



DRB-HICOM BERHAD

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 September 2017

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

The Board of Directors is pleased to announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/financial period ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Revenue		3,343,628	2,644,233	6,680,240	5,144,811
Cost of sales and operating expenses		(3,561,146)	(2,707,831)	(6,962,410)	(5,336,377)
Other income		1,365,742	77,547	1,450,597	156,614
Other expenses		(240,633)	(254,174)	(297,417)	(330,348)
Profit/(loss) from operations		907,591	(240,225)	871,010	(365,300)
Finance costs		(86,496)	(95,577)	(170,669)	(188,570)
Share of results of joint ventures (net of tax)		2,381	4,268	2,235	14,378
Share of results of associated companies (net of tax)		66,905	63,986	115,085	150,605
PROFIT/(LOSS) BEFORE TAXATION	15	890,381	(267,548)	817,661	(388,887)
Taxation	20	(79,456)	(2,130)	(108,085)	(19,969)
NET PROFIT/(LOSS) FOR THE QUARTER/FINANCIAL PERIOD		810,925	(269,678)	709,576	(408,856)
OTHER COMPREHENSIVE (LOSS)/INCOME					
<u>Items that will be subsequently reclassified to profit or loss:</u>					
Net (loss)/gain on fair value changes of investment securities: available-for-sale		(6,467)	21,980	(7,241)	33,216
Currency translation differences of foreign subsidiary companies		1,390	(1,840)	(7,538)	(17,398)
<u>Reclassification adjustment:</u>					
Transfer of reserve of a foreign subsidiary company to profit or loss upon disposal		82,926	-	82,926	-
OTHER COMPREHENSIVE INCOME FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		77,849	20,140	68,147	15,818

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE QUARTER/FINANCIAL PERIOD		888,774	(249,538)	777,723	(393,038)
Net profit/(loss) for the quarter/financial period attributable to:					
Owners of the Company		736,567	(309,633)	566,860	(478,935)
Holders of Perpetual Sukuk		19,419	20,026	39,835	39,835
Holders of Redeemable Convertible Cumulative Preference Shares		15,124	12,603	27,836	15,753
Non-controlling interest		39,815	7,326	75,045	14,491
		810,925	(269,678)	709,576	(408,856)
Total comprehensive income/(loss) for the quarter/financial period attributable to:					
Owners of the Company		816,904	(296,365)	638,235	(474,594)
Holders of Perpetual Sukuk		19,419	20,026	39,835	39,835
Holders of Redeemable Convertible Cumulative Preference Shares		15,124	12,603	27,836	15,753
Non-controlling interest		37,327	14,198	71,817	25,968
		888,774	(249,538)	777,723	(393,038)
Basic and diluted earnings/(loss) per share (sen):	26	38.10	(16.02)	29.32	(24.77)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2017 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30.09.2017 RM'000	Audited As at 31.03.2017 (Restated) RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,143,849	6,463,431
Concession assets		211,085	217,152
Prepaid lease properties		47,159	50,813
Investment properties		244,848	246,889
Land held for property development		1,100,191	1,182,226
Joint ventures		401,340	413,826
Associated companies		814,463	756,543
Intangible assets		1,809,335	1,921,696
Deferred tax assets		107,800	147,192
Investment securities: financial assets at fair value through profit or loss			
- Banking		200,746	197,208
Investment securities: available-for-sale			
- Banking		5,141,865	5,040,929
- Non-banking		45,998	46,153
Investment securities: held-to-maturity			
- Banking		142,952	142,168
Trade and other receivables		583,911	264,144
Other assets		516	516
Banking related assets			
- Financing of customers		10,425,184	10,772,103
- Statutory deposits with Bank Negara Malaysia		679,135	698,636
		28,100,377	28,561,625
CURRENT ASSETS			
Assets held for sale		4,500	4,500
Inventories		1,605,652	2,285,452
Property development costs		135,773	140,186
Trade and other receivables		4,959,279	4,057,560
Investment securities: financial assets at fair value through profit or loss			
- Non-banking		350	175
Investment securities: available-for-sale			
- Banking		598,219	1,090,487
Banking related assets			
- Cash and short-term funds		485,740	1,049,925
- Financing of customers		3,892,815	3,939,713
Bank balances and cash deposits		3,526,186	2,876,862
Derivative assets	23(a)	21,494	61,494
		15,230,008	15,506,354
TOTAL ASSETS		43,330,385	44,067,979

