



DRB-HICOM BERHAD

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 31 December 2015

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

The Board of Directors is pleased to announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the current quarter/financial period ended 31 December 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Financial Period 9 Months Ended	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue		3,335,988	3,528,547	9,540,165	10,477,995
Cost of sales and operating expenses		(3,415,612)	(3,505,146)	(9,760,836)	(10,307,790)
Other income		36,893	112,540	398,423	403,520
Other expenses		(72,829)	(16,013)	(202,425)	(76,128)
(Loss)/profit from operations		(115,560)	119,928	(24,673)	497,597
Finance costs		(98,044)	(103,074)	(288,062)	(294,537)
Share of results of joint ventures (net of tax)		1,913	4,929	18,860	27,252
Share of results of associated companies (net of tax)		65,406	74,688	216,940	227,345
(LOSS)/PROFIT BEFORE TAXATION	15	(146,285)	96,471	(76,935)	457,657
Taxation	20	(8,327)	(72,702)	(30,729)	(176,337)
NET (LOSS)/PROFIT FOR THE QUARTER/FINANCIAL PERIOD		(154,612)	23,769	(107,664)	281,320
OTHER COMPREHENSIVE (LOSS)/INCOME					
<u>Items that will be reclassified subsequently to profit or loss:</u>					
Net gain/(loss) on fair value changes of securities: available-for-sale		18,073	(17,766)	(45,018)	(11,674)
Currency translation differences of foreign subsidiaries		(37,311)	17,349	102,170	(8,501)
<u>Reclassification adjustments:</u>					
Gain on fair value changes of securities: available-for-sale					
- Transfer to profit or loss upon disposal		-	-	-	789
Transfer of reserve of an associated company to profit or loss upon disposal		-	-	(4,604)	-
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		(19,238)	(417)	52,548	(19,386)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE QUARTER/FINANCIAL PERIOD		(173,850)	23,352	(55,116)	261,934
Net (loss)/profit for the quarter/financial period attributable to:					
Owners of the Company		(185,319)	9,468	(201,140)	210,399
Holder of Perpetual Sukuk		20,026	151	57,056	151
Non-controlling interest		10,681	14,150	36,420	70,770
		(154,612)	23,769	(107,664)	281,320
Total comprehensive (loss)/income for the quarter/financial period attributable to:					
Owners of the Company		(209,148)	14,010	(138,113)	194,198
Holder of Perpetual Sukuk		20,026	151	57,056	151
Non-controlling interest		15,272	9,191	25,941	67,585
		(173,850)	23,352	(55,116)	261,934
Basic (loss)/earnings per share (sen):	26	(9.58)	0.49	(10.40)	10.88

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2015 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31.12.2015 RM'000	Audited As at 31.03.2015 (Restated) RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,707,905	5,562,954
Concession assets		222,005	230,651
Prepaid lease properties		52,370	53,412
Investment properties		617,797	560,325
Land held for property development		776,846	728,086
Joint ventures		387,566	390,252
Associated companies		1,437,797	1,307,016
Intangible assets		1,768,395	1,392,473
Deferred tax assets		117,932	123,588
Investment securities: financial assets at fair value through profit or loss			
- Banking		148,252	118,657
Investment securities: available-for-sale			
- Banking		5,580,272	5,411,269
- Non-banking		46,238	46,238
Investment securities: held-to-maturity			
- Banking		139,989	139,042
Other receivables		265,282	155,336
Other assets		509	509
Banking related assets			
- Financing of customers		10,359,826	10,259,671
- Statutory deposits with Bank Negara Malaysia		785,301	757,721
		28,414,282	27,237,200
CURRENT ASSETS			
Assets held for sale		-	63,405
Inventories		1,988,311	2,364,414
Property development costs		397,830	320,695
Trade and other receivables		5,014,801	4,587,513
Investment securities: available-for-sale			
- Banking		630,728	1,024,210
Banking related assets			
- Cash and short-term funds		707,762	1,226,944
- Financing of customers		3,807,824	2,998,566
Bank balances and cash deposits		2,155,742	2,461,408
Derivative assets	23(a)	69,065	74,975
		14,772,063	15,122,130
TOTAL ASSETS		43,186,345	42,359,330

