



DRB-HICOM BERHAD

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 June 2019

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Board of Directors is pleased to announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the financial quarter/period ended 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Revenue		3,436,857	2,654,411	3,436,857	2,654,411
Cost of sales and operating expenses		(3,308,036)	(2,759,805)	(3,308,036)	(2,759,805)
Other income		119,482	75,688	119,482	75,688
Other expenses		(53,834)	(47,505)	(53,834)	(47,505)
Profit/(loss) from operations		194,469	(77,211)	194,469	(77,211)
Finance costs		(109,881)	(82,592)	(109,881)	(82,592)
Share of results of joint ventures (net of tax)		8,097	1,560	8,097	1,560
Share of results of associated companies (net of tax)		54,037	63,844	54,037	63,844
PROFIT/(LOSS) BEFORE TAXATION	15	146,722	(94,399)	146,722	(94,399)
Taxation	20	(37,349)	(50,359)	(37,349)	(50,359)
NET PROFIT/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD		109,373	(144,758)	109,373	(144,758)
OTHER COMPREHENSIVE INCOME/(LOSS)					
<u>Item that will not be reclassified subsequently to profit or loss:</u>					
Net gain/(loss) on fair value changes of equity instrument: financial assets at fair value through other comprehensive income		5,470	(9,424)	5,470	(9,424)
<u>Items that will be reclassified subsequently to profit or loss:</u>					
Net gain/(loss) on fair value changes of investment securities: financial assets at fair value through other comprehensive income		31,093	(25,933)	31,093	(25,933)
Currency translation differences of foreign subsidiary companies		(1,167)	1,028	(1,167)	1,028

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
OTHER COMPREHENSIVE INCOME/(LOSS) (Continued)					
<u>Reclassification adjustments:</u>					
Transfer of realised gain on fair value changes of investment securities: financial assets at fair value through other comprehensive income upon disposal		(2,569)	(31)	(2,569)	(31)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/ PERIOD (NET OF TAX)		32,827	(34,360)	32,827	(34,360)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL QUARTER/PERIOD		142,200	(179,118)	142,200	(179,118)
Net profit/(loss) for the financial quarter/period attributable to:					
Owners of the Company		46,214	(66,599)	46,214	(66,599)
Holder of Perpetual Sukuk		19,809	19,809	19,809	19,809
Non-controlling interest		43,350	(97,968)	43,350	(97,968)
		109,373	(144,758)	109,373	(144,758)
Total comprehensive income/(loss) for the financial quarter/period attributable to:					
Owners of the Company		69,532	(90,457)	69,532	(90,457)
Holder of Perpetual Sukuk		19,809	19,809	19,809	19,809
Non-controlling interest		52,859	(108,470)	52,859	(108,470)
		142,200	(179,118)	142,200	(179,118)
Basic and diluted earnings/(loss) per share (sen):	26	2.39	(3.44)	2.39	(3.44)

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 2019 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.06.2019 RM'000	As at 31.03.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,344,913	6,100,951
Prepaid lease properties		51,067	51,495
Investment properties		270,524	294,857
Inventories		235,033	234,589
Joint ventures		424,697	317,415
Associated companies		837,718	805,843
Intangible assets		1,633,792	1,563,114
Deferred tax assets		129,343	147,213
Investment securities: financial assets at fair value through profit or loss			
- Banking		161,887	156,456
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		4,406,890	4,635,531
- Non-banking		44,898	44,898
Investment securities: financial assets at amortised cost			
- Banking		102,619	102,596
Trade and other receivables		1,348,240	1,288,562
Other assets		478	504
Banking related assets			
- Financing of customers		11,343,033	11,269,467
- Statutory deposits with Bank Negara Malaysia		658,539	699,275
		27,993,671	27,712,766
CURRENT ASSETS			
Assets and disposal groups held for sale		1,378,850	1,275,893
Inventories		2,704,375	2,550,799
Trade and other receivables		3,192,150	3,040,005
Investment securities: financial assets at fair value through profit or loss			
- Banking		191,852	504,344
- Non-banking		206,126	164,076
Investment securities: financial assets at fair value through other comprehensive income			
- Banking		319,397	300,501
Investment securities: financial assets at amortised cost			
- Banking		434	714
Banking related assets			
- Cash and short-term funds		241,265	842,508
- Financing of customers		3,615,271	3,749,776
Bank balances and cash deposits		2,316,817	2,510,409
Derivative assets	23(a)	8,605	25,035
		14,175,142	14,964,060
TOTAL ASSETS		42,168,813	42,676,826