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	Unaudited As at 30.09.2017 RM'000	Audited As at 31.03.2017 (Restated) RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,101,094	4,331,485
Equity attributable to Owners of the Company		6,841,396	6,071,787
Perpetual Sukuk		1,052,067	1,051,839
Redeemable Convertible Cumulative Preference Shares		1,567,386	1,289,550
Non-controlling interest		2,217,718	1,855,532
TOTAL EQUITY		11,678,567	10,268,708
NON-CURRENT LIABILITIES			
Deferred income		208,634	151,621
Long term borrowings	22(c)	3,892,154	4,105,407
Provision for liabilities and charges		91,667	90,556
Provision for concession assets		159,177	138,809
Post-employment benefit obligations		8,151	37,741
Deferred tax liabilities		242,378	219,312
Banking related liabilities			
- Deposits from customers		420,880	418,615
- Recourse obligation on financing sold to Cagamas		493,983	-
		5,517,024	5,162,061
CURRENT LIABILITIES			
Deferred income		35,231	48,410
Trade and other payables		5,661,060	6,499,271
Provision for liabilities and charges		242,989	274,993
Provision for concession assets		3,728	6,146
Post-employment benefit obligations		341	495
Bank borrowings			
- Bank overdrafts	22(a)	15,630	6,511
- Others	22(b)	2,439,302	2,186,391
Banking related liabilities			
- Deposits from customers		17,499,325	18,979,279
- Deposits and placements of banks and other financial institutions		160,890	561,654
- Bills and acceptances payable		12,419	9,196
- Recourse obligation on financing sold to Cagamas		126	-
Derivative liabilities	23(a)	44,421	64,864
Dividend payable		19,332	-
		26,134,794	28,637,210
TOTAL LIABILITIES		31,651,818	33,799,271
TOTAL EQUITY AND LIABILITIES		43,330,385	44,067,979
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.54	3.14

* 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 2017 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Non-distributable				Retained Earnings RM'000	Equity attributable to Owners of the Company RM'000	Perpetual Sukuk RM'000	Redeemable Convertible Cumulative Preference Shares ("RCCPS") RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary value RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000						
At 1 April 2017	1,933,237	1,740,302	1,212,275	(84,331)	(1,358)	500,131	2,707,010	6,074,029	1,051,839	1,289,550	1,723,097	10,138,515
Prior year's adjustments (Note 3)	-	-	-	-	-	-	(2,242)	(2,242)	-	-	132,435	130,193
As restated	1,933,237	1,740,302	1,212,275	(84,331)	(1,358)	500,131	2,704,768	6,071,787	1,051,839	1,289,550	1,855,532	10,268,708
Net profit for the financial period	-	-	-	-	-	-	566,860	566,860	39,835	27,836	75,045	709,576
Other comprehensive income/(loss) for the financial period, net of tax	-	-	-	76,444	(5,069)	-	-	71,375	-	-	(3,228)	68,147
Total comprehensive income/(loss) for the financial period	-	-	-	76,444	(5,069)	-	566,860	638,235	39,835	27,836	71,817	777,723
Transactions with Owners												
Net issuance of RCCPS	-	-	-	-	-	-	-	-	-	250,000	-	250,000
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(39,607)	-	-	(39,607)
Disposal of a subsidiary company	-	-	-	-	-	33,123	-	33,123	-	-	-	33,123
Effect of change in shareholding in subsidiary companies	-	-	-	-	-	-	117,583	117,583	-	-	342,717	460,300
Transfer of a subsidiary company's reserves	-	-	-	-	-	27,959	(27,959)	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(52,348)	(52,348)
First and final dividend in respect of financial year ended 31 March 2017	-	-	-	-	-	-	(19,332)	(19,332)	-	-	-	(19,332)
At 30 September 2017	1,933,237	1,740,302	1,212,275	(7,887)	(6,427)	561,213	3,341,920	6,841,396	1,052,067	1,567,386	2,217,718	11,678,567

