK FACTORS (Cont'd)

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In the event that our Listing is aborted, investors will not receive any Shares and we will return in full, without interest, all monies paid in respect of any application of our Shares. If such monies are not returned in full within 14 days after we become liable to do so, the provision of Subsection 243(2) of the CMSA shall apply accordingly.

However, in the event that our Listing is aborted and our Shares have been allotted to the investors, a return of monies to the investors can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of a special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be recovered within a short period of time or at all under such circumstances.

### **5.3.5 Certain transactions that our Company may undertake subsequent to the Listing may dilute the ownership of shareholders in our Shares**

Shareholders may experience a dilution in their ownership of our Shares as a result of adjustments from rights offerings, issuances of new Shares pursuant to certain transactions to be undertaken by us and certain other actions which we may take to modify our capital structure subsequent to the Listing. There can be no assurance that we will not take any of the foregoing actions. Similar actions in the future may adversely affect the market price of our Shares.

### **5.3.6 The sale of substantial amounts of our Shares in the public or private market following the Public Issue could adversely affect the price of our Shares**

Upon completion of the Public Issue, the Promoters will own 74.75% of the total enlarged issued and paid-up share capital of our Company. The Promoters will not be permitted to sell, transfer or assign any part of their interest in the Shares under moratorium for 6-month beginning from the date of the Listing. However, upon completion of this 6-month lock-up period, we cannot provide any assurance that the Promoters will not dispose of any large blocks of our Shares in the future to the public or to a strategic or financial investor. Sales of substantial amount of our Shares in the public or private market, or the perception that these sales may occur, could materially and adversely affect the prevailing market prices of our Shares.

The Highly Dependent Agreements contain the rights for Mazda Japan to terminate the said agreements at any time in the event Mazda Japan is of the opinion that it is impossible to continue business transactions with Bermaz due to, amongst others, substantial change in composition of the shareholders or investors of Bermaz.

Notwithstanding the above, Bermaz has, via its letter dated 16 January 2013, amongst others, notified Mazda Japan of the proposed changes in the shareholders composition of Bermaz resulting from the Bermaz Acquisition and by a letter dated 22 January 2013, Mazda Japan has stated that it has no objection to the changes to the shareholders composition in Bermaz pursuant to the Bermaz Acquisition subject to BGroup and Podium Success jointly remaining as our controlling shareholders.

**5. RISK FACTORS (Cont'd)**

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**5.3.7 Forward-looking statements are subject to uncertainties and contingencies**

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable. Whether such statements would ultimately prove to be accurate depends upon a variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will prove to be correct in the future. Any deviation from the expectations may have a material adverse effect on our business and financial performance.

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## 6. INFORMATION ON OUR GROUP

### 6.1 Background and history

Our Company was incorporated in Malaysia under the Act on 11 May 2010 as a private limited company under the name Fiscal Start Sdn Bhd. We assumed the name Berjaya Auto Sdn Bhd on 14 February 2011 and were subsequently converted into a public company on 11 July 2011. Our Company is the listing vehicle for the Listing.

On 26 February 2013, we entered into the Bermaz Acquisition SPA with the Vendors wherein our Company acquired 100% equity interest in Bermaz comprising 80,000,000 Bermaz Shares for a total purchase consideration of RM503,999,997 which was satisfied via the issuance of 719,999,996 new BAuto Shares at an issue price of RM0.70 per BAuto Share, as follows:

Vendors	No. of Bermaz Shares held	% in Bermaz being acquired	Purchase consideration RM	No. of new BAuto Shares issued
BGroup	60,320,000	75.40	380,016,347	542,880,496
Podium Success	6,354,640	7.94	40,034,190	57,191,700
Tunku Aminah Binti Tunku Ibrahim Ismail	3,680,000	4.60	23,183,860	33,119,800
BHJ Marketing	3,215,120	4.02	20,255,200	28,936,000
Konsep Aktif	3,215,120	4.02	20,255,200	28,936,000
Terrific Dynamics	3,215,120	4.02	20,255,200	28,936,000
<b>Total</b>	<b>80,000,000</b>	<b>100.00</b>	<b>503,999,997</b>	<b>719,999,996</b>

The Bermaz Acquisition was completed on 26 September 2013. In conjunction with the Bermaz Acquisition, BGroup also acquired all the 4 existing BAuto Shares at a total cash consideration of RM2.80 which is equivalent to RM0.70 per BAuto Share. Following the completion of the said acquisition, Bermaz became our wholly-owned subsidiary.

Pursuant to the above acquisitions, we are principally involved in the following:

- (i) distribution and retailing of Mazda vehicles; and
- (ii) provision of after sales services for Mazda vehicles.

Our associated company, MMSB, is principally involved in the following:

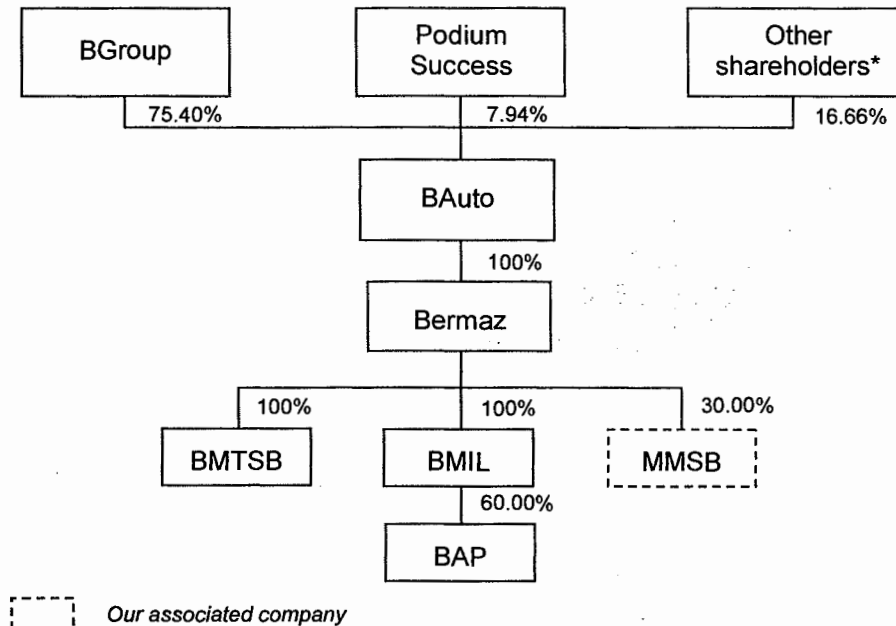
- (i) local assembly of Mazda vehicles by third party contract assembler using local parts and imported Mazda supplied parts; and
- (ii) domestic distribution of locally assembled Mazda vehicles through Bermaz and export of Mazda vehicles assembled in Malaysia.



6. INFORMATION ON OUR GROUP (Cont'd)

6.2 Our corporate structure

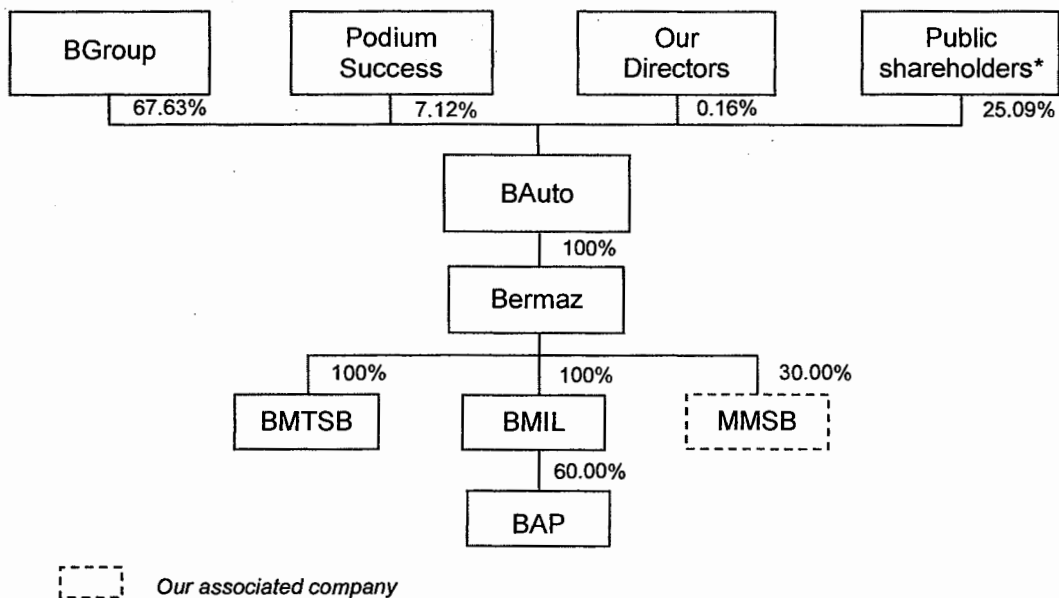
Our Group's corporate structure, including our associated company, after the Bermaz Acquisition and prior to the Public Issue is as follows:



Note:

\* The other shareholders of our Company are Tunku Aminah Binti Tunku Ibrahim Ismail who holds 4.60% equity interest and BHJ Marketing, Konsep Aktif and Terrific Dynamics who respectively hold 4.02% equity interest each in our Company.

Our Group's corporate structure, including our associated company, upon Listing and assuming none of the ESOS Options are exercised is as follows:



## 6. INFORMATION ON OUR GROUP (Cont'd)

### Note:

- \* Public shareholders include, amongst others, Tunku Aminah Binti Tunku Ibrahim Ismail who will hold 4.13% equity interest and BHJ Marketing, Konsep Aktif as well as Terrific Dynamics who respectively will hold 3.60% equity interest each in our Company.

### 6.3 Share capital and changes in share capital

As at the LPD, our authorised share capital is RM500,000,000 comprising 1,000,000,000 BAuto Shares, of which 720,000,000 BAuto Shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of our Company since the date of our incorporation up to the LPD, are as follows:

Date of allotment	No. of ordinary shares allotted	Par value		Consideration	Cumulative issued and paid-up share capital
		RM			RM
11.05.2010	2	1.00		Subscribers' shares	2
16.06.2011	4	0.50		Subdivision of the 2 subscribers' shares of RM1.00 each to 4 ordinary shares of RM0.50 each	2
26.09.2013	719,999,996	0.50		Shares issued as consideration for the Bermaz Acquisition	360,000,000

As at the LPD, save as disclosed in Section 4.4 of this Prospectus, neither our Company nor our subsidiaries and associated company have any outstanding warrants, options, convertible securities or uncalled capital.

Our Company intends to offer up to 40,138,150 ESOS Options to our eligible Directors and employees excluding our dormant subsidiaries, who meet the eligibility criteria to participate in the ESOS as set out in the By-Laws in Section 15 of this Prospectus, subject to the discretion of the ESOS committee, representing 5% of our issued and paid-up share capital upon Listing, assuming the 40,138,150 ESOS Options are fully exercised into 40,138,150 new BAuto Shares.

### 6.4 Subsidiaries and associated company

As at the LPD, our subsidiaries and associated company are as follows:

Name	Date/Place of incorporation	Authorised share capital	Issued and paid-up share capital	Effective equity interest	Principal activities
		RM'000	RM'000	%	
<b>Subsidiary of BAuto</b>					
Bermaz	06.09.1988/ Malaysia	100,000	80,000	100	Investment holding and distribution of Mazda vehicles under licence in Malaysia

## 6. INFORMATION ON OUR GROUP (Cont'd)

Name	Date/Place of incorporation	Authorised share capital RM'000	Issued and paid-up share capital RM'000	Effective equity interest %	Principal activities
<b><u>Subsidiaries of Bermaz</u></b>					
BMTSB	02.05.1970/ Malaysia	1,000	200	100	Distribution and retailing of new and used Mazda vehicles and the provision of after sales services in respect thereof in Malaysia
BMIL	08.06.2012/ Labuan, Malaysia	_(1)	10 <sup>(2)</sup>	100	Investment holding
BAP	10.08.2012/ The Republic of the Philippines	220,000 <sup>(3)</sup>	209,000 <sup>(3)</sup>	60.00	Purchasing, acquiring, owning, leasing, selling, transferring, encumbering and generally dealing in all types of new automobiles, trucks and other motor vehicles and dealing in all types of supplies used by all types of motor vehicles
<b><u>Associated company of Bermaz</u></b>					
MMSB	10.09.2012/ Malaysia	100,000	85,000	30.00	Local assembly of Mazda vehicles by third party contract assembler using local parts and imported Mazda supplied parts and domestic distribution of locally assembled Mazda vehicles through Bermaz and export of Mazda vehicles assembled in Malaysia

**Notes:**

<sup>(1)</sup> Under the Labuan Companies Act 1990, there is no requirement for a Labuan company to have an authorised share capital and par value for its shares.

