



DRB-HICOM BERHAD

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 September 2018

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

The Board of Directors hereby announce the unaudited consolidated financial results of DRB-HICOM Group ("the Group") for the financial quarter/financial period ended 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.09.2018 RM'000	30.09.2017 (Restated) RM'000	30.09.2018 RM'000	30.09.2017 (Restated) RM'000
Revenue		3,184,425	3,240,953	5,838,836	6,369,977
Cost of sales and operating expenses		(3,254,077)	(3,454,644)	(6,013,882)	(6,662,514)
Other income		57,285	1,364,897	132,973	1,448,956
Other expenses		(29,093)	(242,909)	(76,598)	(302,011)
(Loss)/profit from operations		(41,460)	908,297	(118,671)	854,408
Finance costs		(100,201)	(86,496)	(182,793)	(170,669)
Share of results of joint ventures (net of tax)		25,775	2,381	27,335	2,235
Share of results of associated companies (net of tax)		66,646	66,905	130,490	115,085
(LOSS)/PROFIT BEFORE TAXATION	14	(49,240)	891,087	(143,639)	801,059
Taxation	19	(27,464)	(80,733)	(77,823)	(111,257)
NET (LOSS)/PROFIT FOR THE FINANCIAL QUARTER/PERIOD		(76,704)	810,354	(221,462)	689,802
OTHER COMPREHENSIVE INCOME/(LOSS)					
<u>Items that will be reclassified subsequently to profit or loss:</u>					
Net gain/(loss) on fair value changes of investment securities: fair value through other comprehensive income		38,201	(6,467)	2,844	(501)
Currency translation differences of foreign subsidiary companies		1,914	1,390	2,942	(7,538)
<u>Reclassification adjustments:</u>					
Transfer of realised gain on fair value changes of investment securities: fair value through other comprehensive income upon disposal		(2,183)	-	(2,214)	(6,740)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.09.2018 RM'000	30.09.2017 (Restated) RM'000	30.09.2018 RM'000	30.09.2017 (Restated) RM'000
OTHER COMPREHENSIVE INCOME/(LOSS) (Continued)					
Transfer of reserve of a foreign subsidiary company to profit or loss upon disposal		-	82,926	-	82,926
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL QUARTER/ PERIOD (NET OF TAX)		37,932	77,849	3,572	68,147
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL QUARTER/PERIOD		(38,772)	888,203	(217,890)	757,949
Net (loss)/profit for the financial quarter/period attributable to:					
Owners of the Company		(11,419)	742,595	(78,018)	559,804
Holders of Perpetual Sukuk		20,026	19,419	39,835	39,835
Holders of Redeemable Convertible Cumulative Preference Shares		-	15,124	-	27,836
Non-controlling interest		(85,311)	33,216	(183,279)	62,327
		(76,704)	810,354	(221,462)	689,802
Total comprehensive income/(loss) for the financial quarter/period attributable to:					
Owners of the Company		14,829	822,932	(75,628)	631,179
Holders of Perpetual Sukuk		20,026	19,419	39,835	39,835
Holders of Redeemable Convertible Cumulative Preference Shares		-	15,124	-	27,836
Non-controlling interest		(73,627)	30,728	(182,097)	59,099
		(38,772)	888,203	(217,890)	757,949
Basic and diluted (loss)/earnings per share (sen):	25	(0.59)	38.41	(4.04)	28.96

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 March 2018 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.09.2018 RM'000	As at 31.03.2018 (Restated) RM'000	As at 1.04.2017 (Restated) RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		5,974,859	5,901,065	6,453,357
Concession assets		-	209,102	217,152
Prepaid lease properties		52,351	53,208	50,813
Investment properties		232,548	248,193	246,889
Inventories		233,459	231,855	1,079,673
Joint ventures		320,604	298,075	413,826
Associated companies		834,392	885,404	756,543
Intangible assets		1,552,571	1,613,166	1,898,543
Deferred tax assets		149,459	146,057	149,371
Investment securities: fair value through profit or loss				
- Banking		322,581	290,433	310,982
Investment securities: fair value through other comprehensive income				
- Banking		5,359,825	5,540,505	5,035,771
- Non-banking		45,498	45,498	46,153
Investment securities: amortised cost				
- Banking		103,562	102,941	101,875
Trade and other receivables		1,099,278	923,218	262,717
Other assets		544	544	516
Banking related assets				
- Financing of customers		10,828,859	10,097,312	10,661,756
- Statutory deposits with Bank Negara Malaysia		700,618	674,500	698,636
		27,811,008	27,261,076	28,384,573

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.09.2018 RM'000	As at 31.03.2018 (Restated) RM'000	As at 1.04.2017 (Restated) RM'000
ASSETS (Continued)				
CURRENT ASSETS				
Assets and disposal groups held for sale		1,110,929	518,307	4,500
Inventories		1,899,757	2,368,955	2,424,153
Trade and other receivables		3,136,229	3,295,163	4,060,610
Investment securities: fair value through profit or loss				
- Non-banking		106,060	175,962	221,573
Investment securities: fair value through other comprehensive income				
- Banking		1,030,838	766,249	1,090,487
Investment securities: amortised cost				
- Banking		537	-	-
- Non-banking		8,000	8,000	8,000
Banking related assets				
- Cash and short-term funds		845,115	1,587,681	1,049,925
- Financing of customers		3,876,975	4,194,268	3,902,864
Bank balances and cash deposits		2,807,814	2,626,358	2,614,464
Derivative assets	22(a)	32,329	72,968	61,494
		14,854,583	15,613,911	15,438,070
TOTAL ASSETS		42,665,591	42,874,987	43,822,643