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	RCCPS RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary 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 2016	1,933,237	1,719,601	20,701	1,000,039	(43,631)	6,749	367,638	3,471,991	6,543,088	1,051,859	-	908,342	8,503,289
Net (loss)/profit for the financial period	-	-	-	-	-	-	-	(478,935)	(478,935)	39,835	15,753	14,491	(408,856)
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	-	(18,910)	23,251	-	-	4,341	-	-	11,477	15,818
Total comprehensive (loss)/income for the financial period	-	-	-	-	(18,910)	23,251	-	(478,935)	(474,594)	39,835	15,753	25,968	(393,038)
<u>Transactions with Owners</u>													
Net issuance of RCCPS	-	-	-	-	-	-	-	-	-	-	1,248,865	-	1,248,865
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(39,789)	-	-	(39,789)
Effect of changes in shareholding/assets in subsidiary companies	-	-	-	-	1,591	-	-	81,744	83,335	-	-	422,073	505,408
Effect of change of an associated company to a subsidiary company	-	-	-	-	-	-	(368)	368	-	-	-	507,426	507,426
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	16,585	(16,585)	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(9,891)	(9,891)
First and final dividend in respect of financial year ended 31 March 2016	-	-	-	-	-	-	-	(38,665)	(38,665)	-	-	-	(38,665)
At 30 September 2016	1,933,237	1,719,601	20,701	1,000,039	(60,950)	30,000	383,855	3,019,918	6,113,164	1,051,905	1,264,618	1,853,918	10,283,605

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2017 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 6 Months Ended 30.09.2017 RM'000	Financial Period 6 Months Ended 30.09.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the financial period	709,576	(408,856)
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	335,524	271,277
- Finance costs	170,669	188,570
- Taxation	108,085	19,969
- Share of results of joint ventures (net of tax)	(2,235)	(14,378)
- Share of results of associated companies (net of tax)	(115,085)	(150,605)
- Others	77,311	391,969
Operating profit before working capital changes	1,283,845	297,946
Changes in working capital:		
Net decrease/(increase) in banking related assets	375,184	(307,960)
Net decrease in banking related liabilities	(1,875,230)	(290,042)
Net (increase)/decrease in current assets	(793,129)	948,447
Net decrease in current liabilities	(266,308)	(1,481,732)
Net cash used in operations	(1,275,638)	(833,341)
Interest received	32,802	21,770
Dividends received from joint ventures	14,618	24,581
Dividends received from associated companies	57,279	66,967
Dividends received from other investment	202	-
Tax refunds (net)	9,936	6,414
Finance costs paid	(173,015)	(179,975)
Provision for liabilities and charges paid	(48,643)	(37,954)
Post-employment benefit obligations paid	(192)	(809)
Provision for concession assets paid	(2,418)	(4,680)
Net cash outflow from operating activities	(1,385,069)	(937,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares in a subsidiary company	-	(35)
Acquisitions of investment securities by a banking subsidiary company (net proceeds from disposals)	(273,671)	176,077
Additional investment in an associated company	-	(15,446)
Movement in fixed deposits placement with maturity profile more than 3 months	(26,464)	10,862
Net cash inflow from acquisition of a subsidiary company	-	608,226
Net cash inflow from disposal of a subsidiary company	428,870	-
Proceeds from disposals of property, plant and equipment/investment properties	9,923	20,867
Redemption of investment securities by a banking subsidiary company	696,000	330,000
Purchases of property, plant and equipment/prepaid lease properties/intangible assets/investment properties	(297,791)	(447,272)
Redemption of preference shares by a joint venture	2,500	2,500
Share subscription in a subsidiary company by a non-controlling shareholder	170,300	-
Net cash inflow from investing activities	709,667	685,779