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	Unaudited As at 31.12.2015 RM'000	Audited As at 31.03.2015 (Restated) RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,719,601	1,719,601
Reserves		5,625,784	5,850,893
Equity attributable to owners of the Company		7,345,385	7,570,494
Perpetual Sukuk		1,038,688	822,291
Non-controlling interest		889,854	959,290
TOTAL EQUITY		9,273,927	9,352,075
NON-CURRENT LIABILITIES			
Deferred income		117,427	139,509
Long term borrowings	22(c)	4,621,578	4,832,149
Provision for liabilities and charges		5,018	3,110
Provision for concession assets		98,188	74,574
Post-employment benefit obligations		39,441	34,791
Deferred tax liabilities		67,130	91,292
Banking related liabilities – Deposits from customers		72,181	51,826
		5,020,963	5,227,251
CURRENT LIABILITIES			
Deferred income		70,756	50,869
Trade and other payables		6,433,000	5,995,704
Provision for liabilities and charges		205,943	195,653
Provision for concession assets		15,540	17,557
Bank borrowings			
- Bank overdrafts	22(a)	20,040	21,835
- Others	22(b)	2,378,881	2,065,779
Banking related liabilities			
- Deposits from customers		18,393,504	18,870,198
- Deposits and placements of banks and other financial institutions		1,293,350	408,836
- Bills and acceptances payable		22,047	67,723
Derivative liabilities	23(a)	58,394	56,851
Dividend payable		-	28,999
		28,891,455	27,780,004
TOTAL LIABILITIES		33,912,418	33,007,255
TOTAL EQUITY AND LIABILITIES		43,186,345	42,359,330
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.80	3.92

* Based on 1,933,237,051 ordinary shares in issue.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2015 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares		Non-distributable					Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Perpetual Sukuk RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share Premium RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000					
At 1 April 2015	1,933,237	1,719,601	20,701	1,000,039	(92,529)	(814)	324,688	4,598,900	7,570,586	822,291	959,290	9,352,167
Prior years' adjustments (Note 3)	-	-	-	-	-	-	-	(92)	(92)	-	-	(92)
As restated	1,933,237	1,719,601	20,701	1,000,039	(92,529)	(814)	324,688	4,598,808	7,570,494	822,291	959,290	9,352,075
Total comprehensive income/(loss) for the financial period	-	-	-	-	94,540	(31,513)	-	(201,140)	(138,113)	57,056	25,941	(55,116)
Net issuance of Perpetual Sukuk (Note 7)	-	-	-	-	-	-	-	-	-	223,841	-	223,841
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(64,500)	-	(64,500)
<u>Transactions with owners</u>												
Acquisition of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(5)	(5)
Capital repayment to non-controlling interest of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(86,460)	(86,460)
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	32,709	(32,709)	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(8,912)	(8,912)
Final dividend in respect of financial year ended 31 March 2015	-	-	-	-	-	-	-	(86,996)	(86,996)	-	-	(86,996)
At 31 December 2015	1,933,237	1,719,601	20,701	1,000,039	2,011	(32,327)	357,397	4,277,963	7,345,385	1,038,688	889,854	9,273,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Issued and fully paid ordinary shares		Non-distributable					Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Perpetual Sukuk RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share Premium RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000					
At 1 April 2014	1,933,237	1,719,601	20,701	911,016	(89,405)	(15,440)	271,832	4,493,178	7,311,483	-	1,200,065	8,511,548
Total comprehensive (loss)/ income for the financial period	-	-	-	-	(8,790)	(7,477)	66	210,399	194,198	151	67,585	261,934
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	708,773	-	708,773
<u>Transactions with owners</u>												
Effect of changes in shareholding in subsidiary companies	-	-	-	-	-	-	226	(3,143)	(2,917)	-	(9,083)	(12,000)
Disposal of subsidiary companies	-	-	-	89,023	-	-	18,047	(44,821)	62,249	-	(157,490)	(95,241)
Subscription of redeemable preference shares in a subsidiary company by non-controlling interest	-	-	-	-	(222)	-	222	-	-	-	2,937	2,937
Subscription of ordinary shares in subsidiary companies by non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,002	2,002
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	28,070	(28,070)	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(150,934)	(150,934)
Final dividend in respect of financial year ended 31 March 2014	-	-	-	-	-	-	-	(86,996)	(86,996)	-	-	(86,996)
At 31 December 2014	1,933,237	1,719,601	20,701	1,000,039	(98,417)	(22,917)	318,463	4,540,547	7,478,017	708,924	955,082	9,142,023

Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2015 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 Months Ended 31.12.2015 RM'000	9 Months Ended 31.12.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the financial period	(107,664)	281,320
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	415,201	399,209
- Finance costs	288,062	294,537
- Taxation	30,729	176,337
- Share of results of joint ventures (net of tax)	(18,860)	(27,252)
- Share of results of associated companies (net of tax)	(216,940)	(227,345)
- Gain on disposal of subsidiary companies	-	(97,424)
- Others	316,400	47,389
Operating profit before working capital changes	706,928	846,771
Changes in working capital:		
Net increase in banking related assets	(991,061)	(1,310,812)
Net increase in banking related liabilities	382,499	1,714,785
Net increase in current assets	(224,286)	(875,696)
Net increase in current liabilities	279,130	987,238
Net cash generated from operations	153,210	1,362,286
Interest received	36,661	47,025
Dividends received from joint ventures	18,556	23,600
Dividends received from associated companies	101,805	141,791
Tax paid, net of refund	(61,001)	(165,394)
Finance costs paid	(292,631)	(260,689)
Provision for liabilities and charges paid	(12,927)	(60,457)
Post-employment benefit obligations paid	(241)	(174)
Provision for concession assets paid	(2,017)	(1,744)
Net cash (outflow)/inflow from operating activities	(58,585)	1,086,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities by a banking subsidiary company (net of proceeds from disposal)	(236,187)	(1,577,579)
Acquisition of additional shares in a subsidiary company	-	(12,000)
Additional cost incurred for land held for property development	(450)	(336)
Capital repayment to non-controlling interest of a subsidiary company	(86,460)	-
Net cash outflow from acquisitions of subsidiary companies	(104,627)	(34,804)
Net cash outflow from disposal of subsidiary companies	-	(273,435)
New investment in an associated company	(6,369)	-
Purchase of property, plant and equipment/intangible assets/investment properties	(890,987)	(609,560)
Proceeds from disposal/maturity of investment securities	-	35
Proceeds from disposal of property, plant and equipment/investment properties/intangible assets/assets held for sale	82,469	71,373
Proceeds from disposal of a joint venture company	-	20,456
Redemption of available-for-sale securities by a banking subsidiary company	393,000	214,748

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	9 Months Ended 31.12.2015 RM'000	9 Months Ended 31.12.2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (Continued)		
Redemption of preference shares by a joint venture	5,000	-
Subscription of ordinary shares in subsidiary companies by non-controlling interest	-	2,002
Net cash outflow from investing activities	(844,611)	(2,199,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of Perpetual Sukuk	223,841	708,773
Proceeds from bank borrowings	3,510,647	3,324,159
Repayment of bank borrowing/hire purchase and finance leases	(3,434,215)	(3,400,051)
Fixed deposits held as security/maintained as sinking fund	(46,290)	(425,860)
Dividends paid to holders of Perpetual Sukuk	(64,500)	-
Dividends paid to shareholders	(115,995)	(115,994)
Dividends paid to non-controlling interest	(8,912)	(150,934)
Net cash inflow/(outflow) from financing activities	64,576	(59,907)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(838,620)	(1,172,763)
Effects of foreign currency translation	(31,143)	(3,622)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	2,590,271	3,278,336
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	1,720,508	2,101,951
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	2,155,742	2,814,477
Banking related assets – cash and short-term funds	707,762	589,896
Bank overdrafts	(20,040)	(34,894)
	2,843,464	3,369,479
Less: Fixed deposits held as security	(1,104,494)	(1,248,370)
Less: Bank balance in respect of Automotive Development Fund liabilities	(18,462)	(19,158)
	1,720,508	2,101,951

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2015 and the explanatory notes attached to the interim financial report.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is prepared in accordance with Financial Reporting Standard (“FRS”) 134 on “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s annual audited financial statements for the financial year ended 31 March 2015.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2015. There was no new accounting standards that became effective for the financial year beginning on 1 April 2015.