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.09.2018 RM'000	As at 31.03.2018 (Restated) RM'000	As at 1.04.2017 (Restated) RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital		1,740,302	1,740,302	1,740,302
Reserves		4,776,793	4,909,911	4,284,861
Equity attributable to Owners of the Company		6,517,095	6,650,213	6,025,163
Perpetual Sukuk		1,052,274	1,052,026	1,051,839
Redeemable Convertible Cumulative Preference Shares		669,266	669,266	1,289,550
Non-controlling interest		1,563,983	1,779,206	1,814,757
TOTAL EQUITY		9,802,618	10,150,711	10,181,309
NON-CURRENT LIABILITIES				
Deferred income		23,549	23,212	27,130
Trade and other payables		96,273	86,384	123,760
Long term borrowings	21(c)	3,451,054	3,465,291	4,105,407
Redeemable Convertible Cumulative Preference Shares		561,712	545,107	-
Provision for liabilities and charges		116,492	116,727	90,556
Provision for concession assets		-	179,938	138,809
Post-employment benefit obligations		6,106	8,199	37,741
Deferred tax liabilities		269,881	250,824	209,750
Banking related liabilities				
- Deposits from customers		616,453	617,221	418,615
- Recourse obligation on financing sold to Cagamas		478,611	485,851	-
		5,620,131	5,778,754	5,151,768

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.09.2018 RM'000	As at 31.03.2018 (Restated) RM'000	As at 1.04.2017 (Restated) RM'000
CURRENT LIABILITIES				
Liabilities relating to disposal groups held for sale		678,531	135,683	-
Deferred income		10,898	8,810	12,998
Trade and other payables		4,879,969	5,291,680	6,420,039
Provision for liabilities and charges		321,657	321,215	274,993
Provision for concession assets		-	1,740	6,146
Post-employment benefit obligations		353	593	495
Bank borrowings				
- Bank overdrafts	21(a)	15,706	9,062	6,511
- Others	21(b)	2,374,756	2,315,346	2,186,391
Banking related liabilities				
- Deposits from customers		18,844,550	18,754,061	18,946,279
- Deposits and placements of banks and other financial institutions		5,851	8,854	561,654
- Bills and acceptances payable		12,646	9,618	9,196
Derivative liabilities	22(a)	39,928	88,860	64,864
Dividend payable		57,997	-	-
		27,242,842	26,945,522	28,489,566
TOTAL LIABILITIES		32,862,973	32,724,276	33,641,334
TOTAL EQUITY AND LIABILITIES		42,665,591	42,874,987	43,822,643
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.37	3.44	3.12

* 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 Audited Financial Statements for the financial year ended 31 March 2018 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 Reserves RM'000	Currency Translation Differences RM'000	Fair Value through Other Comprehensive Income ("FVOCI") Reserve RM'000	Other Reserves RM'000						
At 1 April 2018	1,933,237	1,740,302	1,212,210	(7,291)	(12,997)	56,184	3,745,299	6,733,707	1,052,026	669,266	1,830,873	10,285,872
Prior year's adjustments	-	-	-	-	(1,419)	36,006	(118,081)	(83,494)	-	-	(51,667)	(135,161)
As restated	1,933,237	1,740,302	1,212,210	(7,291)	(14,416)	92,190	3,627,218	6,650,213	1,052,026	669,266	1,779,206	10,150,711
Net (loss)/profit for the financial period	-	-	-	-	-	-	(78,018)	(78,018)	39,835	-	(183,279)	(221,462)
Other comprehensive income for the financial period, net of tax	-	-	-	1,949	441	-	-	2,390	-	-	1,182	3,572
Total comprehensive income/(loss) for the financial period	-	-	-	1,949	441	-	(78,018)	(75,628)	39,835	-	(182,097)	(217,890)
Net gain from equity investment (elected as FVOCI) upon derecognition	-	-	-	-	-	-	678	678	-	-	290	968
Transfer of a subsidiary company's reserves	-	-	-	-	-	5,310	(5,310)	-	-	-	-	-
<u>Transactions with Owners</u>												
Acquisition of additional interest in a subsidiary company	-	-	-	-	-	-	(171)	(171)	-	-	(2,232)	(2,403)
Sub-total carried forward	1,933,237	1,740,302	1,212,210	(5,342)	(13,975)	97,500	3,544,397	6,575,092	1,091,861	669,266	1,595,167	9,931,386

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	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 Reserves RM'000	Currency Translation Differences RM'000	Fair Value through Other Comprehensive Income ("FVOCI") Reserve RM'000	Other Reserves RM'000						
Sub-total brought forward	1,933,237	1,740,302	1,212,210	(5,342)	(13,975)	97,500	3,544,397	6,575,092	1,091,861	669,266	1,595,167	9,931,386
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(39,587)	-	-	(39,587)
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(31,184)	(31,184)
First and final dividend in respect of financial year ended 31 March 2018	-	-	-	-	-	-	(57,997)	(57,997)	-	-	-	(57,997)
At 30 September 2018	1,933,237	1,740,302	1,212,210	(5,342)	(13,975)	97,500	3,486,400	6,517,095	1,052,274	669,266	1,563,983	9,802,618

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Share Capital		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	Merger Reserves RM'000	Currency Translation Differences RM'000	FVOCI Reserves 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	2,704,768	6,071,787	1,051,839	1,289,550	1,841,137	10,254,313
Prior year's adjustments	-	-	-	-	-	-	(46,624)	(46,624)	-	-	(26,380)	(73,004)
As restated	1,933,237	1,740,302	1,212,275	(84,331)	(1,358)	500,131	2,658,144	6,025,163	1,051,839	1,289,550	1,814,757	10,181,309
Net profit for the financial period	-	-	-	-	-	-	559,804	559,804	39,835	27,836	62,327	689,802
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)	-	559,804	631,179	39,835	27,836	59,099	757,949
Transfer of a subsidiary company's reserves	-	-	-	-	-	27,959	(27,959)	-	-	-	-	-
<u>Transactions with Owners</u>												
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
Net issuance of RCCPS	-	-	-	-	-	-	-	-	-	250,000	-	250,000
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(39,607)	-	-	(39,607)
Sub-total carried forward	1,933,237	1,740,302	1,212,275	(7,887)	(6,427)	561,213	3,307,572	6,807,048	1,052,067	1,567,386	2,216,573	11,643,074