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 30.06.2019 RM'000	As at 31.03.2019 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,740,302	1,740,302
Reserves		5,023,065	4,970,161
Equity attributable to Owners of the Company		6,763,367	6,710,463
Perpetual Sukuk		1,038,926	1,051,745
Redeemable Convertible Cumulative Preference Shares		669,266	669,266
Non-controlling interest		1,604,108	1,584,420
TOTAL EQUITY		10,075,667	10,015,894
NON-CURRENT LIABILITIES			
Deferred income		25,911	26,585
Trade and other payables		52,779	64,489
Lease liabilities		341,040	-
Long term borrowings	22(c)	3,594,566	3,548,020
Redeemable Convertible Cumulative Preference Shares		587,428	578,728
Provision for liabilities and charges		15,325	11,057
Post-employment benefit obligations		6,123	6,116
Deferred tax liabilities		297,448	291,804
Banking related liabilities			
- Deposits from customers		312,185	313,445
- Recourse obligation on financing sold to Cagamas		467,092	471,102
		5,699,897	5,311,346
CURRENT LIABILITIES			
Liabilities related to disposal groups held for sale		720,993	718,926
Deferred income		6,502	6,406
Trade and other payables		5,155,222	5,129,151
Lease liabilities		79,944	-
Provision for liabilities and charges		297,475	301,046
Post-employment benefit obligations		352	430
Bank borrowings			
- Bank overdrafts	22(a)	10,101	12,959
- Others	22(b)	2,654,767	2,757,732
Banking related liabilities			
- Deposits from customers		17,390,096	18,347,717
- Deposits and placements of banks and other financial institutions		14,779	6,747
- Bills and acceptances payable		8,817	15,678
Derivative liabilities	23(a)	54,201	52,794
		26,393,249	27,349,586
TOTAL LIABILITIES		32,093,146	32,660,932
TOTAL EQUITY AND LIABILITIES		42,168,813	42,676,826
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.50	3.47

* 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 2019 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	Fair Value through Other Comprehensive Income ("FVOCI") Reserve RM'000	Other Reserves RM'000						
At 1 April 2019	1,933,237	1,740,302	1,211,760	(6,397)	(9,321)	137,582	3,636,537	6,710,463	1,051,745	669,266	1,584,420	10,015,894
Effect of adoption of MFRS 16	-	-	-	-	-	-	(16,628)	(16,628)	-	-	(6,156)	(22,784)
As restated	1,933,237	1,740,302	1,211,760	(6,397)	(9,321)	137,582	3,619,909	6,693,835	1,051,745	669,266	1,578,264	9,993,110
Net profit for the financial period	-	-	-	-	-	-	46,214	46,214	19,809	-	43,350	109,373
Other comprehensive income for the financial period, net of tax	-	-	-	(478)	23,796	-	-	23,318	-	-	9,509	32,827
Total comprehensive income for the financial period	-	-	-	(478)	23,796	-	46,214	69,532	19,809	-	52,859	142,200
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	-	(432)	-	432	-	-	-	-	-
Transfer of a subsidiary company's reserves	-	-	-	-	-	(55)	55	-	-	-	-	-
Sub-total carried forward	1,933,237	1,740,302	1,211,760	(6,875)	14,043	137,527	3,666,610	6,763,367	1,071,554	669,266	1,631,123	10,135,310

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 Reserve RM'000	Currency Translation Differences RM'000	FVOCI Reserve RM'000	Other Reserves RM'000						
Sub-total brought forward	1,933,237	1,740,302	1,211,760	(6,875)	14,043	137,527	3,666,610	6,763,367	1,071,554	669,266	1,631,123	10,135,310
<u>Transactions with Owners</u>												
Effect of deconsolidation of a subsidiary company	-	-	2,325	-	-	-	(2,325)	-	-	-	(26,658)	(26,658)
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(32,628)	-	-	(32,628)
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(357)	(357)
At 30 June 2019	1,933,237	1,740,302	1,214,085	(6,875)	14,043	137,527	3,664,285	6,763,367	1,038,926	669,266	1,604,108	10,075,667