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 6 Months Ended 30.09.2017 RM'000	Financial Period 6 Months Ended 30.09.2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to holders of Perpetual Sukuk	(39,607)	(39,789)
Dividends paid to non-controlling interest	(52,348)	(9,891)
Movement in fixed deposits held as security/maintained as sinking fund	(15,252)	98,594
Movement in bank balances in Escrow account arising from Redeemable Convertible Cumulative Preference Shares ("RCCPS")	2,998	(515,769)
Net proceeds from issuance of RCCPS	250,000	1,248,865
Proceeds from recourse obligation on sold to Cagamas by a banking subsidiary company	494,109	-
Proceeds from bank borrowings	2,698,447	2,377,521
Repayment of bank borrowing/hire purchase and finance leases	(2,637,995)	(2,378,400)
Net cash inflow from financing activities	700,352	781,131
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,950	529,883
Effects of foreign currency translation	(10,578)	(798)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	3,022,965	1,945,062
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	3,037,337	2,474,147
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	3,526,186	3,152,688
Banking related assets – cash and short-term funds	485,740	848,280
Bank overdrafts	(15,630)	(19,425)
	3,996,296	3,981,543
Less: Fixed deposits held as security/sinking fund	(845,917)	(919,964)
Less: Fixed deposits with maturity profile more than 3 months	(37,706)	(25,534)
Less: Bank balances in respect of Automotive Development Fund liabilities	(20,149)	(19,502)
Less: Bank balances in Escrow account arising from RCCPS	(21)	(515,769)
Less: Collections held by a postal subsidiary company on behalf of third parties	(55,166)	(37,950)
Add: Cash and cash equivalents attributable to the investment held for sale	-	11,323
	3,037,337	2,474,147

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2017 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 2017.

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 2017 except for the adoption of the following new/amended standards which are applicable to the Group with effect from 1 April 2017:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRSs 2014 – 2016 Cycle	

The adoption and application of the above standards did not have any material impact to the financial statements of the Group.

3. COMPLETION OF PURCHASE PRICE ALLOCATION

During the current financial period, the Group completed the purchase price allocation (“PPA”) exercise to determine the fair values of the net assets of Pos Malaysia Berhad (“Pos Malaysia”), a direct 53.50% owned subsidiary company, within the stipulated time period, i.e. twelve months from the acquisition date of 13 September 2016, in accordance with FRS 3 ‘*Business Combinations*’. Based on the fair values of the net assets of Pos Malaysia, the goodwill amount has reduced from RM355.84 million to RM201.23 million. The adjusted fair values of the Pos Malaysia have been reflected in the Group’s Consolidated Statement of Financial Position as at previous financial year ended 31 March 2017.

3. COMPLETION OF PURCHASE PRICE ALLOCATION (Continued)

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 2017			
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Property, plant and equipment	6,352,474	110,957	6,463,431
Intangible assets	1,812,523	109,173	1,921,696
<u>Non-current liabilities</u>			
Deferred tax liabilities	129,375	89,937	219,312
Consolidated Statement of Changes in Equity			
Retained earnings	2,707,010	(2,242)	2,704,768
Non-controlling interest	1,723,097	132,435	1,855,532

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 30 September 2017.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as below, 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 30 September 2017.

(a) On 29 September 2017, the Group completed the following proposals:

- (i) Share subscription of 547,020,534 ordinary shares, representing 49.9% of the enlarged ordinary share capital in PROTON Holdings Berhad ("PROTON") by Zhejiang Geely Holding Group Co., Ltd. ("ZGH") for a total subscription price of RM460.3 million via RM170.30 million in cash and the grant of the licence of Boyue model by ZGH to PROTON at an ascribed value of RM290 million.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE (Continued)

(a) (Continued)

- (ii) Disposal of 100% indirect equity interest in Lotus Advance Technologies Sdn. Bhd. (“Lotus Advance”), a wholly-owned subsidiary company of PROTON comprising 51% equity interest to ZGH and 49% equity interest to Etika Automotive Sdn. Bhd.

As a result, the Group’s equity interest in PROTON reduced to 50.1% and the remaining 49.9% equity interest is held by ZGH’s nominated subsidiary company, Geely International (Hong Kong) Limited. The Group’s gain on dilution of equity interest in PROTON of RM116.67 million has been reflected in the Consolidated Statement of Changes in Equity as at 30 September 2017. In addition, Lotus Advance ceased to be an indirect wholly-owned subsidiary company of the Group. Consequently, the Group had realised a loss on disposal of Lotus Advance of approximately RM133.19 million which has been included under other expense in the Consolidated Statement of Comprehensive Income for the financial quarter/six months ended 30 September 2017.

- (b) The Group had also recorded the R&D reimbursement grant from the Government of RM1.10 billion under other income in the Consolidated Statement of Comprehensive Income for the financial quarter/six months ended 30 September 2017.