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Share Capital		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	Merger Reserves RM'000	Currency Translation Differences RM'000	FVOCI Reserves RM'000	Other Reserves RM'000						
Sub-total brought forward	1,933,237	1,740,302	1,212,275	(7,887)	(6,427)	561,213	3,307,572	6,807,048	1,052,067	1,567,386	2,216,573	11,643,074
Dividend paid/payable 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	3,288,240	6,787,716	1,052,067	1,567,386	2,164,225	11,571,394

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 March 2018 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 6 Months Ended 30.09.2018 RM'000	Financial Period 6 Months Ended 30.09.2017 (Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the financial period	(221,462)	689,802
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	340,846	335,524
- Finance costs	182,793	170,669
- Taxation	77,823	111,257
- Share of results of joint ventures (net of tax)	(27,335)	(2,235)
- Share of results of associated companies (net of tax)	(130,490)	(115,085)
- Others	162,239	111,471
Operating profit before working capital changes	384,414	1,301,403
Changes in working capital:		
Net (increase)/decrease in banking related assets	(466,954)	376,562
Net increase/(decrease) in banking related liabilities	89,746	(1,881,230)
Net decrease/(increase) in current assets	303,748	(771,407)
Net decrease in current liabilities	(223,567)	(311,022)
Net cash generated/(used) in operations	87,387	(1,285,694)
Interest received	32,264	32,802
Tax paid, net of refunds	(29,993)	9,936
Finance costs paid	(154,599)	(173,015)
Provision for liabilities and charges paid	(30,929)	(48,643)
Post-employment benefit obligations paid	(2,454)	(192)
Provision for concession assets paid	(1,301)	(2,418)
Net cash outflow from operating activities	(99,625)	(1,467,224)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of investment securities by a banking subsidiary company (net proceeds from disposals)	(229,712)	(273,671)
Dividends received from joint ventures	375	14,618
Dividends received from associated companies	181,902	57,279
Dividends received from other investments	113	202
Movement in fixed deposits placement with maturity profile more than 3 months	7,830	(26,464)
Net cash inflow from disposals of subsidiary companies	-	428,870
Proceeds from disposals of property, plant and equipment/investment properties	3,495	9,923
Redemption/maturity of investment securities by a banking subsidiary company	165,253	696,000
Purchases of property, plant and equipment/intangible assets	(420,932)	(297,791)
Redemption of preference shares by a joint venture	-	2,500
Share of subscription in a subsidiary company by a non-controlling shareholder	-	170,300
Withdrawal of investment securities	72,777	24,704
Net cash (outflow)/inflow from investing activities	(218,899)	806,470

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 6 Months Ended 30.09.2018 RM'000	Financial Period 6 Months Ended 30.09.2017 (Restated) RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to holders of Perpetual Sukuk	(39,587)	(39,607)
Dividends paid to non-controlling interest	(2,065)	(52,348)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	2,600	(303,855)
Movement in bank balances in Escrow account arising from Redeemable Convertible Cumulative Preference Shares ("RCCPS")	21	2,998
Net proceeds from issuance of RCCPS	-	250,000
Proceeds from bank borrowings	1,800,138	2,698,447
Proceeds from recourse obligation on sold to Cagamas by a banking subsidiary company	-	494,109
Repayment of bank borrowing/hire purchase and finance leases	(1,739,459)	(2,637,995)
Repayment of principal for recourse obligation on financing sold to Cagamas	(11,223)	-
Net cash inflow from financing activities	10,425	411,749
NET DECREASE IN CASH AND CASH EQUIVALENTS	(308,099)	(249,005)
Effects of foreign currency translation	3,034	(10,578)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	3,340,525	2,760,567
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	3,035,460	2,500,984
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	2,807,814	3,278,436
Banking related assets - cash and short-term funds	845,115	485,740
Bank overdrafts	(15,706)	(15,630)
	3,637,223	3,748,546
Less: Bank balances and fixed deposits held as security/sinking fund	(840,754)	(1,134,520)
Less: Fixed deposits with maturity profile more than 3 months	(17,483)	(37,706)
Less: Bank balances in respect of Automotive Development Fund liabilities	(20,835)	(20,149)
Less: Collections held by a postal subsidiary company on behalf of third parties	(45,665)	(55,166)
Less: Bank balances in Escrow account arising from RCCPS	-	(21)
Add: Cash and cash equivalents attributable to the disposal groups held for sale	322,974	-
	3,035,460	2,500,984

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 March 2018 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 unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report should be read in conjunction with the Group’s annual audited financial statements for the financial year ended 31 March 2018 and all the financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)

For the years up to and including the financial year ended 31 March 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”) in Malaysia whereas, the interim financial report of the Group, for the current financial period ended 30 September 2018, is prepared in accordance with MFRS Framework, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. Except for certain differences, the requirements under FRS and MFRS are similar. Accordingly, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 April 2017, being the transition date, and throughout all periods presented except as discussed below:

(i) Classification and measurement of financial instruments

Under MFRS, the classification for all financial assets, except equity instruments and derivatives, shall be assessed based on a combination of the Group’s business model for managing the assets and the financial assets’ contractual cash flow characteristics.

The categories of financial assets under MFRS are as follows:

- Amortised cost
- Fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition
- FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Fair value through profit or loss (“FVTPL”)

The Group reclassified financial assets previously recognised as available for sale and held to maturity to the appropriate MFRS categories noted above.