3. COMPLETION OF PURCHASE PRICE ALLOCATION

During the current financial period, the Group has completed the purchase price allocation (“PPA”) exercise to determine the fair values of the net assets of a wholly-owned subsidiary company, DRB-HICOM Asia Cargo Express Sdn. Bhd. (“DHACE”) (formerly known as Gading Sari Aviation Services Sdn. Bhd.) within the stipulated time period, i.e. twelve (12) months from the acquisition date of 29 January 2015, in accordance with FRS 3 ‘*Business Combinations*’. Based on the fair values of the net assets of DHACE, the goodwill amount has slightly reduced from RM72.73 million to RM72.64 million. The adjusted fair value of DHACE have been reflected in the Group’s Consolidated Statement of Financial Position as at previous financial year ended 31 March 2015. Below are the effects of the final PPA adjustments in accordance with FRS 3:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
As at 31 March 2015			
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Intangible assets	1,392,565	(92)	1,392,473
Consolidated Statement of Changes in Equity			
Retained earnings	4,598,900	(92)	4,598,808

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 31 December 2015.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

There was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 31 December 2015.

6. CHANGES IN ESTIMATES

There was no material change in the estimate of amount reported in prior financial periods that has a material effect to this interim financial report.

7. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

Save as disclosed below, there was no issuance and repayment of debt securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31 December 2015.

(a) Perpetual Sukuk Musharakah Programme (“Perpetual Sukuk”)

During the current financial period, the Company had undertaken three issuances of the Perpetual Sukuk amounting RM225 million.

	RM’000
Total proceeds	225,000
Less: direct expenses attributable to the issuance	(1,159)
Net proceeds	<u>223,841</u>

8. DIVIDENDS PAID

(a) A single tier interim dividend of 1.5 sen per share amounting to RM28,998,558 for the financial year ended 31 March 2015, was paid on 28 April 2015.

(b) The shareholders have approved a single tier final dividend of 4.5 sen per share at the last Annual General Meeting held on 9 September 2015 in respect of the financial year ended 31 March 2015. The net dividend of RM86,995,667 was paid on 9 October 2015.

9. SEGMENTAL INFORMATION

The information of each of the Group's business segments for the financial period ended 31 December 2015 is as follows:

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Revenue					
Total revenue	7,784,979	2,005,505	228,231	40,577	10,059,292
Inter-segment revenue	(320,148)	(113,170)	(45,232)	(40,577)	(519,127)
External revenue	7,464,831	1,892,335	182,999	-	9,540,165
Results					
Segment (loss)/profit	(309,928)	247,221	16,985	22,635	(23,087)
Unallocated expenses					(41,858)
Interest income on short term deposits					40,272
Finance costs					(288,062)
Share of results of joint ventures (net of tax)	17,731	-	1,129	-	18,860
Share of results of associated companies (net of tax)	199,525	17,064	351	-	216,940
Loss before taxation					(76,935)
Taxation					(30,729)
Net loss for the financial period					(107,664)
Attributable to:					
Owners of the Company					(201,140)
Holders of Perpetual Sukuk					57,056
Non-controlling interest					36,420

10. PROPERTY, PLANT AND EQUIPMENT

There is no revaluation of property, plant and equipment brought forward from the previous annual audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

11. SUBSEQUENT EVENT

There has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature that would likely affect substantially the results of the operations of the Group.