6. CHANGES IN ESTIMATES

There was no material change in the estimate of amount reported in prior financial years 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 30 September 2017.

Issuance of RCCPS by PROTON

On 22 June 2017, GOVCO Holdings Berhad (“GOVCO”) completed the subscription of the 250,000,000 redeemable convertible cumulative preference shares (“RCCPS”) at an issue price of RM1.00 each in PROTON.

8. DIVIDEND PAID

The shareholders have approved a single tier first and final dividend of 1.0 sen per share at the last Annual General Meeting held on 30 August 2017 in respect of the financial year ended 31 March 2017. The dividend of RM19,332,371 was paid on 3 October 2017.

9. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 30 September 2017 is as follows:

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Revenue					
Total revenue	4,242,050	2,274,257	433,641	23,291	6,973,239
Inter-segment revenue	(176,128)	(73,737)	(19,843)	(23,291)	(292,999)
External revenue	4,065,922	2,200,520	413,798	-	6,680,240
Results					
Segment profit/(loss)	598,475	215,616	61,214	(6,146)	869,159
Unallocated expenses					(28,233)
Interest income on short term deposits					30,084
Finance costs					(170,669)
Share of results of joint ventures (net of tax)	(185)	-	2,420	-	2,235
Share of results of associated companies (net of tax)	115,152	(67)	-	-	115,085
Profit before taxation					817,661
Taxation					(108,085)
Net profit for the financial period					709,576
Attributable to:					
Owners of the Company					566,860
Holders of Perpetual Sukuk					39,835
Holders of Redeemable Convertible Cumulative Preference Shares					27,836
Non-controlling interest					75,045

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 EVENTS

Save as disclosed below, 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.

(i) Redeemable Convertible Cumulative Preference Shares (“RCCPS”) Purchase

On 5 October 2017, the Group signed the definitive agreement with GOVCO for the purchase of the first principal tranche of RM300 million RCCPS issued by PROTON due on 6 June 2023 and the RCCPS dividend entitlement for the period ended 6 June 2017 amounting to RM50 million from GOVCO (collectively known as “RCCPS Purchase”). The RCCPS Purchase was completed on 6 October 2017.

(ii) Asset exchange

On 5 October 2017, the Group executed an asset exchange agreement with GOVCO for the creation of an asset pool comprising landed properties, designated shares or cash (“Asset Pool”), whereby GOVCO has the right to require that the Asset Pool be transferred to GOVCO in consideration for GOVCO transferring the PROTON ordinary shares arising from the conversion of GOVCO’s remaining holdings of the unredeemed principal amount of the RCCPS at the tenure expiry date of 6 June 2031.

12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

- (a) On 10 March 2017, DRB-HICOM Defence Technologies Sdn. Bhd. (“DEFTECH”), a wholly-owned subsidiary company of the Group, entered into a share sale agreement with its 96.87% owned subsidiary company, Composites Technology Research Malaysia Sdn. Bhd. (“CTRM”) for the proposed acquisitions of the entire equity interests in the three wholly-owned subsidiary companies of CTRM namely, CTRM Systems Integration Sdn. Bhd., CTRM Aviation Sdn. Bhd. and Unmanned Systems Technology Sdn. Bhd. for a total cash consideration of RM1.05 million. The transaction was completed on 30 June 2017. As a result, the above three companies have become direct subsidiary companies of DEFTECH.
- (b) On 18 September 2017, Proton Motor Pars Co. (Private Joint Stock), an indirect wholly-owned subsidiary company of PROTON, was dissolved and ceased to be an indirect subsidiary company of the Group.

12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (Continued)

