

DRB-HICOM

Annual General Meeting

Queries & Answers for Minority Shareholder Watchdog Group (MSWG)

9 September, 2015

Question 1:

As disclosed in the Group Managing Director's Review of Operations, DRB-HICOM Group revenue fell 3.6% year-on-year to RM13.69 billion from RM14.2 billion a year ago, while profit before tax fell 37% to RM502.2 million from RM801.74 million (restated) for the same time period. The Group's lower profit before tax was due to lower profit contribution from certain companies in the Automotive sector, which contributed approximately 79% of the Group's total revenue.

Question 1(i):

Which companies in the Automotive sector contributed to the lower profit before tax (PBT)?

For the financial year ended 31 March 2015, the Group's operating profits excluding exceptional items (E.I) declined marginally by 7.1% to RM405 million compared with operating profits of RM435 million in the previous financial year. Lower motor vehicles sales by PROTON and Euromobil were the main factor for the lower performance of Automotive sector.

Question 1(ii):

What was the reason for the lower profit contribution from these companies?

PROTON recorded lower sales volume of 110,731 units in FY2015 compared to 137,144 units in FY2014 mainly due to competition and stringent loan approvals by financial institutions.

As for Euromobil, lower Audi sales from 2,959 units in FY2014 to 1,633 units in FY2015 was largely due to the expiry of excise duties and import taxes exemption for Audi A6 Hybrid which ended on 31 December 2013.

Question 1(iii):

What are the measures taken to improve the profit contribution from these companies?

PROTON and Euromobil as well as all the automotive companies within the Group will continue to focus on improving quality, cost and delivery whilst intensifying their marketing efforts together with the introduction of new models/variants to expand and sustain revenue. In addition, continuous efforts are being made to intensify sales and after-sales services to improve customers experience to enhance competitiveness.

Question 2:

It was stated in the Group Managing Director's Review of Operations that the Property, Asset and Construction ("PAC") sector posted the biggest decline in income contribution, with total revenues amounting to RM298.2 million, from RM759.8 million the previous financial year.

(i) What are the measures taken to improve the revenue from the PAC division?

Answer 2(i):

PAC revenue includes the disposal of approximately 613.79 acres of land in Johor for a total consideration of RM534.73 million in financial year ended 31 March 2014. Excluding the exceptional item, the revenue improved by 9% from RM274.5 million in the previous financial year to RM298.2 million in FY2015.

PAC sector currently has several projects within the Group's landbank of approximately 4,000 acres strategically located within the high growth area of the Klang Valley, Iskandar Region, Melaka and Perak. The projects comprising townships, affordable as well as high-end residential, integrated high-rise, commercial and industrial development projects which offer significant potential for future growth.

Answer 2(i) (cont'):

Despite the challenging business environment, the PAC sector remains focused on its property development programmes, including evaluating potential partnership with other developers to enhance the value of its development.

Question 2(ii):

What would be the expected average take-up rate for the Group's new launches in FY2016?

We expect the demand for landed residential properties to remain competitive taking into consideration of the challenging property outlook, weaker consumer sentiment and stringent loan approvals from the financial institutions.

Question 3:

Proton City Development Corporation Sdn. Bhd. (“PCDC”) has launched two residential properties – Jasmine Residence and Maple Residence for the year under review.

- i. What is the Gross Development Value for Proton City Township covering area of 4,000 acres?**

The expected Gross Development Value for remaining development land in Proton City is approximately RM5.6 billion over the next 15 years.

Question 3(ii):

What was the take up rate for these two launches?

We expect the take up rate to increase as the construction works progresses. The take up rate as at 31 August 2015 are as follows:-

	Maple	Jasmine
Total Units	26	21
Selling price	From RM458,000	From RM642,890
Take-up rate	23%	14%

Question 4:

As disclosed in Note 57 on page 277 of the Annual Report, the Services Segment recorded revenue of RM2.6 billion and segments results of RM299.8 million, representing 19% and 65% of the Group's revenue and segments results, respectively.

What would be the growth potential of the Group's Service Segment, in particular the logistics business?

Answer 4:

Logistics remains an under-tapped industry in Malaysia with the Malaysian Institute of Economic Research (“MIER”) forecasting the industry to be worth approximately RM207 billion by 2017. The industry is presently valued at about RM130 billion and hence has a significant room for growth.

DRB-HICOM logistic business comprising KL Airport Services Sdn Bhd, Konsortium Logistik Berhad and Pos Malaysia Berhad as well as the recently acquired air cargo services company, DRB-HICOM Asia Cargo Express Sdn Bhd (formerly known as Gading Sari Sdn Bhd), are well positioned to provide total logistics solution services and to take advantage of the growth potential of the logistics industry as mentioned above.

THANK YOU