<sup>(2)</sup> In USD.

<sup>(3)</sup> In Peso.

**6.4.1 Bermaz (Company no. 173654-K)****(i) History and business**

Bermaz was incorporated in Malaysia under the Act on 6 September 1988 as a private limited company under the name Cotton Collection Sdn Bhd. Bermaz changed its name to South Pacific Shoes Sdn Bhd on 24 March 1989, to South Pacific Synthetic Fibre Sdn Bhd on 29 September 1989, to South Pacific Synthetic Fibres Sdn Bhd on 27 November 1989, to Berjaya Synthetic Fibre Sdn Bhd on 10 March 1992 and subsequently, Bermaz assumed its present name on 26 February 2008. As at the LPD, Bermaz is a wholly-owned subsidiary of BAUTO.

## 6. INFORMATION ON OUR GROUP (Cont'd)

The principal activities of Bermaz are investment holding and distribution of Mazda vehicles under licence in Malaysia. Bermaz commenced operations on 1 April 2008 after Bermaz and Mazda Japan entered into an agreement on 28 February 2008 in which Mazda Japan awarded Bermaz the distributorship of specific models of Mazda CBU vehicles, spare parts, accessories and tools in Malaysia, which was subsequently extended for a further 3 years expiring on 31 March 2014 via the execution of the Malaysia CBU Agreement on 31 March 2011. Mazda Japan had, via its letter dated 14 January 2013, agreed to further extend the Malaysia CBU Agreement upon the expiry of the said agreement on 31 March 2014, for another 5 years expiring on 31 March 2019, subject to an annual minimum purchase quota of Mazda CBU vehicles to be mutually agreed upon.

Bermaz also had arrangements with Mazda Japan for the supply of CKD packs, spare parts, accessories and tools for Mazda3 CKD vehicles for the purpose of local assembly and subsequent distribution in Malaysia. On 29 April 2010 and 7 September 2012, Bermaz obtained the approvals of the MITI for the contract assembly of Mazda3 CKD and Mazda CX-5 CKD vehicles in Malaysia, respectively.

Subsequently, on 16 January 2013, Bermaz entered into the Transfer of Operation Agreement with Mazda Japan and MMSB to facilitate the transfer of the assembly activities of CKD vehicles of Mazda to MMSB with effect from 1 February 2013. Further details on the transfer of CKD assembly activities from Bermaz to MMSB are set out in Section 7.1 of this Prospectus.

### (ii) Share capital

As at the LPD, Bermaz's authorised share capital is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each, of which 80,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Bermaz for the past 3 years preceding the LPD are as follows:

Date of allotment	No. of ordinary shares allotted	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
30.04.2010	10,000,000	1.00	Bonus issue	20,000,000
13.12.2010	10,000,000	1.00	Bonus issue	30,000,000
28.04.2011	10,000,000	1.00	Bonus issue	40,000,000
29.11.2012	40,000,000	1.00	Bonus issue	80,000,000

### (iii) Subsidiaries and associated company

The direct subsidiaries of Bermaz are BMTSB and BMIL, and the indirect subsidiary of Bermaz is BAP, details of which are set out in Sections 6.4.2 to 6.4.4 of this Prospectus. The associated company of Bermaz is MMSB, details of which are set out in Section 6.4.5 of this Prospectus.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4.2 BMTSB (Company no. 9529-K)

#### (i) History and business

BMTSB was incorporated in Malaysia under the Act on 2 May 1970 as a private limited company under the name Hercules Automotive Engineers Sdn Bhd. Hercules Automotive Engineers Sdn Bhd was successfully acquired by Bermaz in April 2008 and commenced Mazda operations in 2008. It assumed its current name, BMTSB on 2 May 2008. BMTSB is a wholly-owned subsidiary of Bermaz.

BMTSB is primarily engaged in the distribution and retailing of new and used Mazda vehicles and the provision of after sales services in respect thereof in Malaysia.

#### (ii) Share capital

As at the LPD, BMTSB's authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 200,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

There has been no change in the issued and paid-up share capital of BMTSB for the past 3 years preceding the LPD.

#### (iii) Subsidiary and associated company

As at the LPD, BMTSB does not have any subsidiary or associated company.

### 6.4.3 BMIL (Company no. LL08990)

#### (i) History and business

BMIL was incorporated in Labuan, Malaysia under the Labuan Companies Act, 1990 on 8 June 2012 as a private limited company under its present name. BMIL is a wholly-owned subsidiary of Bermaz.

BMIL commenced operations in October 2012 and is principally involved in investment holding.

#### (ii) Share capital

As at the LPD, the issued and paid-up share capital of BMIL is USD10,000 comprising 10,000 ordinary shares.

There has been no change in the issued and paid-up share capital of BMIL since its incorporation.

#### (iii) Subsidiary and associated company

As at the LPD, BAP is a 60%-owned subsidiary of BMIL, which is a wholly-owned subsidiary of Bermaz which in turn is our wholly-owned subsidiary, details of which are set out in Section 6.4.4 of this Prospectus. BMIL does not have any associated company as at the LPD.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4.4 BAP (Company no. CS201214749)

#### (i) History and business

BAP was incorporated and registered with the Securities and Exchange Commission in the Republic of the Philippines on 10 August 2012 as a private limited company under its present name. BAP is a 60%-owned subsidiary of BMIL, which is a wholly-owned subsidiary of Bermaz.

BAP commenced operations on 2 January 2013. The principal activities of BAP are purchasing, acquiring, owning, leasing, selling, transferring, encumbering and generally dealing in all types of new automobiles, trucks and other motor vehicles and dealing in all types of supplies used by all types of motor vehicles.

#### (ii) Share capital

As at the LPD, BAP's authorised share capital is Peso220,000,000 comprising 220,000,000 ordinary shares of Peso1.00 each, of which 209,000,000 ordinary shares of Peso1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of BAP since its incorporation up to the LPD are as follows:

Date of allotment	No. of ordinary shares allotted	Par value	Consideration	Cumulative issued and paid-up share capital
				Peso
10.08.2012	10,000,000	1.00	Cash	10,000,000
29.11.2012	199,000,000	1.00	Cash	209,000,000

As provided for in the Philippines CBU Agreement, Mazda Japan may decide to participate in the capital of BAP after undertaking the relevant feasibility studies. In the event BAP issues new shares to Mazda Japan, the shareholdings of the other shareholders of BAP, including BMIL, will be diluted. In addition, in the event BCorporation decides to sell the whole or part of its shares in BAP or increases the share capital of BAP, Mazda Japan has a first right of refusal to acquire such BAP shares at fair market value (excluding goodwill) to be separately agreed between the relevant parties. Please refer to Section 7.13(iv) of this Prospectus for further details on the right of Mazda Japan to invest in BAP.

#### (iii) Subsidiary and associated company

As at the LPD, BAP does not have any subsidiary or associated company.

## 6. INFORMATION ON OUR GROUP (Cont'd)

### 6.4.5 MMSB (Company no. 1016319-P)

#### (i) History and business

MMSB was incorporated in Malaysia under the Act on 10 September 2012 as a private limited company under its present name. MMSB is a 30% associated company of Bermaz, whilst the remaining 70% equity interest is held by Mazda Japan.

MMSB commenced operations on 1 February 2013. MMSB is principally involved in the following activities:

- (a) local assembly of Mazda vehicles by third party contract assembler using local parts and imported Mazda supplied parts; and
- (b) domestic distribution of locally assembled Mazda vehicles through Bermaz and export of Mazda vehicles assembled in Malaysia.

#### (ii) Share capital

As at the LPD, MMSB's authorised share capital is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each, of which 85,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of MMSB since its incorporation up to the LPD are as follows:

Date of allotment	No. of ordinary shares allotted	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
10.09.2012	2	1.00	Subscribers' shares	2
19.10.2012	14,999,998	1.00	Cash	15,000,000
27.02.2013	35,000,000	1.00	Cash	50,000,000
31.05.2013	35,000,000	1.00	Cash	85,000,000

#### (iii) Subsidiary and associated company

As at the LPD, MMSB does not have any subsidiary or associated company.

As at the LPD, neither our Company nor our subsidiaries and associated company are involved in any bankruptcy, receivership or similar proceedings.

## 7. BUSINESS OVERVIEW

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### 7.1 Overview

Our Group is principally involved in the distribution and retailing of Mazda vehicles and provision of after sales services for Mazda vehicles.

On 28 February 2008, Bermaz entered into an agreement with Mazda Japan which awarded Bermaz the distributorship of specific models of Mazda CBU vehicles, spare parts, accessories and tools in Malaysia for a period of 3 years from 1 April 2008, which was subsequently extended for a further 3 years expiring on 31 March 2014 via the execution of the Malaysia CBU Agreement on 31 March 2011. Mazda Japan had, via its letter dated 14 January 2013, agreed to further extend the Malaysia CBU Agreement upon the expiry of the said agreement on 31 March 2014, for another 5 years expiring on 31 March 2019, subject to an annual minimum purchase quota of Mazda CBU vehicles to be mutually agreed upon.

Following Mazda Japan's appointment of Bermaz as the distributor of specific models of Mazda CBU vehicles in Malaysia, Bermaz had entrusted the importation of the said vehicles to Prima Merdu, which then became the sole AP holder for Mazda CBU vehicles. Pursuant thereto, Bermaz had sought and obtained Mazda Japan's approval for the said entrustment via an entrustment letter dated 18 February 2009. Our business relationship with Prima Merdu is currently governed under the Distributorship and Collaboration Agreement and our latest entrustment letter dated 10 January 2013 issued to and agreed by Mazda Japan. Under this arrangement, Prima Merdu shall, amongst others, import Mazda CBU vehicles from Mazda Japan for supply to Bermaz and Bermaz in turn shall carry out the distribution activities in Malaysia. In addition, Prima Merdu is also one of our dealers.

On 29 February 2008, Bermaz entered into a share sale agreement with CCB to purchase 100% of the issued and paid-up share capital in Hercules Automotive Engineers Sdn Bhd (now known as BMTSB), the company that acquired the entire assets, liabilities and operations of the Mazda division from CCB.

In June 2008, Bermaz acquired a 4.5 acres of freehold land in Padang Jawa, Shah Alam, Selangor from CCB, which is presently used as a pre-delivery inspection centre and a storage site for all incoming CBU Mazda vehicles prior to being transported to our local dealers throughout Malaysia. In January 2011, we established a 3S centre in Padang Jawa.

In April 2010, our 1S centre at Lot 9 Branch was upgraded to a 3S centre. The upgrading of the centre has enabled us to improve our after sales service to Mazda vehicle owners and enhance brand loyalty among our customers. Our facilities at the centre include 58 working bays as well as facilities for spray paint and body repairs. We also launched the Mazda Apprenticeship Programme ("MAP") in 2010, which is a formal and structured training programme aimed at creating skilled technicians for our workshops. We conduct training for this programme at the training centre which is also located at this centre.

Bermaz also had arrangements with Mazda Japan for the supply of CKD packs, spare parts, accessories and tools for Mazda3 CKD vehicles for the purpose of local assembly and subsequent distribution in Malaysia. Upon obtaining the MITI's approval on 29 April 2010, Bermaz commenced preparations for the assembly activities of Mazda3 CKD vehicles and in October 2010, Bermaz appointed Inokom, a contract assembler, to carry out the assembly of Mazda3 CKD vehicles at Inokom's plant in Kulim, Kedah. The roll out of the first Mazda3 CKD vehicle was successfully undertaken on 18 January 2011. On 7 September 2012, Bermaz also obtained the approval of the MITI for the contract assembly of Mazda CX-5 CKD vehicles.