- (c) On 29 September 2017, following the completion of PROTON corporate exercise set out in Note 5(a), the Group's equity interest in PROTON reduced from 100% to 50.1% and Lotus Advance Technologies Sdn. Bhd. ceased to be an indirect wholly-owned subsidiary company of the Group. Further, the Group has undertaken the following transactions via internal re-organisation:
- (i) Acquisition of the following investments by HICOM Holdings Berhad, a direct wholly-owned subsidiary company of the Group:
 - 45% equity interest in Exedy (Malaysia) Sdn. Bhd., a joint venture of PROTON for a nominal value of RM1.
 - 37.5% equity interest in PHN Industry Sdn. Bhd., an associated company of PROTON for a nominal value of RM1.
 - 25% equity interest in Marutech Elastomer Industries Sdn. Bhd., an associated company of PROTON for a nominal value of RM1.
 - 49.99% equity interest in Proton Finance Limited, an associated company of Proton Cars (UK) Limited, an indirect wholly-owned subsidiary company of PROTON for a nominal value of RM1.
 - (ii) HICOM Berhad, an indirect wholly-owned subsidiary company of the Group, acquired 100% equity interest in EON Properties Sdn. Bhd. from Proton Edar Sdn. Bhd., an indirect wholly-owned subsidiary company of PROTON for a nominal value of RM1.
 - (iii) Glenmarie Properties Sdn. Bhd., an indirect wholly-owned subsidiary company of the Group, acquired 100% equity interest in Proton Hartanah Sdn. Bhd. ("PHSB") from PROTON for a nominal value of RM1. PHSB owns 100% equity interest in Proton Properties Sdn. Bhd. and 40% equity interest in Proton City Development Corporation Sdn. Bhd.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no material change in contingent liabilities or contingent assets from what was reported in the 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 30.09.2017		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Direct credit substitutes	186,621	186,621	164,926
Trade-related contingencies	30,318	6,064	5,426
Transaction related contingencies	433,180	216,590	211,936
Credit extension commitment:			
- maturity within one year	1,070,231	214,046	195,005
- maturity exceeding one year	952,768	476,384	420,999
Profit rate related contracts	2,000,000	23,145	4,629
Foreign exchange related contracts	1,927,400	61,650	29,178
	6,600,518	1,184,500	1,032,099

15. PROFIT/(LOSS) BEFORE TAXATION

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

	3 Months Ended		6 Months Ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Allowance for financing of customers (net)	2,863	26,672	35,105	43,222
Allowance for/(write back of) doubtful debts (net)	1,065	(8,352)	2,549	(10,488)
Amortisation of:				
- intangible assets	44,379	51,139	97,926	101,552
- concession assets	3,190	2,989	6,067	6,010
Depreciation of property, plant and equipment/prepaid lease properties	154,070	136,997	328,248	271,277

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

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

	3 Months Ended		6 Months Ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Finance costs	86,496	95,577	170,669	188,570
Financing written off	61	1,259	3,029	1,440
Impairment loss of property, plant and equipment/prepaid lease properties	10,545	-	10,545	-
Inventories written off/down (net of write backs)	9,796	5,942	16,654	11,331
Loss on fair value adjustment of investment properties	108	278	217	553
Loss on re-measurement of the previously held equity interest in an associated company at its acquisition-date fair value	-	130,221	-	130,221
Net foreign exchange differences	(45,162)	67,992	(47,764)	98,291
Write off of property, plant and equipment	921	156	948	329
(Gain)/loss on disposal of:				
- assets held for sale	-	(2,632)	-	(2,632)
- investment securities	(8,714)	(4,071)	(24,448)	(8,440)
- property, plant and equipment	(907)	(2,684)	(2,729)	(2,591)
- investment properties	(325)	-	765	-
Interest income on short term deposits	(15,323)	(11,520)	(30,084)	(22,083)
Marked to market loss/(gain) on derivatives (net)	3,408	(29,214)	19,557	(26,118)
Effect of PROTON restructuring	155,628	-	155,628	-

16. REVIEW OF PERFORMANCE

16.1 Revenue

	Group Business Sectors	3 Months Ended			6 Months Ended		
		30.09.2017 RM'000	30.09.2016 RM'000	Variance RM'000	30.09.2017 RM'000	30.09.2016 RM'000	Variance RM'000
(i)	Automotive	1,947,369	1,916,801	30,568	4,065,922	3,692,488	373,434
(ii)	Services	1,079,528	657,484	422,044	2,200,520	1,309,410	891,110
(iii)	Property, Asset & Construction (PAC)	316,731	69,948	246,783	413,798	142,913	270,885
	Total	3,343,628	2,644,233	699,395	6,680,240	5,144,811	1,535,429

↑ 29.8%

For the three months ended 30 September 2017, the Group registered a higher revenue of RM3.34 billion compared with RM2.64 billion in the corresponding quarter ended 30 September 2016 mainly contributed by higher revenue from Services and PAC sectors.