The accounting for financial liabilities remains largely the same as it was under FRS, except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the profit or loss.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

(ii) Impairment of financial assets

Upon transition to MFRS, the Group’s accounting for impairment of financial assets, has been replaced from the incurred loss approach to the forward-looking expected credit loss (“ECL”) approach. ECL approach is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For the banking subsidiary company, the Group applied the MFRS’s general approach to record an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months, unless there has been a significant increase in credit risk since origination.

Other than the banking subsidiary company, the Group has applied the MFRS’s simplified approach for contract assets and trade and other receivables, and has calculated ECL based on lifetime expected credit losses. The simplified approach excludes tracking of changes in credit risk.

(iii) Revenue recognition

Upon adoption of MFRS, revenue arising from contracts with customers are accounted for using the five-step model. Under MFRS, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected to apply certain practical expedients allowed under MFRS whereby the Group did not restate any contracts that are completed as at date of transition, 1 April 2017.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

(iii) Revenue recognition (Continued)

The key effects of MFRS are as follows: (Continued)

- (a) Under FRS, for the sale of certain motor vehicles, the Group concluded that it is a principal as it has an exposure to significant risks and rewards, based on the existence of credit risk. Pursuant to the adoption of MFRS, the Group reassessed its position and has determined that it is an agent, as it does not control the motor vehicles before they are transferred to the customer. There is no impact on the profits of the Group but will result in the decrease of revenue and cost of sales previously recognised.
- (b) MFRS requires revenue to be recognised at selling price less any variable considerations, including rebates and incentives, given to customers. Prior to MFRS, the Group estimated the rebates and incentives and accrued related provision. Upon adoption of MFRS, the Group has reclassified the variable considerations previously recognised in cost of sales and selling and distribution costs arising from the sale of motor vehicles as deduction from revenue.
- (c) The Group is required to identify and separately account for performance obligations arising from contracts with customers under MFRS. Under FRS, a single performance obligation was identified for certain supply of automotive parts agreements, vehicle leasing agreements and construction contracts. Upon transition to MFRS, the Group has reassessed and identified these contracts to have two separate performance obligations where revenue shall be recognised separately based on the progress of the respective performance obligations.
- (d) Under FRS, revenue for property development activities are recognised based on percentage of completion method. However, under MFRS, this method shall be conditional upon the Group having no alternative use for the property and an enforceable right to payment for work completed to date. FRSIC Consensus 23 Application of MFRS 15 *Revenue from Contracts with Customers on Sale of Residential Properties* issued by the Malaysian Institute of Accountants (“MIA”), allows sales of residential properties in Malaysia, to be recognised based on percentage of completion method. In respect of sales of non-residential properties, the Group has concluded that based on the existing agreements, it does not have an enforceable right to payment for work completed to date. Accordingly, revenue and property development cost on non-residential properties shall be recognised to profit or loss only upon completion.

The presentation of property development cost capitalised under FRS has now been classified as inventories under MFRS.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

(iv) Provision for affordable housing

Under FRS, the Group recognised upfront provisions for the foreseeable losses arising from mandatory affordable housing for residential development as required by FRSIC Consensus 17, *Development of Affordable Housing* issued by the MIA. Under MFRS, losses arising from development of affordable housing shall be recognised based on stage of completion, conditional upon available profits from future profitable housing projects of the residential development. Given there is future profits of the Group’s residential development, the Group has made a reversal of the provision recognised previously.

(v) Business combinations

MFRS 1 provides the option to apply MFRS 3 *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(a) The classification of former business combinations under FRS is maintained.

(b) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and

(c) The carrying amount of goodwill recognised under FRS is maintained.

(vi) Assets and liabilities of subsidiary companies, joint ventures and associated companies

Under MFRS 1, the assets and liabilities of subsidiary companies, joint ventures and associated companies which have adopted the MFRS Framework earlier than the Group shall remain at the same carrying amounts as in the financial statements of these subsidiary companies, joint ventures and associated companies, after adjusting for consolidation adjustments.

(vii) Estimates

MFRS 1 requires the estimates at 1 April 2017 and at 31 March 2018 to be consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS, reflect conditions at 1 April 2017, the date of transition to MFRS and as of 31 March 2018.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

The reconciliation of the financial position of the Group as at 31 March 2018 and 1 April 2017 and the reconciliation of the financial performance for the quarter/period ended 30 September 2017, reported under FRS to those reported under MFRS are as follows:

	As previously stated RM'000	Effects of adoption of MFRS RM'000	As restated RM'000
As at 31 March 2018			
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Property, plant and equipment	5,939,520	(38,455)	5,901,065
Land held for development	274,171	(274,171)	-
Inventories	-	231,855	231,855
Deferred tax assets	152,308	(6,251)	146,057
Investment securities: fair value through profit or loss - Banking	161,274	129,159	290,433
Investment securities: fair value through other comprehensive income			
- Banking	-	5,540,505	5,540,505
- Non-Banking	-	45,498	45,498
Investment securities: amortised cost - Banking	-	102,941	102,941
Investment securities: available-for-sale			
- Banking	5,553,163	(5,553,163)	-
- Non-Banking	45,498	(45,498)	-
Investment securities: held-to-maturity - Banking	143,730	(143,730)	-
Trade and other receivables	935,852	(12,634)	923,218
Banking related assets - Financing of customers	10,216,425	(119,113)	10,097,312
<u>Current assets</u>			
Inventories	1,640,454	728,501	2,368,955
Property development costs	797,798	(797,798)	-
Trade and other receivables	3,271,976	23,187	3,295,163
Investment securities: available-for-sale - Banking	766,249	(766,249)	-
Investment securities: fair value through other comprehensive income - Banking	-	766,249	766,249
Investment securities: fair value through profit or loss			
- Non-banking	292	175,670	175,962
Investment securities: amortised cost			
- Non-banking	-	8,000	8,000
Banking related assets - Financing of customers	4,301,547	(107,279)	4,194,268
Bank balances and cash deposits	2,834,028	(207,670)	2,626,358