## 7. BUSINESS OVERVIEW (Cont'd)

On 11 September 2012, Bermaz entered into the Joint Venture Agreement with Mazda Japan for an assembly programme with the purpose of increasing local assembly activities of CKD vehicles of Mazda in Malaysia. Pursuant to the Joint Venture Agreement, MMSB was established to, amongst others, assemble and supply CKD vehicles of Mazda in Malaysia. Under the Joint Venture Agreement, Mazda Japan will provide the assembly and technical expertise to MMSB's operations in the rolling out of CKD vehicles of Mazda and Bermaz will provide support to the operations in all matters of administration. MMSB has entrusted its Malaysian distribution of locally assembled Mazda CKD Vehicles to Bermaz. The Joint Venture Agreement is expected to increase localisation activities which will help to reduce the costs of assembly of CKD vehicles of Mazda. The increase in production volume resulting from the introduction of a wider range of Mazda CKD models and the export of locally assembled Mazda CKD models is also expected to result in lower production cost per unit. This, in turn, would allow the CKD vehicles of Mazda to be priced more competitively which can be expected to improve the demand and sales of CKD vehicles of Mazda in Malaysia, in particular.

Pursuant to the Joint Venture Agreement, the assembly activities of CKD vehicles of Mazda are to be transferred from Bermaz to MMSB and in order to facilitate the assembly activities of Mazda CKD Vehicles by MMSB, Mazda Japan and Bermaz had on 28 November 2012 and 21 December 2012, respectively submitted 2 separate application letters to the MITI to seek its approval for the transfer of the approvals granted by the MITI to Bermaz for the contract assembly of Mazda CKD Vehicles to MMSB ("**Transfer of MITI Approvals**").

To facilitate the implementation of the Transfer of MITI Approvals, Mazda Japan and MMSB had on 12 December 2012 entered into a component supply and distribution agreement for the supply of CKD packs, spare parts, accessories and tools for Mazda CKD Vehicles by Mazda Japan to MMSB for the assembly and sale of Mazda CKD Vehicles and the sale of spare parts, accessories and tools for Mazda CKD Vehicles in Malaysia. Additionally, Bermaz had on 16 January 2013 entered into the Transfer of Operation Agreement with Mazda Japan and MMSB to facilitate the transfer of the assembly activities of CKD vehicles of Mazda to MMSB and Inokom has been retained by MMSB as its contract assembler to carry out the assembly of Mazda3 CKD vehicles at Inokom's plant in Kulim, Kedah.

The MITI has, vide its letter dated 30 January 2013, approved the Transfer of MITI Approvals. Pursuant to the said MITI's approval, the assembly activities of Mazda CKD Vehicles have been undertaken by MMSB with effect from 1 February 2013.

Pursuant to the Transfer of MITI Approvals, the Transfer of Operation Agreement and other arrangements between the parties, Bermaz ceased to be directly involved in Mazda CKD assembly activities and MMSB commenced its Mazda CKD assembly operations on 1 February 2013. Subsequent thereto, our Group's involvement in Mazda CKD assembly activities is through our 30% investment in MMSB pursuant to the Joint Venture Agreement.

Bermaz, via BAP, had also on 12 September 2012, entered into the Philippines CBU Agreement with Mazda Japan for the distributorship of specific models of Mazda CBU vehicles, spare parts, accessories and tools in the Philippines for a period of 3 years from 1 October 2012 to 30 September 2015. BAP commenced operations on 2 January 2013.

The Malaysia CBU Agreement and the Philippines CBU Agreement set out the right of Bermaz and BAP to distribute Mazda CBU vehicles in Malaysia and the Philippines, respectively. Notwithstanding this, Mazda Japan reserves the right to sell, export and deliver Mazda CBU vehicles, directly or through any person, to any of the following persons:

- (i) Public government (whether federal, state or municipal) or public departments and bodies directly or indirectly controlled by the public government;
- (ii) Diplomatic and consular representations and members or employees thereof;

## 7. BUSINESS OVERVIEW (Cont'd)

- (iii) Non profit making international bodies and organisations and employees thereof such as United Nations, United Nations Educational, Scientific and Cultural Organisations (UNESCO) and the like;
- (iv) Companies directly or indirectly controlled by Mazda Japan and/or employees of the said companies;
- (v) Any multinational Japan based companies or companies directly or indirectly controlled by corporate entities or individuals established or domiciled in Japan, acquiring more than 10 vehicles per year by indication of the Japanese shareholder; or
- (vi) Any companies and/or employees of the said companies which are agreed upon by the parties.

We distribute Mazda vehicles through our own branches and third party dealers in Malaysia as well as through third party dealers in the Philippines. As at the LPD, we have established 4 branches in Malaysia, all of which are 3S centres, and we have also appointed 68 dealers nationwide. Save for the Mazda CKD Vehicles which are locally assembled, all the other Mazda models distributed in Malaysia are CBU units which are imported from Mazda Japan's manufacturing plants located in Japan and Thailand via Prima Merdu and all the Mazda models distributed in the Philippines are CBU units imported directly by BAP.

Our marketing strategy is aimed at creating and improving brand awareness among the Malaysian and the Philippines market while increasing sales volume for the Mazda range of vehicles. In Malaysia, we organise roadshows at regular intervals throughout the year as part of our marketing strategy. These roadshows are held at shopping malls nationwide. We have also established a dedicated CRM team to improve the Mazda ownership experience and to enhance the Mazda brand image. For further information on our sales and marketing strategy in the Malaysian and Philippines markets, please refer to Section 7.11 of this Prospectus.

Our headquarters is located at No. 7, Jalan Pelukis U1/46, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor. We have also leased space at a warehouse at The Ship, No. 1, One Logistics Hub, Persiaran Sungai Hampar, Seksyen 32, 40460 Shah Alam, Selangor for the storage of Mazda vehicle components and spare parts.

### 7.2 Key achievements and milestones

The following table highlights our key achievements and milestones:

28 February 2008	Awarded distribution rights for Mazda CBU vehicles in Malaysia by Mazda Japan.
1 April 2008	Completed the acquisition of Hercules Automotive Engineers Sdn Bhd (now known as BMTSB) from CCB.
1 April 2010	Awarded distribution rights from Mazda Japan to locally assemble and distribute Mazda3 CKD vehicles in Malaysia.
29 April 2010	Obtained assembly approval from the MITI to carry out CKD assembly for the Mazda3 CKD vehicles at Inokom's manufacturing facility.
18 January 2011	Rolled out the first Mazda3 CKD vehicle at Inokom's plant.
2 March 2011	Nationwide launch of Mazda3 CKD vehicles for the Malaysian market.
31 March 2011	Extended the Malaysia CBU Agreement with Mazda Japan for the supply of Mazda CBU vehicles, spare parts, accessories and tools for distribution in Malaysia for a period of 3 years up to 31 March 2014.
15 May 2012	Launched the Mazda CX-5 model, the first Mazda model equipped with the "Skyactiv Technology".
7 September 2012	Obtained assembly approval from the MITI to carry out CKD assembly for the Mazda CX-5 CKD vehicles at Inokom's manufacturing facility.

## 7. BUSINESS OVERVIEW (Cont'd)

11 September 2012	Entered into a joint venture agreement with Mazda Japan to collaborate for the assembly and supply of CKD vehicles of Mazda in Malaysia.
12 September 2012	Entered into the Philippines CBU Agreement with Mazda Japan for the supply of Mazda CBU vehicles, spare parts, accessories and tools to BAP for distribution in the Philippines for a period of 3 years up to 30 September 2015.
4 June 2013	Nationwide launch of Mazda CX-5 CKD vehicles for the Malaysian market.

### 7.3 Our competitive strengths

We believe that we are in a position to deliver growth based on the following competitive strengths:

**(i) Experienced key management team with extensive industry knowledge and vast exposure in the automotive segment**

Our management team is well-equipped with the knowledge and experience to successfully manage and grow our Group's business. Our key management team comprises experienced managers with extensive industry knowledge and vast exposure in the automotive segment and has exposure across a broad spectrum of business activities, from operations to sales and marketing, and also has a proven track record in the market entry, distribution and retailing of a number of automotive brands.

Our Chief Executive Officer/Executive Director, Dato' Yeoh Choon San has over 40 years of experience in the automotive industry, encompassing the various fields of retail, distribution and manufacturing. He led the team that was responsible for turning around the sales performance of the Hyundai's passenger vehicles in the Malaysian market, and managed its distribution and retail in Malaysia between 2000 and 2007. Upon joining Bermaz in 2008, we believe that it was the experience and expertise of Dato' Yeoh Choon San and the key management that played a major role in securing the distributorship of Mazda vehicles in Malaysia and subsequently in the Philippines from Mazda Japan.

Our sales of Mazda vehicles in Malaysia have grown from 2,113 units in FYE 30 April 2010 to 4,826 units for FYE 30 April 2011, 5,909 units in FYE 30 April 2012 and 8,142 units in FYE 30 April 2013. This represents an impressive growth of 285.3% since FYE 30 April 2010. In addition, as at the LPD, we own four 3S centres and have 68 dealers throughout Malaysia which we plan to expand and grow further in the future.

**(ii) Established business relationship with Mazda Japan**

We have a good collaboration and cordial working relationship with Mazda Japan which we have nurtured since 2008 when we were first awarded with the distributorship of Mazda CBU vehicles in Malaysia. In fact, our business relationship with Mazda Japan has allowed us to have a good understanding and guidance on the latest or up-and-coming Mazda models to match local consumer preferences and trends. This would enable us to make more informed and strategic decisions to expand our distribution and retail business. In addition, we have been exchanging market knowledge and providing valuable feedback to Mazda Japan on a progressive basis. They have given us a lot of business support and their long history and great success enables us to tap into their vast knowledge in the motor vehicle distribution and retail business.

## 7. BUSINESS OVERVIEW (Cont'd)

We believe that the recently executed Philippines CBU Agreement and the Joint Venture Agreement are testament to and recognition of our capabilities and experience in launching, distributing and retailing established and global automotive brands in Malaysia.

### (iii) Mazda is a well-recognised and internationally acclaimed brand

Mazda vehicles have a long history and track record as Mazda Japan first started its automotive production back in the 1930s. In fact, Mazda Japan has continued to evolve as it recognises the importance of brand image in order to compete with other carmakers. Over the years, Mazda vehicles have won numerous awards and recognitions all over the world.

As at the LPD, we distribute 10 Mazda models, comprising 24 variants of Mazda passenger and commercial vehicles, which cater to the different market segments in Malaysia. Our Directors strongly believe that Mazda vehicles have attained recognition and are fast gaining popularity in Malaysia. We believe that this level of acclaim and recognition for the Mazda brand in Malaysia has been achieved on the back of the following initiatives and efforts:

- (a) focused brand management initiatives;
- (b) effective marketing strategies across our distribution network;
- (c) creative advertising efforts via traditional and non-traditional media; and
- (d) targeted CRM programme.

In fact, our branding and marketing strategy is part of Mazda's worldwide unified "Zoom Zoom" campaign, and this is reinforced and supported by our advertising efforts and CRM programme. Please refer to Section 7.11 of this Prospectus for further information on the "Zoom Zoom" tagline. The significant growth in our revenue from RM286.8 million in FYE 30 April 2010 to RM1,064.3 million in FYE 30 April 2013 is testimony of the successfulness of this branding and marketing strategy.

Our efforts to-date has also enabled us to be identified as an automotive company which markets premium and sporty Japanese performance vehicles, and our extended range of Mazda vehicles coupled with competitive selling prices has enabled us to target various segments of consumers in Malaysia. This has resulted in increased awareness and popularity of Mazda vehicles among customers in Malaysia.

Mazda Japan's award of the distributorship of Mazda vehicles in the Philippines to Bermaz has given Bermaz an opportunity to expand our business over the next 3 years through its competitive range of products made available for the Philippines market.

### (iv) Strong support from the BCorporation Group

Our ultimate holding company, BCorporation, is a diversified conglomerate listed on the Main Market of Bursa Securities with interests in various sectors including financial services, marketing of consumer products and services, motor trading and distribution, environmental and clean technology services, food and beverage, property development and investment in properties, development and operation of hotels, resorts and other recreational activities, gaming operations comprising Toto betting, leasing of on-line lottery equipment, provision of software support and the manufacture and distribution of computerised lottery and voting system as well as investment holding.