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 Reserve RM'000	Currency Translation Differences RM'000	FVOCI Reserve RM'000	Other Reserves RM'000						
At 1 April 2018	1,933,237	1,740,302	1,212,210	(7,291)	(14,005)	83,529	3,588,500	6,603,245	1,052,026	669,266	1,773,587	10,098,124
Net loss for the financial period	-	-	-	-	-	-	(66,599)	(66,599)	19,809	-	(97,968)	(144,758)
Other comprehensive loss for the financial period, net of tax	-	-	-	912	(24,770)	-	-	(23,858)	-	-	(10,502)	(34,360)
Total comprehensive loss for the financial period	-	-	-	912	(24,770)	-	(66,599)	(90,457)	19,809	-	(108,470)	(179,118)
Transfer of a subsidiary company's reserves	-	-	-	-	-	5,614	(5,614)	-	-	-	-	-
<u>Transactions with Owners</u>												
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(33,081)	-	-	(33,081)
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(569)	(569)
At 30 June 2018	1,933,237	1,740,302	1,212,210	(6,379)	(38,775)	89,143	3,516,287	6,512,788	1,038,754	669,266	1,664,548	9,885,356

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 2019 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Period 3 Months Ended 30.06.2019 RM'000	Financial Period 3 Months Ended 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the financial period	109,373	(144,758)
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	181,850	165,084
- Finance costs	109,881	82,592
- Taxation	37,349	50,359
- Share of results of joint ventures (net of tax)	(8,097)	(1,560)
- Share of results of associated companies (net of tax)	(54,037)	(63,844)
- Others	61,506	90,859
Operating profit before working capital changes	437,825	178,732
Changes in working capital:		
Net decrease/(increase) in banking related assets	86,412	(262,310)
Net decrease banking related liabilities	(957,710)	(658,012)
Net (increase)/decrease in current assets	(292,395)	269,395
Net decrease in current liabilities	(160,806)	(438,703)
Net cash used in operations	(886,674)	(910,898)
Interest received	19,938	14,398
Tax paid, net of refunds	(30,278)	(15,230)
Finance costs paid	(25,942)	(27,172)
Provision for liabilities and charges paid	(21,132)	(17,075)
Post-employment benefit obligations paid	(123)	(224)
Provision for concession assets paid	(883)	(881)
Net cash outflow from operating activities	(945,094)	(957,082)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals/(acquisitions) of investment securities by a banking subsidiary company (net)	488,241	(111,475)
Dividends received from an associated company	21,590	176,120
Interest received	863	1,983
Movement in fixed deposits placement with maturity profile more than 3 months	(47)	2,811
Movement in other investments	-	38,960
Net cash inflow from partial disposal of equity interest in a former subsidiary company	35,377	-
New investment in a joint venture	(12,740)	-
Proceeds from disposals of property, plant and equipment	2,373	2,582
Redemption of investment securities by a banking subsidiary company	43,218	105,000
Purchases of property, plant and equipment/concession assets/intangible assets/ investment properties	(194,817)	(138,365)
Net cash inflow from investing activities	384,058	77,616

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Financial Period 3 Months Ended 30.06.2019 RM'000	Financial Period 3 Months Ended 30.06.2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to holders of Perpetual Sukuk	(32,628)	(33,081)
Dividends paid to non-controlling interest	(357)	(569)
Finance costs paid	(50,451)	(45,166)
Movement in bank balances and fixed deposits held as security/maintained as sinking fund	(272,460)	86,408
Payment of lease liabilities	(26,217)	-
Proceeds from bank borrowings	988,201	1,032,555
Repayment of bank borrowing/hire purchase and finance leases	(1,049,748)	(882,225)
Repayment of principal for recourse obligation on financing sold to Cagamas	(3,956)	(5,632)
Net cash (outflow)/inflow from financing activities	(447,616)	152,290
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,008,652)	(727,176)
Effects of foreign currency translation	(548)	877
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL PERIOD	2,912,504	3,091,181
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	1,903,304	2,364,882
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	2,316,817	2,755,293
Banking related assets - cash and short-term funds	241,265	542,100
Bank overdrafts	(10,101)	(12,575)
	2,547,981	3,284,818
Less: Bank balances and fixed deposits held as security/sinking fund	(1,118,924)	(869,380)
Less: Fixed deposits with maturity profile more than 3 months	(12,049)	(22,502)
Less: Bank balances in respect of Automotive Development Fund liabilities	(21,360)	(20,657)
Less: Collections held by a postal subsidiary company on behalf of third parties	(50,496)	(55,230)
Less: Bank balances in Escrow account arising from RCCPS	-	(21)
Add: Cash and cash equivalents attributable to the disposal groups held for sale	558,152	47,854
	1,903,304	2,364,882

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 2019 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 2019 and all the financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2. CHANGE OF FINANCIAL YEAR END

As announced on 8 July 2019, the Company changed its financial year end from 31 March to 31 December. As a result, the next annual audited financial statements of the Group will be covering a 9-month period ending 31 December 2019.