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

The reconciliation of the financial position of the Group as at 31 March 2018 and 1 April 2017 and the reconciliation of the financial performance for the quarter/period ended 30 September 2017, reported under FRS to those reported under MFRS are as follows: (Continued)

	As previously stated RM’000	Effects of adoption of MFRS RM’000	As restated RM’000
As at 31 March 2018			
Consolidated Statement of Financial Position (Continued)			
<u>Non-current liabilities</u>			
Deferred income	109,596	(86,384)	23,212
Trade and other payables	-	86,384	86,384
Deferred tax liabilities	254,309	(3,485)	250,824
<u>Current liabilities</u>			
Deferred income	45,439	(36,629)	8,810
Trade and other payables	5,412,851	(121,171)	5,291,680
Banking related liabilities - Deposits from customers	18,778,061	(24,000)	18,754,061
Equity			
Reserves	4,993,405	(83,494)	4,909,911
Non-controlling interest	1,830,873	(51,667)	1,779,206
Consolidated Statement of Changes in Equity			
Available-for-sale reserve	(12,997)	12,997	-
Fair Value through Other Comprehensive Income Reserve	-	(14,416)	(14,416)
Other reserves	56,184	36,006	92,190
Retained earnings	3,745,299	(118,081)	3,627,218
Net assets per share attributable to Owners of the Company	3.48	(0.04)	3.44

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

The reconciliation of the financial position of the Group as at 31 March 2018 and 1 April 2017 and the reconciliation of the financial performance for the quarter/period ended 30 September 2017, reported under FRS to those reported under MFRS are as follows: (Continued)

	As previously stated RM'000	Effects of adoption of MFRS RM'000	As restated RM'000
As at 1 April 2017			
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Property, plant and equipment	6,463,431	(10,074)	6,453,357
Land held for development	1,182,226	(1,182,226)	-
Inventories	-	1,079,673	1,079,673
Deferred tax assets	147,192	2,179	149,371
Investment securities: fair value through profit or loss - Banking	197,208	113,774	310,982
Investment securities: fair value through other comprehensive income			
- Banking	-	5,035,771	5,035,771
- Non-Banking	-	46,153	46,153
Investment securities: amortised cost - Banking	-	101,875	101,875
Investment securities: available-for-sale			
- Banking	5,040,929	(5,040,929)	-
- Non-Banking	46,153	(46,153)	-
Investment securities: held-to-maturity - Banking	142,168	(142,168)	-
Trade and other receivables	264,144	(1,427)	262,717
Banking related assets - Financing of customers	10,772,103	(110,347)	10,661,756
<u>Current assets</u>			
Inventories	2,285,452	138,701	2,424,153
Property development costs	140,186	(140,186)	-
Trade and other receivables	4,057,560	3,050	4,060,610
Investment securities: available-for-sale - Banking	1,090,487	(1,090,487)	-
Investment securities: fair value through other comprehensive income - Banking	-	1,090,487	1,090,487
Investment securities: fair value through profit or loss			
- Non-banking	175	221,398	221,573
Investment securities: amortised cost			
- Non-banking	-	8,000	8,000
Banking related assets - Financing of customers	3,939,713	(36,849)	3,902,864
Bank balances and cash deposits	2,876,862	(262,398)	2,614,464

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

The reconciliation of the financial position of the Group as at 31 March 2018 and 1 April 2017 and the reconciliation of the financial performance for the quarter/period ended 30 September 2017, reported under FRS to those reported under MFRS are as follows: (Continued)

	As previously stated RM’000	Effects of adoption of MFRS RM’000	As restated RM’000
As at 1 April 2017			
Consolidated Statement of Financial Position (Continued)			
<u>Non-current liabilities</u>			
Deferred income	151,621	(124,491)	27,130
Trade and other payables	-	123,760	123,760
Deferred tax liabilities	210,270	(520)	209,750
<u>Current liabilities</u>			
Deferred income	48,410	(35,412)	12,998
Trade and other payables	6,499,555	(79,516)	6,420,039
Banking related liabilities - Deposits from customers	18,979,279	(33,000)	18,946,279
Equity			
Reserves	4,331,485	(46,624)	4,284,861
Non-controlling interest	1,841,137	(26,380)	1,814,757
Consolidated Statement of Changes in Equity			
Available-for-sale reserve	(1,358)	1,358	-
Fair Value through Other Comprehensive Income Reserve	-	(1,358)	(1,358)
Retained earnings	2,704,768	(46,624)	2,658,144
Net assets per share attributable to Owners of the Company	3.14	(0.02)	3.12

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

The reconciliation of the financial position of the Group as at 31 March 2018 and 1 April 2017 and the reconciliation of the financial performance for the quarter/period ended 30 September 2017, reported under FRS to those reported under MFRS are as follows: (Continued)

	As previously stated RM'000	Effects of adoption of MFRS RM'000	As restated RM'000
For the financial quarter ended 30 September 2017			
Consolidated Statement of Comprehensive Income			
Revenue	3,343,628	(102,675)	3,240,953
Cost of sales and operating expenses	(3,561,146)	106,502	(3,454,644)
Other income	1,365,742	(845)	1,364,897
Other expense	(240,633)	(2,276)	(242,909)
Profit from operations	907,591	706	908,297
Profit before taxation	890,381	706	891,087
Taxation	(79,456)	(1,277)	(80,733)
Net profit for the financial quarter	810,925	(571)	810,354
Total comprehensive loss for the financial quarter			
<u>Items that will be reclassified subsequently to profit or loss:</u>			
Net loss on fair value changes of investment securities: available-	(6,467)	6,467	-
Net loss on fair value changes of investment securities: fair value through other comprehensive income	-	(6,467)	(6,467)
Net profit for the financial quarter attributable to:			
Owners of the Company	736,567	6,028	742,595
Non-controlling interest	39,815	(6,599)	33,216
Total comprehensive income for the financial quarter attributable to:			
Owners of the Company	816,904	6,028	822,932
Non-controlling interest	37,327	(6,599)	30,728
Basic and diluted earnings per share (sen)	38.10	0.31	38.41