## 7. BUSINESS OVERVIEW (Cont'd)

As a subsidiary of BCorporation, we are able to leverage on the BCorporation Group's well established businesses and presence in various sectors as part of our marketing strategy. We have long term partnerships with the BCorporation Group for our CRM programmes such that all Mazda owners are able to enjoy certain privileges at selected BCorporation Group's retail outlets. Please refer to Section 7.11 of this Prospectus for further information on the marketing initiatives undertaken by our Group, in collaboration with the BCorporation Group.

### 7.4 Our business strategies and future plans

Our aim is to further strengthen our competitive position in the automotive segment, increase shareholders' value and our market share by adopting the following strategies:

**(i) Expand our range of CKD vehicles of Mazda and increase utilisation of local contents**

The establishment of MMSB is intended to enable the achievement of economies of scale given that with the introduction of a wider range of Mazda CKD models and the export of the locally assembled CKD models, production volume is expected to increase and in turn, is expected to result in lower production cost per unit. This will allow the CKD vehicles of Mazda to be priced more competitively and consequently, boost the demand as well as sales of CKD vehicles of Mazda in Malaysia, in particular. The establishment of MMSB is in line with the NAP and the Government's initiatives to encourage more foreign automotive manufacturers to be involved in our domestic automotive segment.

Presently, MMSB utilises parts that are both imported from Japan and sourced from local suppliers, with the aim of progressively increasing the percentage of local contents in the CKD vehicles of Mazda. This will indirectly reduce the cost of CKD vehicles of Mazda, making them more affordable to a larger segment of Malaysians and increase our competitiveness in Malaysia.

On 15 August 2013, MMSB commenced export of its locally-assembled Mazda CX-5 CKD vehicles to Thailand. Besides exporting Mazda CX-5 vehicles to Thailand, MMSB is looking to identify other potential export markets in order to increase the export of locally-assembled Mazda vehicles to neighbouring countries.

**(ii) Expand our distribution network and dealerships**

Our revenue has increased significantly from RM286.8 million in FYE 30 April 2010 to RM1,064.3 million in FYE 30 April 2013 as a result of our sales and marketing efforts as well as distribution strategies. As at the LPD, our distribution network comprises 4 branches and 68 dealers throughout Malaysia. The Joint Venture Agreement is expected to result in the introduction of more Mazda CKD models and competitive pricing schemes which in turn will give rise to a need to expand our dealers' network in Malaysia.

## 7. BUSINESS OVERVIEW (Cont'd)

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We intend to expand our market presence and distribution network by penetrating further into key markets in Malaysia, by establishing new branches and appointing new dealers in these areas through the following:

- (a) strengthen our marketing capabilities through the Retail Management Trainee ("RMT") programme. Candidates who have completed this programme will be placed at Mazda outlets throughout Malaysia, to contribute and be responsible for the sales and marketing activities; and
  - (b) widen our penetration in prime marketing areas in the Northern and Southern regions of Malaysia.
- (iii) **Launch the latest models of Mazda vehicles in the Malaysian and Philippines markets**

Our customers have shown a wide range of preference for motor vehicles and technologies that are relevant in today's automotive segment, such as driving dynamics, efficient performance, environmental friendly features and energy saving factor. We believe that we need to continuously keep up with changes in customers' preferences in both the Malaysian and Philippines markets. In doing so, we have been working closely with Mazda Japan in extending the range of Mazda vehicles available for retail in these countries. We also plan to introduce viable new Mazda models which are not yet available in the Philippines market at an appropriate time.

In addition, we will also continuously introduce various new and facelift Mazda models into the local market as and when they become available. In line with new product launches, we will create corresponding marketing and promotional strategies to promote the sales of these models. Pursuant to the Joint Venture Agreement, MMSB also has plans to export locally assembled Mazda vehicles overseas.

### 7.5 Products

As at the LPD, we distribute 10 Mazda vehicle models with a total of 24 variants to suit different market segments. In May 2012, we launched a new vehicle model, Mazda CX-5. It is a crossover-SUV and the first Mazda model to fully incorporate all the elements of the "Skyactiv Technology". Subsequently, in March 2013, we launched the new Mazda6, which is also equipped with Skyactiv Technology.




"Skyactiv Technology" is a series of technologies that reduce fuel consumption and carbon emissions as well as increase fuel efficiency (petrol or diesel) and engine output which encompass new engines, transmissions and chassis. The "Skyactiv Technology" is environmentally friendly, enhances engine efficiency and improves car safety.

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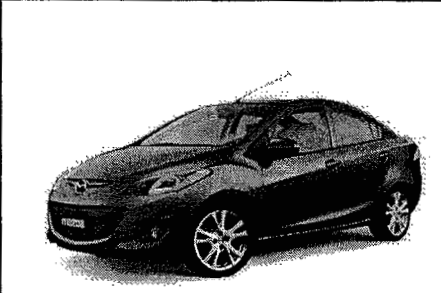
**7. BUSINESS OVERVIEW (Cont'd)**

As at the LPD, our vehicles line-up is as follows:







**7.5.1 CKD passenger vehicles**

Model	Description	Visual
Mazda3 Sedan	<ul style="list-style-type: none"> <li>• 1.6L and 2.0L variant</li> <li>• MZR Engine InLine 4-Cylinder DOHC 16 Valve with S-VT/VIS/ECT/TSCV</li> </ul>	
Mazda3 Hatchback	<ul style="list-style-type: none"> <li>• The 1.6L produces 103 PS at 6,000 rpm and 144 Nm of torque at 4,000 rpm</li> <li>• The 2.0L produces 147 PS at 6,500 rpm and 182 Nm of torque at 4,200 rpm</li> </ul>	
CX-5 (2WD and AWD)	<ul style="list-style-type: none"> <li>• 2WD (Mid Spec and High Spec)</li> <li>• AWD (High Spec)</li> <li>• SKYACTIV-G 2.0L InLine 4-Cylinder DOHC 16-Valve</li> <li>• Produces 157 PS at 6,000 rpm and 200 Nm of torque at 4,000 rpm</li> </ul>	

**7.5.2 CBU passenger vehicles**




Model	Description	Visual
Mazda2 Sedan	<ul style="list-style-type: none"> <li>• MZR 1.5L Engine InLine 4-Cylinder DOHC 16-Valve</li> <li>• Produces 103 PS at 6,000 rpm and 135 Nm of torque at 4,000 rpm</li> </ul>	

## 7. BUSINESS OVERVIEW (Cont'd)


Model	Description	Visual
Mazda2 Hatchback	<ul style="list-style-type: none"> <li>• MZR 1.5L Engine InLine 4-Cylinder DOHC 16-Valve</li> <li>• Produces 103 PS at 6,000 rpm and 135 Nm of torque at 4,000 rpm</li> </ul>	
Mazda3 MPS	<ul style="list-style-type: none"> <li>• MZR 2.3L Direct Injection Spark Ignition ("DISI") Turbocharged InLine 4-Cylinder DOHC (Double Overhead Cam Shaft)</li> <li>• Produces 255 PS at 5,500 rpm and 380 Nm of torque at 3,000 rpm</li> <li>• Specially tuned 6-speed manual transmission</li> </ul>	
Mazda5	<ul style="list-style-type: none"> <li>• 2.0L MZR LF-InLine 4-Cylinder DOHC 16-Valve</li> <li>• Produces 142 PS at 6,500 rpm and 180 Nm of torque at 4,500 rpm</li> </ul>	
Mazda6 Sedan	<ul style="list-style-type: none"> <li>• 2.0L and 2.5L variant</li> <li>• SKYACTIV-G, InLine 4-Cylinder, Direct Injection, DOHC 16-Valve</li> <li>• The 2.0L produces 157 PS at 6,000 rpm and 200 Nm of torque at 4,000 rpm</li> <li>• The 2.5L produces 189 PS at 6,000 rpm and 256 Nm of torque at 3,250 rpm</li> </ul>	
Mazda6 Hatch Touring	<ul style="list-style-type: none"> <li>• 2.5L SKYACTIV-G, InLine 4-Cylinder, Direct Injection, DOHC 16-Valve</li> <li>• Produces 189 PS at 6,000 rpm and 256 Nm of torque at 3,250 rpm</li> </ul>	
Mazda8	<ul style="list-style-type: none"> <li>• MZR 2.3L InLine 4-Cylinder 16-Valve DOHC with S-VT</li> <li>• Produces 163 PS at 6,500 rpm and 203 Nm of torque at 3,500 rpm</li> </ul>	



**7. BUSINESS OVERVIEW (Cont'd)**

Model	Description	Visual
CX-7 (2WD and AWD)	<ul style="list-style-type: none"> <li>• MZR 2.3L DISI Turbocharged Inline 4-Cylinder DOHC 16-Valve</li> <li>• Produces 234 PS at 5,000 rpm and 350 Nm of torque at 2,500 rpm</li> </ul>	
CX-9 (2WD and AWD)	<ul style="list-style-type: none"> <li>• 3.7L V6 DOHC 24Valve S-VT</li> <li>• Produces 277 PS at 6,250 rpm and 367 Nm of torque at 4,250 rpm</li> </ul>	
MX-5	<ul style="list-style-type: none"> <li>• MZR 2.0L InLine 4-Cylinder 16 Valve DOHC S-VT</li> <li>• Produces 160 PS at 6,700 rpm and 188 Nm of torque at 5,000 rpm</li> </ul>	

**7.5.3 CBU commercial vehicle**

Model	Description	Visual
BT-50	<ul style="list-style-type: none"> <li>• 2.2L Manual (Mid Spec and High Spec), 2.2L Auto and 3.2L Auto Diesel MZ-CD DOHC Turbo Diesel</li> <li>• 2.2L (Manual/Auto) - Produces 152 PS at 3,700 rpm and 375 Nm of torque at 1,500 rpm</li> <li>• 3.2L - Produces 203 PS at 3,000 rpm and 470 Nm of torque at 1,750 rpm.</li> </ul>	

## 7. BUSINESS OVERVIEW (Cont'd)

## 7.5.4 List of awards

Our range of Mazda vehicles have received various awards in Malaysia as follows:

Year	Country	Awarding body	Award
<b>(i) Mazda2</b>			
2010	Malaysia	Asian Auto Magazine and Viewer's Choice Award ("VCA")	Asian Auto – VCA Auto Industry Awards 2010: Best Value for Money Compact Car
<b>(ii) Mazda3</b>			
Year	Country	Awarding body	Award
2011	Malaysia	Asian Auto Magazine	Asian Auto Industry Awards 2011: Best Local Assembly Family Car – Mazda3 1.6L
2011	Malaysia	Asian Auto Magazine	Asian Auto Industry Awards 2011: Best Value for Money Sports Car – Mazda3 MPS
2011	Malaysia	Asian Auto Magazine	Asian Auto Fuel Efficiency Awards 2011: Small Premium Family Cars – 3 <sup>rd</sup> Place: Mazda3 1.6L
2011	Malaysia	Shell V-Power and Autoworld.com.my	Shell V-Power Autoworld Car of the Year Awards 2011: Best Value for Money Performance Car – Mazda3 MPS
2011	Malaysia	Asian Auto and Ambank	Fuel Efficiency Awards 2011: Best Performance Hot Hatch – 3 <sup>rd</sup> Place: Mazda Turbo MPS
2012	Malaysia	Asian Auto Magazine and VCA	Fuel Efficiency Award 2012 – Mazda 3 1.6L (Small Premium Family Car)
<b>(iii) Mazda5</b>			
Year	Country	Awarding body	Award
2011	Malaysia	AUTOCAR (Malaysia)	AUTOCAR Asean Car of the Year Awards 2011, Small/Midsize MPV
<b>(iv) Mazda6</b>			
Year	Country	Awarding body	Award
2010	Malaysia	Asian Auto Magazine	Fuel Efficiency Awards 2010: 1 <sup>st</sup> Place Luxury Family Cars
2010	Malaysia	Autoworld.com.my and CIMB group	CIMB Autoworld Car of the Year Awards 2010: Best Passenger Car: Mid-Size
2011/2012	Malaysia	Wheels Weekly	Live Life Drive: Car of the Year – Large Executive
2013	Malaysia	Asian Auto Magazine and VCA	Asian Auto Allianz Auto Industry Award 2013: Best Value for Money Executive Car – Mazda6 2.0L