12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

- (a) On 27 April 2015, Edaran Otomobil Nasional Berhad, an indirect wholly-owned subsidiary company of the Group, entered into a share sale agreement with Johnson Controls Holding Japan TYK for the disposal of its entire 30% equity interest in Johnson Controls Automotive Holding (M) Sdn. Bhd. for a cash consideration of RM45,000,000. The transaction was completed on the even date.
- (b) On 8 June 2015, DRB-HICOM Berhad completed the acquisition of 100% equity interest in EON Network Systems Sdn. Bhd. (“ENSSB”) comprising 2 ordinary shares of RM1.00 each from EON Technologies Sdn. Bhd., a wholly-owned subsidiary company of the Group, via an internal re-organisation. On 16 June 2015, ENSSB changed its name to DRB-HICOM Northern Gateway Sdn. Bhd.
- (c) On 7 July 2015, HICOM Builders Sdn. Bhd. (“HBSB”), an indirect wholly-owned subsidiary company of the Group, entered into a joint venture and shareholders’ agreement with MRCB Engineering Sdn. Bhd. (“MESB”) and Dekad Kaliber Sdn. Bhd. (“DKSB”), the joint venture company in relation to the proposed development of the integrated, custom, quarantine and security complex located at Bukit Kayu Hitam, Kedah. HBSB and MESB’s shareholdings in DKSB are 49% and 51% respectively. As a result, DKSB became a 49% associated company of the Group.
- (d) On 11 August 2015, Perusahaan Otomobil Nasional Sdn. Bhd., a wholly-owned indirect subsidiary company of the Group, completed the disposal of its entire 25% equity interest in Vina Star Motors Corporation (“VSMC”) to Mitsubishi Motor Corporation and Mitsubishi Corporation for a sale consideration of RM17,146,000. As a result, VSMC ceased to be an associated company of the Group.
- (e) On 26 August 2015, the Company announced that Myanmar Scott & English Co., Ltd (“MSE”), a wholly-owned dormant subsidiary company of Scott & English (Malaysia) Sdn. Bhd., which in turn is an indirect 70% owned subsidiary company of the Group, was voluntarily deregistered. As a result, MSE ceased to be a subsidiary company of the Group.
- (f) On 26 August 2015, the Company announced that Scott & English (Cambodia) Limited (“SEC”), a wholly-owned dormant subsidiary company of Scott & English (Malaysia) Sdn. Bhd., which in turn is an indirect 70% owned subsidiary company of the Group, was voluntarily deregistered. As a result, SEC ceased to be a subsidiary company of the Group.
- (g) On 15 September 2015, DRB-HICOM SPV (Labuan) Limited (“DHS”), a wholly-owned subsidiary company of the Group, was incorporated under the Labuan Companies Act, 1990 in the Federal Territory of Labuan, Malaysia. It will be involved in investment, funding and treasury related functions for the DRB-HICOM Group.
- (h) On 20 November 2015, DRB-HICOM Northern Gateway Sdn. Bhd., a wholly-owned subsidiary company, completed the acquisition of 100% equity interest in Northern Gateway Infrastructure Sdn. Bhd. (“NGISB”) for a cash consideration of RM20,000,000. As a result, NGISB became a wholly-owned subsidiary company of the Group.

12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015 (Continued)

- (i) On 18 December 2015, the Company completed the acquisition of 51% equity interest in Media City Ventures Sdn. Bhd. (“MCVSB”) for a purchase consideration of RM85,680,000. As a result, MCVSB became a subsidiary company of the Group.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no material change in contingent liabilities or contingent assets from what was reported in last annual audited financial statements.

14. COMMITMENTS AND CONTINGENT LIABILITIES OF BANK MUAMALAT MALAYSIA BERHAD

No material loss is anticipated as these amounts arose in the business of Bank Muamalat Malaysia Berhad in which it makes various commitments and incurs certain contingent liabilities with legal recourse to its customers.

Risk Weighted Exposures of Bank Muamalat Malaysia Berhad are as follows:

	As at 31.12.2015		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Trade-related contingencies	25,379	5,076	5,011
Transaction related contingencies	289,365	144,683	142,356
Credit extension commitment:			
– maturity within one year	715,508	143,102	135,867
– maturity exceeding one year	1,890,581	945,291	188,973
Profit rate related contracts	3,675,000	77,267	15,453
Foreign exchange related contracts	1,698,241	84,915	72,809
	8,294,074	1,400,334	560,469

15. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging/(crediting) the following:

	3 Months Ended		9 Months Ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Allowance for/write off of investment securities and financing of customers (net)	23,956	16,093	64,502	104,708
Amortisation of :				
- intangible assets	48,802	50,403	140,026	100,995
- concession assets	2,916	2,876	8,646	8,607
Depreciation and amortisation of property, plant and equipment/prepaid lease properties	135,665	131,632	415,201	399,209
Doubtful debts (net of write backs)	6,276	(7,499)	9,873	4,976
Finance costs	98,044	103,074	288,062	294,537
Impairment loss/(reversal of impairment loss) of (net)				
- property, plant and equipment	(70)	-	(691)	438
- investment securities: available-for-sale	6,688	6,617	6,688	(22,004)
Loss on dilution of shares in a joint venture company	-	20	-	20
(Gain)/loss on fair value adjustment of investment properties	1,320	181	(4,928)	1,385
Net write off of property, plant and equipment	68	2,179	790	3,366
Write off of intangible assets	15,012	-	15,012	-
(Gain)/loss on disposal of:				
- assets held for sale	-	(20)	(12,267)	(46)
- investment securities	(1,607)	(2,712)	(6,545)	(8,285)
- property, plant and equipment	(2,035)	(1,197)	(4,738)	(2,683)
- subsidiary companies	-	-	-	(97,424)
Interest income on short term deposits	(11,393)	(14,117)	(40,272)	(47,813)
Inventories written off/down (net of write backs)	10,852	(10,551)	(3,164)	(1,136)