3. 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 2019 except for the adoption of the following new/amended standards which are applicable to the Group with effect from 1 April 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 – 2017 Cycle	

The adoption and application of the above standards did not have any material impact to the financial statements of the Group, other than as disclosed below:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

MFRS 16 Leases (Continued)

At the commencement date of a lease, a lessee recognises a lease liability to make lease payments and a right-of-use asset representing the right to use the underlying asset during the lease term, included in property, plant and equipment. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from the current accounting under MFRS 117. Lessors continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

Transition to MFRS 16

The Group adopted MFRS 16 on 1 April 2019, using the modified retrospective method and did not restate comparative information. Instead, the Group recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application. The Group also elected to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4. Therefore, the Group did not apply the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IFRIC 4.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within twelve months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

For leases where the Group are lessees, the Group elected not to separate the non-lease components from lease components, and instead account for both components as a single lease component.

Below is the impact of adopting MFRS 16 to opening balances to the Group:

	Impact of adoption of MFRS 16 to opening balance as at 1 April 2019 Increase/(Decrease) RM'000
Consolidated Statement of Financial Position	
Property, plant and equipment	411,590
Joint ventures	(102)
Associated companies	(573)
Deferred tax assets	2,288
Assets and disposal groups held for sale	14,379
Trade and other receivables	(455)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

MFRS 16 Leases (Continued)

Below is the impact of adopting MFRS 16 to opening balances to the Group: (Continued)

	Impact of adoption of MFRS 16 to opening balance as at 1 April 2019 Increase/(Decrease) RM'000
Consolidated Statement of Financial Position (Continued)	
Lease liabilities	437,803
Deferred tax liabilities	(2,804)
Liabilities related to disposal groups held for sale	14,912
Reserves	(16,628)
Non-controlling interest	(6,156)

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 June 2019.

5. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as disclosed 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 June 2019.

As mentioned in Note 12(b), the disposal of 11% equity interest in Motosikal dan Enjin Nasional Sdn. Bhd. (“MODENAS”) has been completed on 3 June 2019. Pursuant to the Shareholders’ Agreement, MODENAS has been classified as a 70% joint venture of the Group. Hence, in accordance with MFRS 10 *Consolidated Financial Statements*, the Group has de-recognised the assets and liabilities of MODENAS from the Consolidated Statement of Financial Position and recognised an investment in joint venture at its fair value in the Consolidated Statement of Financial Position. The Group’s exceptional gain on disposal of partial equity interest in MODENAS amounting to RM33.59 million has been recognised as other income in the Consolidated Statement of Comprehensive Income.

6. CHANGES IN ESTIMATES

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

7. 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 June 2019.

8. PROPOSED DIVIDEND

The Directors recommend the payment of a first and final dividend of 3.0 sen per share amounting to RM57,997,112 in respect of the financial year ended 31 March 2019, subject to the approval of shareholders at the forthcoming Annual General Meeting of DRB-HICOM Berhad to be held on 12 September 2019.

9. SEGMENTAL INFORMATION

The information on each of the Group's business segments for the financial period ended 30 June 2019 is as follows:

	Automotive RM'000	Services RM'000	Properties RM'000	Investment Holding RM'000	Group RM'000
Revenue					
Total revenue	2,370,876	1,118,937	127,198	9,255	3,626,266
Inter-segment revenue	(136,403)	(31,986)	(11,765)	(9,255)	(189,409)
External revenue	2,234,473	1,086,951	115,433	-	3,436,857
Results					
Segment profit	90,837	49,076	20,612	34,255	194,780
Unallocated expenses					(20,399)
Interest income on short term deposits					20,088
Finance costs					(109,881)

9. SEGMENTAL INFORMATION (Continued)

The information on each of the Group's business segments for the financial period ended 30 June 2019 is as follows: (Continued)

	Automotive RM'000	Services RM'000	Properties RM'000	Investment Holding RM'000	Group RM'000
Share of results of joint ventures (net of tax)	5,590	-	2,507	-	8,097
Share of results of associated companies (net of tax)	54,053	(16)	-	-	54,037
Profit before taxation					146,722
Taxation					(37,349)
Net profit for the financial period					109,373
Attributable to:					
Owners of the Company					46,214
Holders of Perpetual Sukuk					19,809
Non-controlling interest					43,350

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 in Note 21, there has not arisen in the interval between the end of this reporting period and the date of this announcement, any item, transaction or event of a material and unusual nature that would likely affect substantially the results of the operations of the Group.