## 7. BUSINESS OVERVIEW (Cont'd)

(v)	<b>Mazda8</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
		2010	Malaysia	Asian Auto Magazine and VCA	Fuel Efficiency Awards 2010: 3 <sup>rd</sup> Place Luxury MPV
		2010 2011/2012	Malaysia Malaysia	AUTOCAR (Malaysia) Wheels Weekly	AUTOCAR Asean Car of the Year Awards 2010, Large MPV Live Life Drive: Car of the Year – Full Size MPV
(vi)	<b>CX-5</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
		2012	Malaysia	Asian Auto Magazine and Allianz	Asian Auto Industry Awards 2012: Best Value for Money SUV
		2012 2012	Malaysia Malaysia	MTM Multimedia Sdn Bhd New Straits Times and Maybank	Car of the Year Award: Small/Midsize SUV Car of the Year Award: SUV of the year
		2012 2012	Malaysia Malaysia	Autoworld.com.my AUTOCAR (ASEAN)	Autoworld Car of the Year Awards 2012: Best SUV/Crossover Car of the Year Award: Small / Midsize SUV
(vii)	<b>CX-7</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
		2010	Malaysia	The New Straits Times Press and Maybank group	Car of the Year Award: Premium SUV of the Year 2010
		2010	Malaysia	Asian Auto Magazine	Fuel Efficiency Awards 2010: 1 <sup>st</sup> Place Luxury MPV
(viii)	<b>CX-9</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
		2011/2012	Malaysia	Wheels Weekly	Live Life Drive: Car of the Year – Luxury SUV
		2013	Malaysia	The Brand Laureate	Best Brand in Automotive – Sedan

## 7. BUSINESS OVERVIEW (Cont'd)

Mazda vehicles has achieved international acclaim in various categories and countries including the following, which are by no means exhaustive:

<b>(i) Mazda3</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
	2010	United States	MotorWeek	Drivers' Choice Award 2010 - Best Small Car
	2010	Japan	Nikkei Inc.	Nikkei Excellent Products and Services Award – Award for Excellence – Nikkei Sangyo Shimbun Award: Automotive
<b>(ii) Mazda6</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
	2010	United Kingdom	Fleet World	2010 Fleet World Honours: Best Estate Car
	2013	-	World Car Award	2013 World Design Car of the Year – One of the 3 Finalist
<b>(iii) MX-5</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
	2010	United Kingdom	J.D. Power and Associates	2010 UK Vehicle Ownership Satisfaction Study: Best Sports Car
<b>(iv) CX-5</b>	<b>Year</b>	<b>Country</b>	<b>Awarding body</b>	<b>Award</b>
	2012-2013	Japan	Japan "Car of the Year" committee	Japan Car of the Year Award
	2012	Japan	Japan Automotive Hall of Fame ("JAHFA")	2012-2013 JAHFA Car Technology of the Year

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.6 Principal markets

Our revenue is mainly derived in Malaysia, from the sales of Mazda vehicles and spare parts as well as the maintenance and fitting of Mazda vehicle accessories.

Our revenue by activities for the past 4 FYE 30 April 2010, 2011, 2012 and 2013 is as follows:

Activity	FYE 30 April							
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sale of CBU vehicles	278,091	97.0	556,440	93.9	439,933	66.3	818,514	76.9
Sale of CKD vehicles	-	-	16,499	2.8	204,779	30.9	208,960	19.7
Sale of spare parts	7,982	2.8	18,041	3.0	16,791	2.5	29,063	2.7
Maintenance and fitting of motor vehicle accessories <sup>(1)</sup>	756	0.2	1,623	0.3	2,078	0.3	7,812	0.7
<b>Total</b>	<b>286,829</b>	<b>100.0</b>	<b>592,603</b>	<b>100.0</b>	<b>663,581</b>	<b>100.0</b>	<b>1,064,349</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> The revenue from the maintenance and fitting of motor vehicles accessories includes the sales of the accessories for Mazda vehicles.

Our sales volume by geographical location for the past 4 FYE 30 April 2010, 2011, 2012 and 2013 is as follows:

	FYE 30 April							
	2010		2011		2012		2013	
	Units	%	Units	%	Units	%	Units	%
Malaysia	2,113	100.0	4,826	100.0	5,909	100.0	8,142	92.5
Philippines	-	-	-	-	-	-	657	7.5
<b>Total</b>	<b>2,113</b>	<b>100.0</b>	<b>4,826</b>	<b>100.0</b>	<b>5,909</b>	<b>100.0</b>	<b>8,799</b>	<b>100.0</b>

Our sales volume in Malaysia is further analysed into regions as below:

Region	FYE 30 April							
	2010		2011		2012		2013	
	Units	%	Units	%	Units	%	Units	%
Central <sup>(1)</sup>	1,422	67.3	3,031	62.8	3,669	62.1	5,267	64.7
Northern <sup>(2)</sup>	301	14.2	813	16.8	928	15.7	1,143	14.0
Southern <sup>(3)</sup>	146	6.9	490	10.2	828	14.0	1,003	12.3
Eastern <sup>(4)</sup>	71	3.4	153	3.2	188	3.2	243	3.0
Sabah and Sarawak	173	8.2	339	7.0	296	5.0	486	6.0
<b>Total</b>	<b>2,113</b>	<b>100.0</b>	<b>4,826</b>	<b>100.0</b>	<b>5,909</b>	<b>100.0</b>	<b>8,142</b>	<b>100.0</b>

**Notes:**

<sup>(1)</sup> Central region comprises Wilayah Persekutuan Kuala Lumpur and Selangor.

<sup>(2)</sup> Northern region comprises Perlis, Kedah, Pulau Pinang and Perak.

<sup>(3)</sup> Southern region comprises Melaka, Negeri Sembilan and Johor.

<sup>(4)</sup> Eastern region comprises Pahang, Kelantan and Terengganu.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.7 Location of operations and services

Details of our operation and service centres are set out below:

Company	Location	Main function
Bermaz and BMTSB	No. 7, Jalan Pelukis U1/46 Temasya Industrial Park Seksyen U1 40150 Shah Alam Selangor	Headquarters, administrative office and 3S centre
BMTSB	Lot 765, Jalan Padang Jawa Seksyen 16 40200 Shah Alam Selangor	Pre-delivery inspection centre, Mazda vehicles storage site and 3S centre
BMTSB	Lot 9, Jalan 219 46100 Petaling Jaya Selangor	3S centre and training centre
BMTSB	214, Jalan Ampang 50450 Kuala Lumpur	3S centre
BAP	9th Floor, Rufino Building Ayala Avenue Makati City Philippines	Headquarters and administrative office
BAP	Km. 52, Bo. Lawa Calamba City Laguna, Philippines	Leased warehouse storage facility

We have also leased space at a warehouse located at The Ship, No. 1, One Logistics Hub, Persiaran Sungai Hampar, Seksyen 32, 40460 Shah Alam, Selangor for the storage of Mazda vehicles components and spare parts.

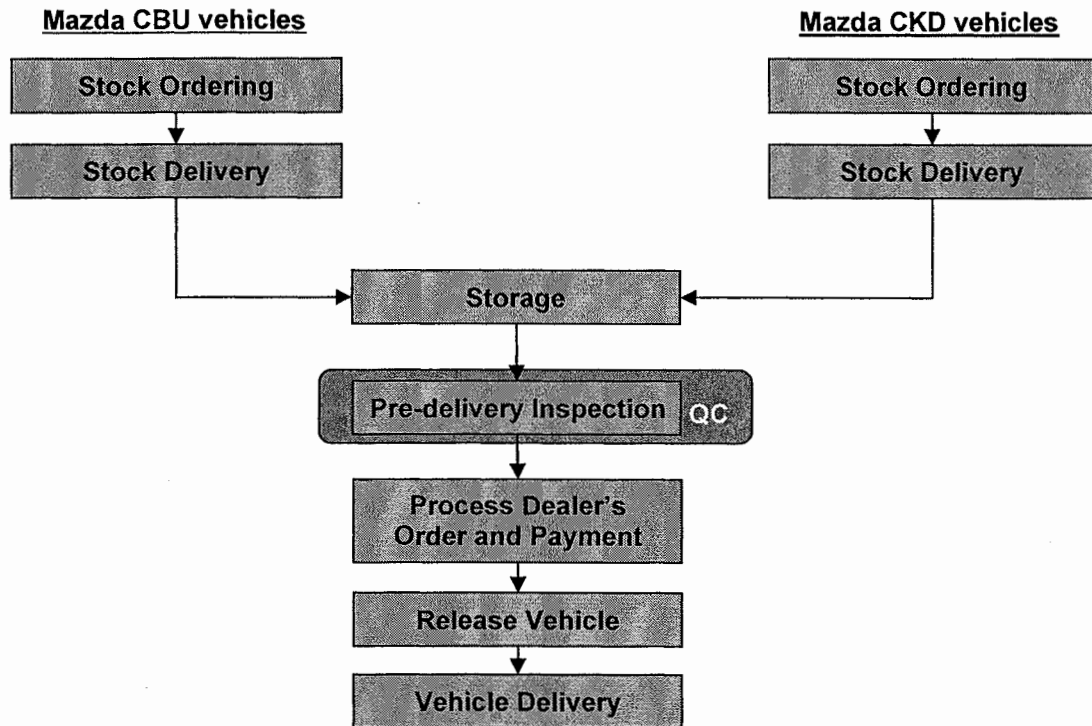
In addition, all our appointed dealers have their own facilities throughout Malaysia to carry out the retailing of Mazda vehicles and/or provision of after sales services for Mazda vehicle owners. In the Philippines, our third party dealers have facilities to carry out the retailing of Mazda vehicles and/or provision of after sales services.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.8 Business processes

The processes involved in the distribution and retailing of our Mazda vehicles are as follows:



#### 7.8.1 Process flow for Mazda CBU vehicles

- (i) **Stock ordering.** We submit our orders for the Mazda CBU vehicles by model and colour to Prima Merdu for importation from Mazda Japan.
- (ii) **Stock delivery.** The Mazda CBU vehicles will be shipped from Mazda Japan's production facilities in Japan or Thailand directly to our warehouse at the Padang Jawa Branch via Port Klang on instruction from Prima Merdu.
- (iii) **Storage.** The Mazda CBU vehicles will be stored at the warehouse prior to distribution to our branches and dealers.
- (iv) **Pre-delivery inspection.** We have a dedicated team to carry out pre-delivery inspection, including visual inspection, for all Mazda CBU vehicles received. For details of our quality control measures of pre-delivery inspection, please refer to Section 7.10 of this Prospectus.
- (v) **Process dealers' orders and payment.** We will process the orders and payments submitted by our dealers prior to releasing the Mazda CBU vehicles.
- (vi) **Release vehicle.** Our team at the warehouse will release the Mazda CBU vehicles to transporters upon confirmation of payment from our National Sales Department. Dealers are responsible for making their respective vehicle transportation arrangements.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.8.2 Process flow for Mazda CKD vehicles

- (i) **Stock ordering.** We submit our orders to MMSB for assembly of Mazda CKD vehicles.
- (ii) **Stock delivery.** Upon completion of the assembly, MMSB will arrange for the delivery of assembled Mazda CKD vehicles from Inokom to our pre-delivery inspection centres.
- (iii) **Storage.** The Mazda CKD vehicles will be stored at the warehouses prior to distribution to our branches and dealers.
- (iv) **Pre-delivery inspection.** We have a dedicated team to carry out pre-delivery inspection, including visual inspection, of all assembled Mazda CKD vehicles. For details of our quality control measures of pre-delivery inspection, please refer to Section 7.10 of this Prospectus.
- (v) **Process dealers' orders and payments.** We will process orders and payments submitted by our dealers prior to releasing the vehicles.
- (vi) **Release vehicle.** Our team at the warehouse will release the Mazda CKD vehicles to transporters upon confirmation of payment from our National Sales Department. Dealers are responsible for making their respective vehicle transportation arrangements.