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) (Continued)

The reconciliation of the financial position of the Group as at 31 March 2018 and 1 April 2017 and the reconciliation of the financial performance for the quarter/period ended 30 September 2017, reported under FRS to those reported under MFRS are as follows: (Continued)

	As previously stated RM’000	Effects of adoption of MFRS RM’000	As restated RM’000
For the financial period ended 30 September 2017			
Consolidated Statement of Comprehensive Income			
Revenue	6,680,240	(310,263)	6,369,977
Cost of sales and operating expenses	(6,962,410)	299,896	(6,662,514)
Other income	1,450,597	(1,641)	1,448,956
Other expense	(297,417)	(4,594)	(302,011)
Profit from operations	871,010	(16,602)	854,408
Profit before taxation	817,661	(16,602)	801,059
Taxation	(108,085)	(3,172)	(111,257)
Net profit for the financial period	709,576	(19,774)	689,802
Total comprehensive loss for the financial period			
<u>Items that will be reclassified subsequently to profit or loss:</u>			
Net loss on fair value changes of investment securities: available-for-sale	(501)	501	-
Net loss on fair value changes of investment securities: fair value through other comprehensive income	-	(501)	(501)
<u>Reclassification adjustments:</u>			
Transfer of realised gain on fair value changes of investment securities: available-for-sale upon disposal	(6,740)	6,740	-
Transfer of realised gain on fair value changes of investment securities: fair value through other comprehensive income upon disposal	-	(6,740)	(6,740)
Net profit for the financial period attributable to:			
Owners of the Company	566,860	(7,056)	559,804
Non-controlling interest	75,045	(12,718)	62,327
Total comprehensive income for the financial period attributable to:			
Owners of the Company	638,235	(7,056)	631,179
Non-controlling interest	71,817	(12,718)	59,099
Basic and diluted earnings per share (sen)	29.32	(0.36)	28.96

3. 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 2018.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as disclosed in Note 2, 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 2018.

Included in the Consolidated Statement of Comprehensive Income in the corresponding quarter/period ended 30 September 2017 were the R&D reimbursement grant received from the Government of RM1.10 billion and effect of PROTON restructuring costs of RM325.47 million.

5. 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.

6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

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 2018.

7. DIVIDEND PAID

The shareholders approved a single tier first and final dividend of 3.0 sen per share at the last Annual General Meeting held on 30 August 2018 in respect of the financial year ended 31 March 2018. The dividend of RM57,997,112 was paid on 1 October 2018.

8. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 30 September 2018 is as follows:

	Automotive RM'000	Services RM'000	Property RM'000	Investment Holding RM'000	Group RM'000
Revenue					
Total revenue	3,558,160	2,292,127	303,081	20,548	6,173,916
Inter-segment revenue	(230,022)	(60,341)	(24,169)	(20,548)	(335,080)
External revenue	3,328,138	2,231,786	278,912	-	5,838,836
Results					
Segment (loss)/profit	(326,974)	154,394	58,211	9,394	(104,975)
Unallocated expenses					(45,111)
Interest income on short term deposits					31,415
Finance costs					(182,793)
Share of results of joint ventures (net of tax)	26,645	-	690	-	27,335
Share of results of associated companies (net of tax)	130,238	252	-	-	130,490
Loss before taxation					(143,639)
Taxation					(77,823)
Net loss for the financial period					(221,462)
Attributable to:					
Owners of the Company					(78,018)
Holder of Perpetual Sukuk					39,835
Non-controlling interest					(183,279)

9. 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.

10. SUBSEQUENT EVENTS

Save as disclosed in Note 20, 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.

11. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

- (a) On 10 April 2018, PROTON Holdings Berhad, a direct 50.10% owned subsidiary company of the Group, had via its wholly-owned subsidiary company, Proton Marketing Sdn. Bhd., incorporated a 90% owned new subsidiary company known as PROTON Motor Parsian Company (Ltd.) ("PMPC"), in Iran. As a result, PMPC is an indirect 45.09% owned subsidiary company of the Group.
- (b) On 6 August 2018, Proton Singapore Pte. Ltd. ("PSPL"), an indirect 50.10% owned dormant subsidiary company of the Group has commenced the dissolution exercise via members' voluntary winding up. Upon the dissolution, PSPL will cease to be an indirect 50.10% owned subsidiary company of the Group.
- (c) On 18 September 2018, PNSL Berhad an indirect 53.50% owned subsidiary company of the Group, acquired the remaining 49% equity interest in Parcel Tankers Malaysia Sdn. Bhd. ("PTM") previously held by Yuma Shipping Pte. Ltd. for consideration of RM2.403 million, thus increasing its ownership from 51% to 100% in PTM. As a result, PTM became an indirect 53.50% owned subsidiary company of the Group.

12. 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.

13. 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.