In respect of the six months ended 30 September 2017, the Group's revenue improved by 29.8% to RM6.68 billion compared with RM5.14 billion in the corresponding period ended 30 September 2016 on account of increased sales revenue across all the business sectors of the Group.

(i) Automotive Sector

The increase in the revenue for the six months period was mainly due to higher sales achieved by PROTON and other automotive related companies.

(ii) Services Sector

The improved performance was mainly derived from the courier and logistics businesses of Pos Malaysia and higher sales recorded by banking and waste management subsidiary companies.

(iii) PAC Sector

The increase was mainly attributed to revenue recognised from construction related projects.

16.2 Profit/(loss) Before Tax

The Group achieved a pre-tax profit of RM817.66 million for the financial period ended 30 September 2017 compared with pre-tax loss of RM388.89 million in the corresponding period ended 30 September 2016. The improvement in the financial results was mainly attributable to the recognition of R&D grant and better financial performance of operating companies. However, the loss on disposal of Lotus Advance Technologies Sdn. Bhd. reduced the overall profits.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group achieved a higher pre-tax profit of RM890.38 million in the current quarter ended 30 September 2017 compared with pre-tax loss of RM72.72 million in the preceding quarter ended 30 June 2017. The favourable results were contributed by better performance of operating companies, recognition of R&D grant, offset by the loss on disposal of Lotus Advance Technologies Sdn. Bhd. and PROTON restructuring costs.

18. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018

The Group had on 29 September 2017 completed the share subscription of 49.9% equity interest in PROTON Holdings Berhad ("PROTON") by Zhejiang Geely Holding Group Co., Ltd. ("ZGH") and divested its indirect 100% stake in Lotus Advance Technologies Sdn. Bhd. to ZGH and Etika Automotive Sdn. Bhd. This new partnership is key to the PROTON turnaround plan as ZGH is able to provide necessary support especially in terms of technology sharing, product development and market expansion to PROTON. PROTON is also focusing on cost management initiatives in all its business units, whilst driving sales for its existing product range. These will gradually improve PROTON's financial and operational performance in the future.

The Group continues to see improvement in its overall businesses. The services sector remains a key contributor to the Group, driven by rapid expansion in the logistics businesses besides the on-going growth in concession and financial services. The recent roll-out of the regional logistics hub Digital Free Trade Zone by the Government and key collaborations between Pos Malaysia group and major e-commerce players such as Lazada Malaysia, is projected to chalk an upward trajectory for the business and further strengthen the Group's services sector.

The Group's automotive sector's better performance was from higher sales volume on the back of encouraging consumer sentiments. Honda Malaysia Sdn. Bhd. remains dominant in the foreign brand segment whilst defence and aviation continue to contribute positively to the overall growth. The property sector meanwhile is expected to improve with on-going construction projects.

The Group will continue to focus on its Group-wide initiatives to reduce cost and improve efficiency as part of its efforts to strengthen resilience amidst volatility and challenges in the external environment. The Board expects the Group's performance for the financial year ending 31 March 2018 to improve against the previous year's results.

19. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the financial period ended 30 September 2017 in a public document.

20. TAXATION

Taxation comprises the following:

	3 Months Ended		6 Months Ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Current taxation	10,893	18,731	33,976	30,212
Deferred taxation	68,563	(16,601)	74,109	(10,243)
Total	79,456	2,130	108,085	19,969

For the six months ended 30 September 2017, the Group's effective tax rate is lower than the statutory tax rate mainly due to recognition of R&D grant which is tax exempted. The taxation charge arose mainly from certain profit-making subsidiary companies.

21. STATUS OF CORPORATE PROPOSALS

There is no outstanding corporate proposal as at the reporting date.