### 7.9 Raw materials

We purchase completed CBU and CKD Mazda vehicles from our suppliers, namely Prima Merdu and MMSB respectively, following the transfer of the CKD assembly activities to MMSB with effect from 1 February 2013. As such, we do not purchase any raw material for our operations.

### 7.10 Quality control

We believe that quality is important in delivering a positive driving experience to our customers. We place high importance on carrying out the quality control and pre-delivery inspection on each Mazda vehicle prior to delivering the Mazda vehicles to our dealers, and eventually our customers.

All Mazda vehicles undergo the following quality control measures at our pre-delivery inspection centre at the Padang Jawa Branch for Mazda CBU vehicles and Kajang for Mazda CKD vehicles:

- (i) For the Mazda CBU vehicles, the vehicle protective packaging is removed and sent for washing;
- (ii) Visual inspection to ascertain any possible damages such as scratches, dents and windscreen cracks;
- (iii) Vehicle engine start-up to check engine and display panels;
- (iv) Body repair work to be carried out, if necessary;
- (v) Fitting of accessories; and
- (vi) Vehicle is rechecked upon completion of accessories fitting.



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.11 Sales and marketing

Our branding and marketing strategy is part of Mazda's global strategy. This strategy focuses on creating a niche image of luxury and uniqueness, and sporty performance for Mazda vehicles. The strategy also aims to impart the lifestyle experiences that can be enjoyed by owners of Mazda vehicles.

We continue to promote Mazda's "Zoom Zoom" tagline in Malaysia, which was developed by Mazda Japan in 2000. The "Zoom Zoom" tagline emphasises on the "emotion of motion" which stands for continuous delivery of fun and exhilarating driving experiences to our customers. In line with this, we have created a focused marketing strategy "it's different, it's stylish, it's unique", which is an extension of the "Zoom Zoom" tagline aiming to highlight the uniqueness of Mazda vehicles.

The effort is further enhanced with the introduction of Mazda's Skyactiv technology which is a product of intense research in the automotive base technology development which is further described in Section 7.5 of this Prospectus.

Other marketing initiatives undertaken by our Group include the following:

Channel	Description
Advertisements	<p>We utilise both traditional media, such as magazine, newspaper and TV advertisements, and non-traditional media, such as online advertising and dedicated microsites, to advertise our range of Mazda vehicles. New model launches are prominently featured in major daily newspapers.</p> <p>Apart from that, our Group also utilises social media such as Facebook, Mazda Microsite and Online Motor Magazine for online advertising and promotion. For example, we organised a video contest on our Facebook Page to create the hype on Mazda brand among our Facebook fans using a web application. We believe that this channel of advertising enables us to carry out more targeted efforts aimed at various segments of consumers in Malaysia.</p>
Event sponsorships	<p>We have routinely provided sponsorship for various golf competitions such as MAZDA Malaysian Ladies Amateur Open and annually for Kelab Golf Negara Subang ("KGNS")-Mazda Ladies Amateur Open, which are associated with Malaysian Ladies Golf Association (MALGA) and KGNS. This approach allows our brand to target women in the higher income group.</p> <p>In addition, we participated in motor events in Malaysia such as the Goodyear Formula DRIFT Malaysia 2010, which was organised by ESPN Star Sports and Dewan Bandaraya Kuala Lumpur and the Foster Motor Sports Endurance event in 2012. Our participation in these events has enabled us to gain traction in promoting the profile of the Mazda brand and our latest model of Mazda vehicles.</p> <p>In order to further strengthen our Mazda's brand as a performance vehicle, we also engaged in local motorsport events. In December 2012, we announced our collaboration with Fawster Motorsport, in which 2 Mazda3 track cars were modified and competed in its debut race, the Sepang 1,000km race 2012. The cars were fully sponsored by us as a symbol of dedication and confidence in motorsport activities.</p> <p>We also sponsored a saloon cars racing competition, which was organised by Grass Racing Autosport ("GRA") called the Mazda GRA Autocross 2013. It is a racing event held intermittently in various venues locally.</p> <p>As an effort to publicise our brand, we have also sponsored various contests such as Lazada Giveaway Extravaganza, Tropicana Twister Live Love Life, Watson CNY Giveaway and Citibank Speed and Win.</p>

## 7. BUSINESS OVERVIEW (Cont'd)

Channel	Description
Roadshows	We frequently organise roadshows in various high traffic shopping centres throughout Malaysia to create awareness for the Mazda range of vehicles and introduce new Mazda models to the public.
Joint promotions	<p>We launched several joint promotions with various brands, namely Citibank, Dutch Lady, Procter &amp; Gamble, Hong Leong Bank and Shell Helix for various contests or campaigns. These promotional activities provide a platform for us to further increase the Mazda brand awareness to the public.</p> <p>In addition, our customers can also use B Loyalty card to retrieve loyalty point for each payment made at our after sales service which can be redeemed at all B Corporation Group's retail outlets as well as other participating third party retail outlets. This helps to promote B Corporation members' services and enhances our partnership within B Corporation.</p>
CRM and social club networking	<p>We believe in the importance of long term loyalty of our customers. In view of this, we created the CRM programme to maintain close contact with existing Mazda vehicle owners and remain as their preferred automotive brand.</p> <p>Upon purchase of Mazda vehicles, customers are presented with a welcome pack which includes Mazda premium items, 3 years warranty, free 3 years services and maintenance package, B Loyalty Card and Mazda newsletter, and customers are also welcomed into our Mazda owners club. These Mazda vehicle owners will be able to keep abreast of club events via the Mazda Malaysia fanpage on Facebook. Club members will be able to participate in events such as family outing day and members' gathering day. In addition, members will also be entitled to privileges at selected retail outlets operated by companies within the B Corporation Group.</p>
Media public relations	We believe in continuously engaging our media partners, journalists and enthusiastic auto bloggers. We frequently organise test drives throughout the year for these individuals. Apart from that, we utilise several tools in enhancing the image of Bermaz such as news releases and announcements that are sent to the media as well as company newsletters, namely "Zoom Zoom Newsletter", that we send out regularly to our customers in order to inform them of upcoming activities or promotions.
Sales promotion	As part of our marketing strategy in Malaysia, we introduce sales promotions from time to time in order to boost the sales of our Mazda passenger vehicles. We offer 3 years' free service and maintenance (labour and spare parts) or 60,000 kilometres (km), whichever comes first, on all Mazda passenger vehicles <sup>(1)</sup> . Additionally, we also provide vehicle exterior protection coating (Tribos) that can preserve the vehicle's new look to all our CBU passenger vehicles. These are efforts to add value to our products in order to maintain our competitiveness.
Corporate social responsibility	<p>We believe in helping and improving the life of the under privilege. In 2011, we participated in Berjaya Founder's Day Carnival in 2011 and sponsored a Mazda2 for the lucky draw together with Berjaya Sompo Insurance Berhad. All proceeds from the Berjaya Founder's Day were channelled to charitable organisations. We also contributed RM303,000 to Japan's earthquake and tsunami victim through BAKTI in April 2011. On 9 August 2012, we organised a visit to an orphanage located in Rawang which coincided with the fasting month where we shared our fortuity by providing breaking of fast sustenance, donation, gifts and 'duit raya'.</p> <p>In June 2013, we donated approximately RM11,000 and RM5,000 to Pusat Jagaan Titian OKU Nur and the Red Crescent charity dinner, respectively.</p>

**Note:**

<sup>(1)</sup> From November 2012 up to the LPD, we provide a 5-year warranty or 100,000 kilometres, whichever comes first, for certain Mazda models as part of our promotional activities.

## 7. BUSINESS OVERVIEW (Cont'd)

In the Philippines market, the promotion of the Mazda brand image consists of 3 pillars of marketing communications which comprises "Skyactiv Technology", "YOJIN3" and the Mazda "KODO" design language. For further information on "Skyactiv Technology", please refer to Section 7.5 of this Prospectus. "YOJIN3" is our latest marketing strategy which provides free 3-year periodic maintenance, free 3-year nationwide emergency roadside assistance with concierge service and free 3-year bumper-to-bumper product warranty. Mazda "KODO" design language refers to Mazda's design philosophy wherein all future Mazda vehicles are expected to be designed to express faster, more forceful movement and includes a more soulful element.

For the Philippines market, a portion of our marketing budget is dedicated to the Mazda dealer marketing fund programme which is jointly funded by BAP and the dealers in the Philippines. Under this marketing programme, our third party dealers will organise sales promotions of Mazda vehicles on every weekend in shopping malls throughout the year.

### 7.12 Distribution strategy

Our range of Mazda vehicles are marketed to end customers via our branches and appointed dealers. These branches and dealer showrooms can be categorised as 1S, 2S or 3S centres. Our 1S centres consist of showrooms only. Our 2S centres offer after sales vehicle servicing facilities and selling of Mazda related spare parts. Our 3S centres have all the 3 features, namely showrooms, after sales vehicle servicing facilities and selling of Mazda related spare parts.

A summary of our dealers for the past 4 FYE 30 April 2010, 2011, 2012 and 2013, and as at the LPD is as follows:

Region	Total dealers														
	As at 30 April 2010			As at 30 April 2011			As at 30 April 2012			As at 30 April 2013			As at the LPD		
	1S	2S	3S	1S	2S	3S	1S	2S	3S	1S	2S	3S	1S	2S	3S
Central <sup>(1)</sup>	9	1	5	13	1	7	16	2	6	16	2	9	16	2	9
Northern <sup>(2)</sup>	3	3	3	4	3	5	4	3	6	4	3	6	4	3	6
Southern <sup>(3)</sup>	3	6	1	3	4	2	3	6	2	4	4	4	3	3	5
Eastern <sup>(4)</sup>	3	2	2	3	2	3	4	3	2	4	3	1	4	3	1
Sabah and Sarawak	1	-	5	1	-	6	1	1	4	3	2	4	3	2	4
<b>Total</b>	<b>19</b>	<b>12</b>	<b>16</b>	<b>24</b>	<b>10</b>	<b>23</b>	<b>28</b>	<b>15</b>	<b>20</b>	<b>31</b>	<b>14</b>	<b>24</b>	<b>30</b>	<b>13</b>	<b>25</b>
<b>Grand total</b>	<b>47</b>			<b>57</b>			<b>63</b>			<b>69</b>			<b>68</b>		

**Notes:**

<sup>(1)</sup> Central region comprises Wilayah Persekutuan Kuala Lumpur and Selangor.

<sup>(2)</sup> Northern region comprises Perlis, Kedah, Pulau Pinang and Perak.

<sup>(3)</sup> Southern region comprises Melaka, Negeri Sembilan and Johor.

<sup>(4)</sup> Eastern region comprises Pahang, Kelantan and Terengganu.

The total number of dealers increased from 47 dealers as at 30 April 2010 to 68 dealers as at the LPD, mainly due to the increase in number of 1S and 3S dealers in line with our expansion plans. However, the total number of 3S dealers had declined slightly from 23 as at 30 April 2011 to 20 as at 30 April 2012 resulting from the mutual agreement between Bermaz and the 3S dealers to terminate the contracts. Subsequently, the total number of 3S dealers increased to 24 as at 30 April 2013 mainly due to an increase in the sales volume of Mazda vehicles in Central and Southern regions which in turn require the presence of more 3S centres.

## 7. BUSINESS OVERVIEW (Cont'd)

We place priority in selecting capable dealers for our range of Mazda vehicles and frequently receive applications from potential dealers. We conduct visits to the facilities of these applicants as part of the evaluation and appointment process.

A potential dealer will be evaluated based on the following criteria:

- (i) It must possess past experience and track record in managing an automotive dealership;
- (ii) The dealership is operated by a business owner;
- (iii) It is preferred to have a minimum ownership of 2 air-conditioned shoplots for showroom;
- (iv) It should have a sound financial track record; and
- (v) It must have a sales manager together with a sales team.

Upon appointment, the dealers will have to comply with Mazda Japan's guidelines on, amongst others, outlet layout, signage, tools and spare parts, and standard operating procedures where applicable.