13. COMMITMENTS AND CONTINGENT LIABILITIES OF BANK MUAMALAT MALAYSIA BERHAD (Continued)

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

	As at 30.09.2018		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Direct credit substitutes	250,346	250,346	223,393
Trade-related contingencies	379,889	75,978	11,581
Transaction related contingencies	481,463	240,732	224,063
Credit extension commitment:			
- maturity within one year	311,512	62,302	60,520
- maturity exceeding one year	2,462,616	1,231,308	461,369
Profit rate related contracts	1,900,000	73,500	14,700
Foreign exchange related contracts	2,042,046	69,307	49,456
	7,827,872	2,003,473	1,045,082

14. (LOSS)/PROFIT BEFORE TAXATION

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

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.09.2018 RM'000	30.09.2017 (Restated) RM'000	30.09.2018 RM'000	30.09.2017 (Restated) RM'000
Allowance for financing of customers	8,020	19,862	17,863	68,727
Amortisation of:				
- intangible assets	42,055	44,379	84,925	97,926
- concession assets	1,057	3,190	4,448	6,067
Depreciation and amortisation of property, plant and equipment/prepaid lease properties	175,762	154,070	340,846	328,248
Finance costs	100,201	86,496	182,793	170,669
Financing written off	4,651	61	8,719	3,029

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

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

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.09.2018	30.09.2017 (Restated)	30.09.2018	30.09.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Impairment loss of property, plant and equipment/prepaid lease properties	107	10,900	98	10,545
Loss on fair value adjustment of investment properties	120	108	241	217
Net foreign exchange differences	30,827	(45,162)	57,045	(47,764)
(Write back of)/allowance for doubtful debts (net)	(1,687)	3,368	6,582	7,143
Write off of property, plant and equipment	611	921	1,149	948
Effect of PROTON's restructuring	(10,200)	325,468	(10,200)	325,468
(Gain)/loss on disposal of:				
- investment securities	(1,583)	(8,714)	(1,583)	(24,448)
- property, plant and equipment	(232)	(907)	(2,035)	(2,729)
- investment properties	-	(325)	-	765
Grant income	-	(1,100,000)	-	(1,100,000)
Interest income on short term deposits	(15,152)	(15,323)	(31,415)	(30,084)
Marked to market loss/(gain) on derivatives (net)	165	3,408	(8,293)	19,557
(Write backs of)/write off of Inventories (net)	(4,144)	9,796	(286)	16,654

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	Financial Quarter 3 Months Ended			Financial Period 6 Months Ended		
		30.09.2018	30.09.2017 (Restated)	Variance	30.09.2018	30.09.2017 (Restated)	Variance
		RM'000	RM'000		RM'000	RM'000	
(i)	Automotive	1,924,534	1,793,475	131,059	3,328,138	3,708,164	(380,026)
(ii)	Services	1,123,770	1,079,289	44,481	2,231,786	2,198,904	32,882
(iii)	Property	136,121	368,189	(232,068)	278,912	462,909	(183,997)
	Total	3,184,425	3,240,953	(56,528)	5,838,836	6,369,977	(531,141)

↓ 8.3%

15. REVIEW OF PERFORMANCE (Continued)

15.1 Revenue (Continued)

For the three months ended 30 September 2018, the Group's revenue declined slightly to RM3.18 billion compared with RM3.24 billion in the corresponding quarter ended 30 September 2017. The automotive and services sectors performed better, whereas, the property sector recorded lower sales.

In respect of the six months ended 30 September 2018, the Group's revenue declined by 8.3% to RM5.84 billion compared with RM6.37 billion in the corresponding period ended 30 September 2017. This was mainly due to lower sales recorded by automotive and property sectors as explained below.

(i) Automotive Sector

The decrease was largely due to sales revenue foregone following the disposal of Lotus and also lower sales of vehicles by PROTON.

(ii) Services Sector

The Services sector recorded higher revenue from banking and waste management businesses.

(iii) Property Sector

The reduction of revenue was mainly due to lower revenue recognised from construction related projects.

15.2 (Loss)/Profit Before Tax

The Group incurred pre-tax losses of RM49.24 million and RM143.64 million for the financial quarter/period ended 30 September 2018 compared with the pre-tax profit of RM891.09 million and RM801.06 million in the corresponding financial quarter/period ended 30 September 2017 respectively. The operating losses for the current financial quarter/period was mainly due to lower performance of certain companies in the automotive and services sectors. The profits in the corresponding quarter/period ended 30 September 2017 included R&D reimbursement grant of RM1.10 billion, net of PROTON restructuring costs of RM325.47 million.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded a pre-tax loss of RM49.24 million in the current quarter ended 30 September 2018 compared with pre-tax loss of RM94.40 million in the preceding quarter ended 30 June 2018. The lower losses was mainly due to better performance of the automotive sector in the current quarter.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019

In line with DRB-HICOM's key focus towards the turnaround of PROTON, the roll out of the national carmaker's maiden SUV, the Proton X70 is slated for December 2018. The new SUV will feature advanced technologies and safety capabilities as well as luxury-oriented comfort and latest infotainment systems which are key to the brand revival effort. This revival is further augmented by the upgrading of PROTON's distribution outlets aimed towards providing better and more efficient customer service.

The launch of the Proton X70 together with other product launches by marques within the Group is expected to improve the overall sales performance of the Automotive sector.

As the Group embarks on its business rationalisation efforts, DRB-HICOM had on 15 October 2018 obtained shareholders' approval to divest its solid waste management business and non-industrial property assets. These proposed disposals are pending fulfillment of other conditions precedent.

DRB-HICOM's execution of its growth strategy to achieve long term sustainability will continue despite the volatility and uncertainties in the domestic and external environment. Given this scenario, the Group will continue to remain vigilant and exercise prudent cost management across its operations.

Notwithstanding that the turnaround of PROTON is on track, the Group's financial performance for the current financial year ending 31 March 2019 is expected to continue to be weighed down by the financial performance of PROTON.

18. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the financial period ended 30 September 2018 in a public document.

19. TAXATION

Taxation comprises the following:

	Financial Quarter 3 Months Ended		Financial Period 6 Months Ended	
	30.09.2018 RM'000	30.09.2017 (Restated) RM'000	30.09.2018 RM'000	30.09.2017 (Restated) RM'000
Current taxation	48,603	10,893	61,658	33,976
Deferred taxation	(21,139)	69,840	16,165	77,281
Total	27,464	80,733	77,823	111,257

For the financial period ended 30 September 2018, despite the Group recording losses, the taxation charge arose mainly from certain profit making subsidiary companies.