22. BORROWINGS AND DEFERRED LIABILITIES

Total Group borrowings are as follows:

	As at 30.09.2017 RM'000
(a) Short Term Borrowings	
Bank overdrafts	
- Secured	10,358
- Unsecured	5,272
Total	15,630
(b) Others	
<u>Secured</u>	
Bankers acceptances	28,263
Revolving credits	237,010
Short term loans	152
Short term loans under Islamic financing	154,434
Hire purchase and finance lease liabilities - portion repayable within 12 months	14,295
Long term loans - portion repayable within 12 months	727,253
Long term loans under Islamic financing - portion repayable within 12 months	456,791
Sub-total	1,618,198

22. BORROWINGS AND DEFERRED LIABILITIES (Continued)

Total Group borrowings are as follows: (Continued)

	As at 30.09.2017 RM'000
Short Term Borrowings (Continued)	
(b) Others (Continued)	
<u>Unsecured</u>	
Bankers acceptances	560,746
Revolving credits	221,038
Short term loans under Islamic financing	30,000
Long term loans under Islamic financing - portion repayable within 12 months	4,759
Deferred liability	4,561
Sub-total	821,104
Total	2,439,302
(c) Long Term Borrowings	
<u>Secured</u>	
Hire purchase and finance lease liabilities	40,325
- portion repayable within 12 months	(14,295)
	26,030
Long term loans	1,481,305
- portion repayable within 12 months	(727,253)
	754,052
Long term loans under Islamic financing	2,799,664
- portion repayable within 12 months	(456,791)
	2,342,873
<u>Unsecured</u>	
Long term loans under Islamic financing	773,958
- portion repayable within 12 months	(4,759)
	769,199
Total	3,892,154
Grand Total	6,347,086

22. BORROWINGS AND DEFERRED LIABILITIES (Continued)

- (d) Apart from the following Ringgit Malaysia (“RM”) equivalent of foreign currency borrowings, the rest of the borrowings and deferred liabilities are denominated in RM.

	Short Term			Long Term			Total		
	Foreign currency	Foreign '000	RM '000	Foreign currency	Foreign '000	RM '000	Foreign currency	Foreign '000	RM '000
As at 30 September 2017									
Secured									
Revolving credits	GBP	1,500	8,510				GBP	1,500	8,510
Short term loans	GBP	27	153				GBP	27	153
Short term loans under Islamic financing	GBP	284	1,609				GBP	284	1,609
	USD	35,538	150,200				USD	35,538	150,200
Long term loans	USD	28,293	121,376	USD	70,820	303,820	USD	99,113	425,196
Long term loans under Islamic financing	USD	4,510	19,350	USD	11,290	48,436	USD	15,800	67,786
Total			301,198			352,256			653,454

23. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 September 2017 consist mainly of foreign exchange contracts, profit rate swap and capped cross currency interest 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			
Currency forward foreign exchange contracts	1,132,704	2,501	22,761
Currency swap foreign exchange contracts	1,104,077	18,993	3,015
Islamic profit rate swap	2,000,000	-	10,778
Capped cross currency interest rate swap	507,033	-	7,867
	4,743,814	21,494	44,421

23. OUTSTANDING DERIVATIVES (Continued)

(a) (Continued)

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2017:

- (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 financial period ended 30 September 2017, the Group recognised a total net loss of RM19.56 million in profit or loss arising from the fair value changes on the currency forward foreign exchange contracts, currency swap foreign exchange contracts, Islamic profit rate swap and capped cross currency interest rate swap which are marked to market as at 30 September 2017.

24. MATERIAL LITIGATION

There is no significant update of material litigation since the last audited financial statements.

25. DIVIDEND

No interim dividend has been declared for the financial period ended 30 September 2017.

26. EARNINGS/(LOSS) PER SHARE

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

	3 Months Ended		6 Months Ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Net profit/(loss) attributable to Owners of the Company (RM'000)	736,567	(309,633)	566,860	(478,935)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237	1,933,237	1,933,237
Basic and diluted earnings/(loss) per share (sen)	38.10	(16.02)	29.32	(24.77)

27. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The retained profits of the Group as at 30 September 2017 are analysed as follows:

	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000
Total retained profits/(losses) of the Company and subsidiary companies:		
- Realised	2,855,402	2,612,912
- Unrealised	(191,458)	(218,757)
	2,663,944	2,394,155
Total share of retained profits from joint ventures:		
- Realised	96,367	124,505
- Unrealised	7,672	5,393
Total share of retained profits from associated companies:		
- Realised	539,388	464,070
- Unrealised	34,549	31,795
Total Group retained profits as per consolidated financial statements	3,341,920	3,019,918

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
30 November 2017