### 7.13 Highly dependent contracts

As at the LPD, save as disclosed below, there are no contracts, agreements, arrangements or other matters which our Group is highly dependent on:

#### (i) Malaysia CBU Agreement

By an agreement dated 31 March 2011 entered into between Bermaz and Mazda Japan (which replaces an agreement dated 28 February 2008 which has since expired), Mazda Japan has agreed to supply specific models of Mazda CBU vehicles and relevant spare parts, accessories and tools to Bermaz for distribution in Malaysia. In consideration of the distribution rights granted to Bermaz as the authorised distributor in Malaysia, Bermaz shall pay a distribution right fee to Mazda Japan on a monthly basis.

Pursuant to the Malaysia CBU Agreement:

- (a) Bermaz is allowed to purchase other motor vehicles, spare parts, accessories and tools supplied by any other parties other than Mazda Japan for sale in Malaysia, provided that Mazda Japan, in its sole right, upon reasonable grounds determines that such sale will not adversely affect the sale of the Mazda CBU vehicles and relevant spare parts, accessories and tools;
- (b) Bermaz is not allowed to sell, directly or indirectly, Mazda CBU vehicles and relevant spare parts, accessories and tools outside of Malaysia;
- (c) Mazda Japan is allowed to supply motor vehicles other than Mazda brand motor vehicles and relevant spare parts, accessories and tools to other parties other than Bermaz, directly or through any person, for sale in Malaysia;

## 7. BUSINESS OVERVIEW (Cont'd)

- (d) Bermaz is required to purchase a specified number of Mazda CBU vehicles to achieve a minimum market share during the term of the Malaysia CBU Agreement, failing which Mazda Japan will have the right to terminate the said agreement. The minimum purchase quota for the first year of the Malaysia CBU Agreement has been determined whereas the minimum purchase quota for the second year and the third year of the said agreement are to be mutually determined by both parties. However, the minimum purchase quota for the second year and the third year of the said agreement may be revised, subject to the mutual agreement of both parties, after taking into consideration, the changes in the marketing situation in Malaysia and/or marketing programme of Mazda Japan;
- (e) Bermaz is allowed to use the trademarks and other marks owned by Mazda Japan for the promotion of sales of Mazda CBU vehicles and for service operations on Mazda brand vehicles in such manner as directed by Mazda Japan; and
- (f) Either party may terminate the Malaysia CBU Agreement at any time by way of a notice in writing to the other party in the event the other party has committed any breach of the provisions of the Malaysia CBU Agreement and has failed to rectify such breach within 2 months after the service of the notice in writing to the other party in default requiring such rectification or upon the occurrence of any of the following events:
  - (1) attachment, provisional attachment, auction, petition for bankruptcy, winding up, receivership, petition for corporate reorganisation or disposition for public sale due to arrears of taxes;
  - (2) insolvency, suspension of payment;
  - (3) transfer of the whole or any substantial part of the business undertaking or assets, or suspension of the business activities; or
  - (4) dissolution, merger.

The Malaysia CBU Agreement also contains the following provisions in relation to any change in the shareholding of Bermaz:

- (a) Bermaz is required to notify Mazda Japan of any changes in its firm name, address, representative, capital and/or legal organisational structure; and
- (b) Mazda Japan has the right to terminate the Malaysia CBU Agreement at any time with a notice in writing to Bermaz in the event Mazda Japan is of the opinion that it is impossible to continue business transactions with Bermaz due to any change of Bermaz management and/or due to any change in the legal organisation structure or substantial change in composition of the shareholders or investors of Bermaz.

The Malaysia CBU Agreement is valid for a term of 3 years expiring on 31 March 2014. Mazda Japan, via its letter dated 14 January 2013, has agreed to further extend the Malaysia CBU Agreement upon the expiry of the said agreement on 31 March 2014, for another 5 years expiring on 31 March 2019, subject to an annual minimum purchase quota of Mazda CBU vehicles to be mutually agreed upon.

The Malaysia CBU Agreement is governed by the laws of Japan and any dispute, controversy or difference which may arise between Mazda Japan and Bermaz is to be settled by arbitration in Japan.

## 7. BUSINESS OVERVIEW (Cont'd)

### (ii) Distributorship and Collaboration Agreement

By an agreement dated 12 March 2008 entered into between Bermaz and Prima Merdu, the parties agreed that Prima Merdu shall amongst others, import specific models of Mazda CBU vehicles from Mazda Japan, and both Bermaz and Prima Merdu shall collaborate through their respective network of branches and/or dealers to co-retail the Mazda CBU vehicles.

Prima Merdu had entered into an importation agreement with Mazda Japan on 28 February 2008 whereby Prima Merdu was given the franchise to import Mazda CBU vehicles from Mazda Japan into Malaysia. The said importation agreement was renewed on 2 December 2011 for a term of 3 years expiring 31 March 2014, which is concurrent with the expiry of the Malaysia CBU Agreement. Via the entrustment letter dated 10 January 2013, Mazda Japan and Bermaz had also agreed to entrust Prima Merdu to continue to import the Mazda CBU vehicles from Mazda Japan for supply to Bermaz and Bermaz in turn shall carry out the distribution activities in Malaysia.

Pursuant to the Distributorship and Collaboration Agreement:

- (a) Prima Merdu shall import and supply such models and volume of Mazda CBU vehicles to Bermaz as agreed by both parties (subject to Prima Merdu's total allocation of AP) for distribution in Malaysia; and
- (b) The parties shall collaborate through their respective network of branches and/or dealers to co-retail Mazda CBU vehicles in Malaysia and jointly develop and maintain a network of after-sales facilities, services and activities.

The Distributorship and Collaboration Agreement was valid for an initial period of 3 years from 12 March 2008 and upon its expiry on 12 March 2011, the said agreement was automatically renewed for an additional term of 3 years.

### (iii) Joint Venture Agreement

By an agreement dated 11 September 2012 entered into between Bermaz and Mazda Japan, MMSB will be jointly established by Bermaz and Mazda Japan to produce and distribute Mazda brand vehicles (excluding Mazda brand CBU vehicles) in Malaysia.

Pursuant to the Joint Venture Agreement:

- (a) MMSB shall entrust the assembly of CKD vehicles of Mazda to Inokom or other assemblers;
- (b) MMSB shall entrust the distribution of CKD vehicles of Mazda in Malaysia to Bermaz;
- (c) Bermaz shall provide support in areas relating to the arrangement of equipment order and parts order to local suppliers, coordination and negotiations with local business partners, as well as administration of MMSB;
- (d) Mazda Japan shall provide support in areas relating to cost improvement activities or localisation of Mazda vehicles, technical supports regarding production of CKD vehicles of Mazda, as well as brand building activities;
- (e) Mazda Japan and Bermaz shall not transfer, pledge or otherwise dispose all or part of the shares in MMSB without obtaining the authorised resolutions of the shareholders meeting of MMSB; and

## 7. BUSINESS OVERVIEW (Cont'd)

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- (f) One party may terminate the Joint Venture Agreement by written notice to the other in the event the other party falls under any of the following:
- (1) if such party violates any provisions of this agreement, and, notwithstanding the demand from the other party that such violation be remedied, fails to remedy such violation within 90 days;
  - (2) if such party has become the subject to any attachment, provisional attachment, provisional disposition, disposition of public auction, attachment for failure to pay taxes or other disposition by any public authority, or any petition seeking the commencement of civil rehabilitation proceedings, the commencement of corporate reorganisation proceedings, special mediation or bankruptcy or other insolvency proceedings has been filed, and such event has a material impact to the operation of the business of MMSB;
  - (3) if such party transfers, or makes a resolution to transfer, all or substantial portion of its business;
  - (4) if such party becomes insolvent including the cases where such party is unable to make payment or any bill or cheque issued or accepted by such party is dishonoured;
  - (5) if such party has become subject to the disposition of discontinuation of business, or revocation of business licence or business registration by the competent supervising agency;
  - (6) if such party has made a resolution to dissolve itself other than by way of the discontinuation of its business or merger;
  - (7) if any event that has a material impact to the operation of the business of MMSB occurs, such as a change in the substantial control of the management of Mazda or Bermaz due to the merger, corporate split, transfer of business or other reorganisation or change in the major shareholders; or
  - (8) if any event that substantially destroys the trust relationship as partners of a joint venture occurs.

The Joint Venture Agreement is governed by the laws of Japan and any dispute, controversy or difference which may arise between Mazda Japan and Bermaz is to be settled by arbitration in Japan.

### (iv) Philippines CBU Agreement

By an agreement dated 12 September 2012 entered into between BAP and Mazda Japan, the parties agreed that BAP shall import and distribute specific models of Mazda CBU vehicles and relevant spare parts, accessories and tools in the Philippines. In consideration of the distribution rights granted to BAP as the authorised distributor in the Philippines, BAP shall pay a distribution right fee to Mazda Japan on a monthly basis.

**7. BUSINESS OVERVIEW (Cont'd)**

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Pursuant to the Philippines CBU Agreement:

- (a) BAP is allowed to purchase other motor vehicles, spare parts, accessories and tools supplied by any other parties other than Mazda Japan for sale in the Philippines, provided that Mazda Japan, in its sole right, upon reasonable grounds determines that such sale will not adversely affect the sale of Mazda CBU vehicles and relevant spare parts, accessories and tools;
- (b) BAP is not allowed to sell, whether directly or indirectly, Mazda CBU vehicles and relevant spare parts, accessories and tools outside of the Philippines;
- (c) Mazda Japan is allowed to supply motor vehicles other than Mazda brand motor vehicles and relevant spare parts, accessories and tools to any other party other than BAP, directly or through any person, for sale in the Philippines;
- (d) BAP is required to purchase a specified number of Mazda CBU vehicles to achieve a minimum market share in each year during the term of the Philippines CBU Agreement, failing which Mazda Japan will have the right to terminate the said agreement. However, the minimum purchase quota for the second year and the third year of the said agreement may be revised, subject to the mutual agreement of both parties, after taking into consideration, the changes in the marketing situation in the Philippines and/or marketing programme of Mazda Japan;
- (e) BAP is allowed to use the trademarks and other marks owned by Mazda Japan for the promotion of sales of Mazda CBU vehicles and for service operations on Mazda brand vehicles in such manner as directed by Mazda Japan;
- (f) Mazda Japan may undertake feasibility studies on BAP in relation to Mazda Japan's capital injection in BAP and BAP shall agree to Mazda Japan's capital participation in BAP and sell its shares to Mazda Japan at fair market value (excluding any goodwill) to be separately agreed between the relevant parties if Mazda Japan determines to invest in BAP;
- (g) BAP assures Mazda Japan that it shall have the first right of refusal to purchase such share of BAP at fair market value (excluding goodwill) to be agreed separately by relevant parties in the event BCorporation plans to sell the whole or part of its shares in BAP or to increase the capital of BAP. Notwithstanding the foregoing, the sale of shares in BAP to any third party, including public offering, shall be subject to Mazda Japan's prior written agreement; and
- (h) Either party may terminate the Philippines CBU Agreement at any time by way of a notice in writing to the other party in the event the other party has committed any breach of the provisions of the Philippines CBU Agreement and has failed to rectify such breach within 2 months after the service of the notice in writing to the other party in default requiring such rectification or upon the occurrence of any of the following events:
  - (1) attachment, provisional attachment, auction, petition for bankruptcy, winding up, receivership, petition for corporate reorganisation or disposition for public sale due to arrears of taxes;
  - (2) insolvency, suspension of payment;



## 7. BUSINESS OVERVIEW (Cont'd)

- (3) transfer of the whole or any substantial part of the business undertaking or assets, or suspension of the business activities; or
- (4) dissolution, merger.

The Philippines CBU Agreement also contains the following provisions in relation to any change in the shareholding of BAP:

- (a) BAP is required to notify Mazda Japan of any changes in its firm name, address, representative, capital and/or legal organisational structure in the Philippines; and
- (b) Mazda Japan has the right to terminate the Philippines CBU Agreement at any time with a notice in writing to BAP in the event Mazda Japan is of the opinion that it is impossible to continue business transactions with BAP due to any change of BAP management and/or due to any change in the legal organisation structure or substantial change in composition of the shareholders or investors of BAP.