15. (LOSS)/PROFIT BEFORE TAXATION (Continued)

	3 Months Ended		9 Months Ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Marked to market loss/(gain) on derivatives (net)	82,010	(37,229)	(7,453)	(44,418)
Net foreign exchange differences	27,048	(3,410)	(146)	(7,657)

16. REVIEW OF PERFORMANCE

16.1 Revenue

	Group Business Sectors	3 Months Ended		Variance RM'000	9 Months Ended		Variance RM'000
		31.12.2015 RM'000	31.12.2014 RM'000		31.12.2015 RM'000	31.12.2014 RM'000	
(i)	Automotive	2,657,638	2,823,115	(165,477)	7,464,831	8,233,593	(768,762)
(ii)	Services	623,256	624,113	(857)	1,892,335	2,006,502	(114,167)
(iii)	Property, Asset & Construction (PAC)	55,094	81,319	(26,225)	182,999	237,900	(54,901)
	Total	3,335,988	3,528,547	(192,559)	9,540,165	10,477,995	(937,830)

- (a) For the current financial quarter ended 31 December 2015, the Group achieved a revenue of RM3.34 billion compared with RM3.53 billion in the corresponding quarter ended 31 December 2014, a decrease of 5.46% due to lower sales recorded by all the business sectors of the Group.
- (b) For the nine months ended 31 December 2015, the Group's revenue declined by 9% to RM9.54 billion compared with RM10.48 billion in the corresponding period ended 31 December 2014.

(i) Automotive Sector

The reduction in revenue was mainly due to stiff competition and challenging automotive market environment.

(ii) Services Sector

The decline in revenue was mainly due to the absence of revenue from the insurance business following the disposal of the insurance subsidiary company, Uni.Asia General Insurance Berhad in last July 2014.

(iii) PAC Sector

The decline in revenue was mainly attributable to the lower sales of property development projects.

16. REVIEW OF PERFORMANCE (Continued)

16.2 (Loss)/Profit Before Tax

For the current quarter and financial period ended 31 December 2015, the Group incurred a pre-tax loss of RM146.29 million and RM76.94 million respectively compared with pre-tax profits of RM96.47 million and RM457.66 million respectively in the corresponding quarter/period ended 31 December 2014.

The unfavourable financial results for the current quarter and financial period was mainly caused by the weaker performance of the Group's automotive business. This was due to stiff market competition, expenses related to aggressive promotion and sales campaigns as well as weak consumer sentiments.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group incurred a pre-tax loss of RM146.29 million in the current quarter ended 31 December 2015 compared with pre-tax profit of RM52.67 million in the preceding quarter ended 30 September 2015 mainly due to weaker performance of certain companies in the automotive sector.

18. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2016

In January 2016, the Government announced the recalibration of the 2016 Budget with a reduced GDP growth outlook of 4.0%-4.5% from 4.0%-5.0% in 2016, whilst domestic demand will remain the main growth driver albeit at a more moderate pace.

The lower growth fears, volatility in the currency markets including the Ringgit coupled with tighter lending requirements and increasingly competitive business landscape have resulted in challenging business conditions for the Group especially in the automotive and property sectors. The Group will continue in its effort to improve its resilience through cost management and initiatives to further enhance operational efficiencies and effectiveness. Further, the Group will be intensifying its focus on integrated logistics services business to tap especially on the growth of the e-commerce business.

In view of the above, the Group's performance for the fourth quarter ending 31 March 2016 will continue to remain challenging.

19. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the current financial period in a public document.

20. TAXATION

Taxation comprises the following:

	3 Months Ended		9 Months Ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Current taxation	12,372	46,850	35,108	117,126
Deferred taxation	(4,045)	25,852	(4,379)	59,211
Total	8,327	72,702	30,729	176,337

The Group's effective tax rate for the current financial period ended 31 December 2015 is higher than the statutory tax rate mainly due to losses of certain companies which cannot be set-off against profits of other companies and certain expenses which were not deductible for tax purposes.