20. STATUS OF CORPORATE PROPOSALS

- (a) On 8 March and 11 July 2018, DRB-HICOM Group had entered into various agreements and supplemental agreements respectively for the proposed disposals of certain property assets and investments to Prisma Dimensi Sdn. Bhd. and Kelana Ventures Sdn. Bhd. The Proposed Disposals have been approved by DRB-HICOM Berhad shareholders at the Extraordinary General Meeting (“EGM”) held on 15 October 2018. The Proposed Disposals are pending fulfilment of other conditions precedent.
- (b) On 1 August 2018, HICOM Holdings Berhad (“HHB”), a direct wholly-owned subsidiary company of the Group, had entered into a conditional share sale agreement (“SSA”) with Tunas Pancar Sdn. Bhd., a wholly-owned subsidiary company of Malakoff Corporation Berhad, for the proposed disposal of HHB’s entire equity interest of 97.37% in Alam Flora Sdn. Bhd. (“AFSB”) involving 74 million ordinary shares in AFSB, for a total cash consideration of RM944.6 million, subject to the terms and conditions of the SSA (“Proposed Disposal”). The Proposed Disposal has been approved by DRB-HICOM Berhad shareholders at the EGM held on 15 October 2018. The Proposed Disposal is pending fulfilment of other conditions precedent. Pursuant to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the carrying value of AFSB’s assets and liabilities have been classified as held for sale in the Consolidated Statement of Financial Position as at 30 September 2018.
- (c) On 8 October 2018, DRB-HICOM Defence Technologies Sdn. Bhd. (“DEFTECH”), a wholly-owned subsidiary company of the Group, entered into a share sale and purchase agreement with Petroliam Nasional Berhad for the proposed acquisition of the remaining 3.13% equity interest in Composites Technology Research Malaysia Sdn. Bhd. (“CTRM”) for cash consideration of RM13 million (“Proposed Acquisition”). Upon completion of the Proposed Acquisition, DEFTECH’s equity interest in CTRM will increase from 96.87% to 100%. The conditions precedent of the Proposed Acquisition has been fulfilled on 13 November 2018 and the transaction is pending completion.

21. BORROWINGS AND DEFERRED LIABILITIES

Total Group borrowings are as follows:

		As at 30.09.2018 RM’000
(a)	Short Term Borrowings	
	Bank overdrafts	
	- Secured	10,633
	- Unsecured	5,073
	Total	15,706

21. BORROWINGS AND DEFERRED LIABILITIES (Continued)

	As at 30.09.2018 RM'000
(b) Others	
<u>Secured</u>	
Bankers acceptances	31,205
Revolving credits	281,091
Short term loans	4,115
Short term loans under Islamic financing	145,165
Hire purchase and finance lease liabilities - portion repayable within 12 months	21,798
Long term loans - portion repayable within 12 months	217,580
Long term loans under Islamic financing - portion repayable within 12 months	863,670
Sub-total	1,564,624
<u>Unsecured</u>	
Bankers acceptances	527,572
Revolving credits	255,800
Short term loans under Islamic financing	25,000
Long term loans under Islamic financing - portion repayable within 12 months	1,760
Sub-total	810,132
Total	2,374,756
(c) Long Term Borrowings	
<u>Secured</u>	
Hire purchase and finance lease liabilities - portion repayable within 12 months	59,876 (21,798)
	38,078
Long term loans - portion repayable within 12 months	735,118 (217,580)
	517,538
Long term loans under Islamic financing - portion repayable within 12 months	2,992,224 (863,670)
	2,128,554

21. BORROWINGS AND DEFERRED LIABILITIES (Continued)

	As at 30.09.2018 RM'000
(c) Long Term Borrowings (continued)	
<u>Unsecured</u>	
Long term loans under Islamic financing - portion repayable within 12 months	768,644 (1,760)
	766,884
Total	3,451,054
Grand Total	5,841,516

(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 2018									
Secured									
Revolving credits	GBP	1,500	8,111				GBP	1,500	8,111
Short term loans under Islamic financing	GBP	1,519	8,234				GBP	1,519	8,234
	USD	33,039	136,931				USD	33,039	136,931
Long term loans	USD	28,283	118,817	USD	42,515	178,605	USD	70,798	297,422
Long term loans under Islamic financing	USD	8,110	33,864	USD	30,341	126,130	USD	38,451	159,994
Total			305,957			304,735			610,692

22. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 September 2018 consist mainly of foreign exchange contracts, profit rate swap and capped cross currency interest rate swap which are measured at their fair values 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	1,092,691	27,102	4,291
Currency swap foreign exchange contracts	1,092,788	5,227	25,686
Islamic profit rate swap	1,900,000	-	9,158
Capped cross currency interest rate swap	362,167	-	793
	4,447,646	32,329	39,928

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2018:

- (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 2018, the Group recognised a total net gain of RM8.29 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 2018.

23. MATERIAL LITIGATION

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

24. DIVIDEND

No dividend has been declared for the financial period ended 30 September 2018.

25. (LOSS)/EARNINGS PER SHARE

The basic and diluted (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

	Financial Quarter Ended 3 Months Ended		Financial Period Ended 6 Months Ended	
	30.09.2018	30.09.2017 (Restated)	30.09.2018	30.09.2017 (Restated)
Net (loss)/profit attributable to Owners of the Company (RM'000)	(11,419)	742,595	(78,018)	559,804
Number of ordinary shares in issue ('000)	1,933,237	1,933,237	1,933,237	1,933,237
Basic and diluted loss per share (sen)	(0.59)	38.41	(4.04)	28.96

26. 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

SABARINA LAILA BINTI MOHD HASHIM
Secretary

Shah Alam
29 November 2018