The Philippines CBU Agreement is valid for a term of 3 years expiring on 30 September 2015.

The Philippines CBU Agreement is governed by the laws of Japan and any dispute, controversy or difference which may arise between Mazda Japan and BAP is to be settled by arbitration in Japan.

### 7.14 Technology used

We do not depend on any specific or advanced technology for our business operations in the distribution and retailing of Mazda vehicles.

### 7.15 R&D

As at the LPD, we do not have any R&D policies and we do not undertake any R&D activities.

### 7.16 Major customers

We distribute Mazda vehicles to a broad range of retail customers across different demographic groups through our own branches and our dealers nationwide. However, only one of our customers, Prima Merdu, accounted for 10% or more of our total revenue in the past 4 FYE 30 April 2010, 2011, 2012 and 2013 as follows:

Customer	Approximate length of relationship (years)	As a percentage of total revenue (%)							
		2010		2011		2012		2013	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Prima Merdu	5.5	11,364	4.0	58,555	9.9	74,032	11.2	153,274	14.4

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.17 Major suppliers

Our suppliers that accounted for 10% or more of our total purchases for the past 4 FYE 30 April 2010, 2011, 2012 and 2013 are as follows:

Supplier	Approximate length of relationship (years)	As a percentage of total purchases (%)							
		2010				FYE 30 April			
		RM'000	%	RM'000	%	2011	2012	2013	
Prima Merdu (Mazda CBU Vehicles)	5.5	248,597	92.0	556,640	85.0	269,811	55.3	652,958	66.6
Mazda Japan (Mazda CBU vehicles, CKD packs and spare parts) <sup>(1)</sup>	5.6	6,428	2.4	24,621	3.8	73,026	15.0	95,011 <sup>(2)</sup>	9.7

**Notes:**

<sup>(1)</sup> The supply from Mazda Japan includes the supply of CKD packs and spare parts for Mazda CKD assembly activities in Malaysia and the supply of Mazda CBU vehicles and spare parts for distribution in the Philippines, which was imported directly by BAP.

<sup>(2)</sup> Pursuant to the transfer of the assembly activities of CKD vehicles of Mazda from Bermaz to MMSB, Mazda Japan ceased to be the major supplier of CKD packs and parts to Bermaz with effect from 1 February 2013. MMSB has become the supplier of CKD vehicles to Bermaz.

With effect from 1 February 2013, the CKD vehicles of Mazda assembled by MMSB through Inokom for distribution in the Malaysian market will be sold to Bermaz.

Although Mazda Japan is not our direct supplier, we are indirectly dependent on Mazda Japan for the supply of the Mazda vehicles.

### 7.18 Interruption in business operations

Our Group has not experienced any interruption in business which has had a material effect on our operations during the past 12 months period preceding the LPD.

### 7.19 Seasonality

We have historically experienced a slight increase in sales of our Mazda vehicles as we approach festive periods such as Chinese New Year and marginal decline during year end as customers may prefer to register their vehicles in the following year.

However, we do not expect any major fluctuations in our business due to seasonality.

### 7.20 Intellectual property

We are allowed to use the "Mazda" trademark and other marks owned by Mazda Japan for the promotion of sales of Mazda vehicles and for service operations on Mazda vehicles pursuant to the Malaysia CBU Agreement and the Philippines CBU Agreement. There are also certain corporate images set by Mazda Japan that our branches and our dealers have to adhere to at their respective showrooms.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.21 Employees

As at the LPD, we have a total workforce of 219 employees, of which 142 are in sales, after sales and marketing department, with the remaining 77 in other various support departments.

The breakdown of our employees by department is as follows:

Department	Total number of employees							
	As at 30 April				Length of service up to the LPD			
	2010	2011	2012	2013	As at the LPD	< 1 year	1 - 5 years	> 5 years <sup>(1)</sup>
Sales, after sales & marketing	49	90	113	131	142	30	67	45
Planning and distribution	-	15	16	17	17	-	8	9
Accounts	13	13	17	20	18	3	12	3
Human resource and administration	12	12	19	23	23	1	15	7
CKD Project <sup>(2)</sup>	5	4	9	-	-	-	-	-
Information Technology	5	7	8	8	12	4	7	1
Business development/ Corporate Affairs	2	1	1	2	2	-	1	1
Special project/ internal auditor	1	1	2	1	2	1	-	1
Technical Supply/ Domestic Operations	-	-	-	2	2	-	1	1
Legal	-	1	1	1	1	-	-	1
<b>Total</b>	<b>87</b>	<b>144</b>	<b>186</b>	<b>205</b>	<b>219</b>	<b>39</b>	<b>111</b>	<b>69</b>

**Notes:**

<sup>(1)</sup> Whilst Bermaz only commenced distribution/retail activities in 2008, some of our employees have been with us for more than 5 years as they were under the employment of BMTSB, which was involved in the distribution of Mazda vehicles under the previous franchise holder, CCB.

<sup>(2)</sup> All personnel from the CKD project department were transferred to MMSB in 2013 with the exception of 2 employees who have been redeployed into Bermaz operations.

The total number of our employees increased by 65.5% in FYE 30 April 2011 due to an internal management restructuring implemented during the year. In line with the rapid expansion of our business to cater for customers' demand and expectations, the total number of our employees further increased by 29.2% in FYE 30 April 2012 and 10.2% in FYE 30 April 2013.

None of our employees are represented by any unions.

## 7. BUSINESS OVERVIEW (Cont'd)

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### 7.21.1 Training and development programmes

We recognise the importance of our employees and we place strong emphasis on human resource development in order to maintain a competent and dynamic workforce. Our training policies are geared towards ensuring that the knowledge and skills of our employees remain relevant in the rapidly changing environment. Since 2010, we have devoted a substantial sum for training and development and such expenditure has grown in tandem with the increase in our total workforce.

Our training and development initiatives are focused on 5 key training areas, namely technical training, sales training, public programme, overseas training and certification-based training. Technical training mainly focuses on enhancing the technical skills of our workshop employees, especially our mechanics/technicians, foremen and service advisers in the areas of car repair, diagnosis and overall maintenance. The training is both in the form of classroom and on-the-job training relevant to the specific model of the vehicle. Sales training is a continuous programme aimed at upgrading the performance and skill set of our sales team in order to provide efficient and first class services to our potential customers. Employees' participation in selected public programmes and overseas trainings are based on their needs and are reviewed on an individual basis.

Each salesperson who has completed the training programme holds a 'Training Passport', which is a testimony that they have undergone certain compulsory training with regards to the different models of Mazda vehicles. Besides technical product training, we also provide effective communication training in order to enhance their soft skills.

Our largest investment in training and development is in the certification-based training, namely the MAP and RMT.

MAP targets school leavers who are interested in the automotive segment as their career of choice. The training is conducted in-house and upon successful completion of the programme, the apprentices will be awarded with a Sijil Kemahiran Malaysia (SKM) Level 1, 2, and 3, accredited by the Department of Skills Development, Ministry of Human Resources, as motor vehicle mechanics and will be ready to serve in our workshops. The first intake for this programme comprised of 30 apprentices who were successfully recruited during the year 2010. Subsequently, we recruited 18 apprentices in 2011, 25 apprentices in 2012 and 28 apprentices in 2013. This initiative will continue with each annual intake.

RMT is another unique development programme with the objective of developing future managers in the automotive retail business. This programme, through collaboration with the Institute of Motor Industry, UK, selects graduates from local and overseas universities in any field of study who will be exposed to various sectors of the automotive business environment such as sales, marketing, after sales, accounts, human resource and planning and distribution, which adopts a combination of both classroom and on-the-job training. Upon completion of a 2-year rotation, they will be awarded with a Diploma in Automotive Sales Management and the candidates will be ready to manage a new branch or showroom. The first intake for this programme comprised of 7 trainees who were recruited during the year 2010. Subsequently, we recruited 1 trainee each in 2011 and 2012. There has not been any intake in 2013 as we have yet to identify suitable candidates for the programme.

## 7. BUSINESS OVERVIEW (Cont'd)

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### 7.21.2 Management succession plan

We recognise the importance of our ability to attract and retain our key management. Hence, we have made concerted efforts to identify and groom middle management in all key areas as an integral part of our management succession plan. The plan includes offering a competitive remuneration package and providing training and career development opportunities for our employees in all key functions of our operations. We also have key initiatives to groom young talent for future succession via the MAP and RMT.

### 7.22 Regulatory requirements and environmental issues

Save as disclosed below, and to the best of our knowledge, we are not in breach of any regulatory requirements or environmental issues which may materially affect our operations and utilisation of our assets:

#### (i) Customs Act 1967 and AP System

The AP for motor vehicles is an import licence issued by the MITI for the importation of motor vehicles into Malaysia subject to the provisions of the Customs Act 1967. An AP is required for the import of all new or used CBU vehicles and CKD packs, including motorcycles and commercial vehicles.

MMSB is currently an AP holder for the Mazda CKD packs whilst Prima Merdu is the sole AP holder for the importation of the Mazda CBU vehicles for distribution by Bermaz in Malaysia.

#### (ii) Environment Quality Act 1974 ("EQA")

The EQA and regulations made thereunder contain provisions and regulations for the prevention, abatement, control of pollution and enhancement of the environment. No person shall deal with 'scheduled waste', as defined in the EQA, unless prior approval of the Director General of Environment Quality is obtained.

Our Group has appointed Anggun Kitar Resources Sdn Bhd and SP Metro (M) Sdn Bhd as the third-party service providers who are in compliance with the EQA, to dispose waste oil from our service centres.

#### (iii) Factories and Machinery Act, 1967 ("FMA")

The FMA regulates factories and machineries by ways of registration and examination of such machinery to ensure compliance with health and safety standards, including welfare of the parties involved. Pursuant to the FMA, no person shall install or cause to be installed any machinery in any factory or any machinery in respect of which a certificate of fitness is prescribed, except with the written approval of the inspector.

Our Group has obtained the requisite certificates of fitness in relation to the safety of the lifts and hoists used in our workshops.

**7. BUSINESS OVERVIEW (Cont'd)**

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**(iv) NAP**

On 22 March 2006, the NAP was introduced to expedite the required transformation and integration of the domestic automotive segment into regional and global industry networks. The NAP is aimed at increasing liberalisation of the industry to enable global competitiveness and was established as the main driver for the strategic directions of the automotive segment under the Third Industrial Master Plan (IMP3), 2006-2020.

The NAP is intended to maximise the long term contribution of the domestic automotive segment to the national economy, and at the same time, benefit the consumers.

On 28 October 2009, the Government announced a review of the NAP, which came into effect on 1 January 2010. The NAP review introduced new policies and measures that are expected to provide significant contribution to the overall growth of the industry and the country. Greater emphasis will be put in attracting both local and foreign investments in high value-added manufacturing activities. One of the most significant measures of the NAP review in relation to non-national manufacturers is the opening up of the manufacturing sector for manufacturing and assembling in selected vehicle segments: cars with engine capacity of 1,800cc and above and on-the-road price of RM150,000 and above, hybrid and electric cars, pick-up trucks, commercial vehicles and motorcycles with engine capacity of 200cc and above. The new measure is aimed at attracting new investments and expanding existing investments in high value-added manufacturing activities. There will be no equity conditions imposed on the manufacturing licence and hence foreign manufacturers will be allowed to hold 100% equity in firms.

The Government is expected to announce a further review of the NAP by 2013 to address the trends and technological advancements of the global automotive segment to facilitate growth.

**(v) Occupational Safety and Health Act, 1994 ("OSHA")**

The OSHA regulates the safety, health and welfare of persons at work. Every employer shall ensure, so far as is practicable, the safety, health and welfare at work of all its employees. Our Group has a safety team in place in compliance with OSHA requirements.

**(vi) Road Transport Act 1987 ("RTA")**

The RTA regulates the classification, registration and licensing of motor vehicles and drivers. Pursuant to the RTA, a manufacturer, a repairer or a dealer in motor vehicles may apply for a "motor trade licence" in respect of all motor vehicles used at their respective business premises for a prescribed fee. However, no person shall sell, or supply or offer to sell or supply a motor vehicle that does not comply with the RTA. The RTA also makes provision for the protection of third parties against risks arising from the usage of motor vehicles.