21. STATUS OF CORPORATE PROPOSALS

- (a) As announced to Bursa Malaysia on 10 December 2015, DRB-HICOM Berhad made a conditional offer to Pos Malaysia Berhad ("POSM") for the following proposals:
- (i) Proposed disposal of 100% equity interest in KL Airport Services Sdn. Bhd. ("KLAS") for a total consideration of RM766.16 million ("Proposed KLAS Disposal"), subject to:
- i. the transfer of two (2) parcels of agriculture land measuring a total of 100.00 acres located in Bandar Kota Perdana, Mukim Sungai Laka, Daerah Kubang Pasu, Kedah Darul Aman beneficially held by Konsortium Logistik Berhad, at the prevailing net book values on the date of the transfer, to HICOM Vertex Sdn. Bhd., an indirect wholly-owned subsidiary company of DRB-HICOM Berhad;
 - ii. the capitalisation of KLAS' existing term loan facility of up to RM370.0 million based on the balance as at the latest practicable date but prior to the completion date via the issuance of new KLAS shares at par value to HICOM Holdings Berhad ("HHB"), a wholly-owned subsidiary company of DRB-HICOM Berhad; and
 - iii. the capitalisation of non-current inter-company amounts owing by KLAS to DRB-HICOM Berhad based on the balance as at the latest practicable date but prior to the completion date via the issuance of new KLAS Shares at par value to HHB at the nomination of DRB-HICOM Berhad.
- (ii) Proposed disposal of part of a parcel of freehold industrial land measuring 9.912 acres located in Section 28, Shah Alam beneficially held by HICOM Indungan Sdn. Bhd. for a total consideration of RM69.0 million ("Proposed Land Disposal").

21. STATUS OF CORPORATE PROPOSALS (Continued)

(a) (Continued)

The Proposed KLAS Disposal and Proposed Land Disposal are collectively referred to as “Proposed Disposals”.

The total consideration of Proposed Disposals of RM835.16 million shall be satisfied via the issuance of 250,798,799 new ordinary shares of RM0.50 each in POSM (“POSM Shares”) to HHB at an issue price of RM3.33 per POSM Shares, subject to adjustment based on the market price of POSM Shares on a date closer to the execution of the sale and purchase agreements (“SPAs”) in relation to the Proposed Disposals. POSM has on 16 December 2015 accepted the conditional offer, subject to the satisfactory results/findings of its due diligence exercises and execution of the SPAs which are still pending.

(b) On 21 December 2015, HICOM Megah Sdn. Bhd. (“HMSB”) which is an indirect wholly-owned subsidiary company of the Group and the minority shareholders of Corwin Holding Pte. Ltd. (“Corwin”) namely Mohamed Mustafa & Samsuddin Co. Pte. Ltd. and B.I. Distributors Pte. Ltd. entered into a conditional share sale agreement (“SSA”) with Evolutyon Real Estate Investment Holding Pte. Ltd. for the proposed disposal of the 100% equity interest in Corwin for a total indicative sale consideration of SGD317 million, subject to adjustments pursuant to the terms and conditions of the SSA. The transaction is pending fulfillment of the conditions precedent. HMSB owns 90% equity interest in Corwin.

(c) Bank Negara Malaysia (“BNM”), vide its letter dated 30 September 2015 granted approval for DRB-HICOM Berhad, to commence negotiations with Malaysia Building Society Berhad (“MBSB”) on the proposed merger of Bank Muamalat Malaysia Berhad and MBSB. DRB-HICOM Berhad and MBSB would be required to obtain the prior approval of the Minister of Finance, with recommendation of BNM, pursuant to the Islamic Financial Services Act 2013, before entering into any agreement to effect the above merger. On 2 February 2016, DRB-HICOM Berhad and MBSB have mutually agreed to cease the negotiations and not to proceed with the proposed merger.

22. BORROWINGS AND DEFERRED LIABILITIES

Total Group borrowings are as follows:

		As at 31.12.2015 RM'000
	Short Term Borrowings	
(a)	Bank overdrafts	
	- Secured	9,674
	- Unsecured	10,366
	Total	20,040

22. BORROWINGS AND DEFERRED LIABILITIES (Continued)

	As at 31.12.2015 RM'000
(b) Short Term Borrowings (Continued)	
Others	
<u>Secured</u>	
Bankers acceptances	6,764
Revolving credits	68,912
Short term loans	17,543
Short term loans under Islamic financing	165,638
Hire purchase and finance lease liabilities – portion repayable within 12 months	17,429
Long term loans – portion repayable within 12 months	532,975
Long term loans under Islamic financing – portion repayable within 12 months	188,604
Sub-total	997,865
<u>Unsecured</u>	
Bankers acceptances	953,245
Revolving credits	375,665
Short term loans under Islamic financing	30,000
Long term loans – portion repayable within 12 months	5,218
Long term loans under Islamic financing – portion repayable within 12 months	9,771
Deferred liability	7,117
Sub-total	1,381,016
Total	2,378,881

22. BORROWINGS AND DEFERRED LIABILITIES (Continued)

	As at 31.12.2015 RM'000
(c) Long Term Borrowings	
<u>Secured</u>	
Hire purchase and finance lease liabilities	43,879
- portion repayable within 12 months	(17,429)
	26,450
Long term loans	2,002,161
- portion repayable within 12 months	(532,975)
	1,469,186
Long term loans under Islamic financing	2,909,679
- portion repayable within 12 months	(188,604)
	2,721,075
<u>Unsecured</u>	
Long term loans	7,043
- portion repayable within 12 months	(5,218)
	1,825
Long term loans under Islamic financing	412,813
- portion repayable within 12 months	(9,771)
	403,042
Total	4,621,578
Grand Total	7,020,499

Note: Apart from the following Ringgit equivalent of foreign currency borrowings, the rest of the borrowings and deferred liabilities are denominated in Ringgit Malaysia.

As at	Amount
31.12.2015	RM259.63 million (SGD 85.5 million) RM153.86 million (USD 35.8 million) RM30.59 million (GBP 4.8 million) RM2.38 million (Baht 20 million)

23. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 31 December 2015 consist of foreign exchange contracts and profit rate swap which are measured at their fair value together with their corresponding contract/notional amounts as below:

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Financial instruments at fair value through profit or loss			
Forward foreign exchange contracts	927,721	64,165	1,336
Currency swap foreign exchange contracts	986,065	766	57,058
Islamic profit rate swap	3,675,000	4,134	-
	5,588,786	69,065	58,394

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2015:

- (i) the credit risk, market risk and liquidity risk associated with these financial derivatives;
 - (ii) the cash requirements of the financial derivatives; and
 - (iii) the policy in place for mitigating or controlling the risks associated with these financial derivatives.
- (b) Disclosure of gain/loss arising from fair value changes of financial derivatives

During the current financial period, the Group recognised a total net loss of RM7.45 million in the consolidated statement of comprehensive income arising from the fair value changes on the foreign exchange contracts and profit rate swap which are marked to market as at 31 December 2015.

24. MATERIAL LITIGATION

There is no significant update of material litigation as at the date of this report.

25. DIVIDEND

No interim dividend has been declared for the financial period ended 31 December 2015.

26. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the Group's net (loss)/profit attributable to owners of the Company by the number of ordinary shares in issue during the financial period.

	3 Months Ended		9 Months Ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net (loss)/profit attributable to owners of the Company (RM'000)	(185,319)	9,468	(201,140)	210,399
Number of ordinary shares in issue ('000)	1,933,237	1,933,237	1,933,237	1,933,237
Basic (loss)/earnings per share (sen)	(9.58)	0.49	(10.40)	10.88

27. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The retained profits of the Group as at 31 December 2015 are analysed as follows:

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	3,471,158	3,790,243
- Unrealised	86,676	160,527
	<u>3,557,834</u>	<u>3,950,770</u>
Total share of retained profits from joint ventures:		
- Realised	139,785	138,103
- Unrealised	2,178	3,011
Total share of retained profits from associated companies:		
- Realised	561,562	443,381
- Unrealised	16,604	5,282
Total Group retained profits as per consolidated financial statements	<u>4,277,963</u>	<u>4,540,547</u>

DRB-HICOM BERHAD
(203430-W)
(Incorporated in Malaysia)

28. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group's preceding audited annual financial statements was not subject to any qualification.

BY ORDER OF THE BOARD

DATO' CHAN CHOY LIN, CAROL
Secretary

Shah Alam
25 February 2016