12. CHANGES IN THE COMPOSITION OF THE GROUP DURING THE FINANCIAL PERIOD ENDED 30 JUNE 2019

- (a) On 29 January 2019, HICOM-Teck See Manufacturing Malaysia Sdn. Bhd. (“HTS”), an indirect 51% owned subsidiary company of the Group had entered into a Shareholders Agreement (“SA”) with Jiangsu Xinquan Automotive Trim Co. Ltd. (“XQ”) to form a joint venture company in Malaysia named as XINQUAN HICOM Malaysia Sdn. Bhd. (“XQ-HICOM”) which was incorporated on 7 May 2019. The shareholdings of HTS and Xinquan Development Hong Kong Limited, a wholly-owned subsidiary company of XQ, in XQ-HICOM are 49% and 51% respectively. As a result, XQ-HICOM became an indirect 24.99% joint venture of the Group.

- (b) On 26 April 2019, DRB-HICOM Berhad and its 81% owned subsidiary company, Motosikal dan Enjin Nasional Sdn. Bhd. (“MODENAS”) had entered into a conditional share sale cum subscription agreement (“SSSA”) with Kawasaki Heavy Industries, Ltd. (“Kawasaki”) for the proposed disposal of DRB-HICOM’s 11% equity interest involving 14,300,000 ordinary shares in MODENAS to Kawasaki for a cash consideration of RM40.30 million. On 3 June 2019, Kawasaki subscribed 52,000,000 convertible preference shares (“CPS”) issued by MODENAS for a total cash consideration of RM52,000. The disposal has been completed on 3 June 2019 and pursuant to the Shareholders’ Agreement, MODENAS has been classified as a 70% joint venture of the Group.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no material change in contingent liabilities or contingent assets from what was reported in 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 30.06.2019		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
Direct credit substitutes	233,932	233,932	202,308
Trade-related contingencies	49,349	9,870	1,232
Transaction related contingencies	429,911	214,956	201,724
Credit extension commitment:			
- maturity within one year	580,706	116,141	104,802
- maturity exceeding one year	764,902	382,451	371,101
Profit rate related contracts	2,150,000	77,625	15,525
Foreign exchange related contracts	2,874,157	45,366	27,206
	7,082,957	1,080,341	923,898

15. PROFIT/(LOSS) BEFORE TAXATION

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

	Financial Quarter/Period 3 Months Ended	
	30.06.2019 RM'000	30.06.2018 RM'000
Allowance for financing of customers (net of write backs)	17,690	9,843
Amortisation of:		
- intangible assets	34,156	42,870
- concession assets	-	3,391
Depreciation and amortisation of property, plant and equipment/prepaid lease properties	181,850	165,084

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

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

	Financial Quarter/Period 3 Months Ended	
	30.06.2019 RM'000	30.06.2018 RM'000
Finance costs	109,881	82,592
Financing written off	4	4,068
Loss on fair value adjustment of investment properties	53	121
Marked to market loss/(gain) on derivatives (net)	17,837	(8,458)
Unrealised foreign exchange differences (net)	23,807	26,218
Write off of property, plant and equipment	63	538
Gain on disposal of partial equity interest in a former subsidiary company	(33,586)	-
Gain on disposal of:		
- investment securities	(2,684)	(1,088)
- property, plant and equipment	(1,479)	(1,803)
(Gain)/loss on fair value adjustment of investment securities	(4,611)	942
Interest income on short term deposits	(20,088)	(16,263)
(Write back of)/allowance for expected credit losses	(2,274)	8,269
(Write back of)/allowance for slow moving inventories	(5,614)	3,858

16. REVIEW OF PERFORMANCE

16.1 Revenue

	Group Business Sectors	Financial Quarter/Period 3 Months Ended		Variance RM'000
		30.06.2019 RM'000	30.06.2018 RM'000	
(i)	Automotive	2,234,473	1,403,604	830,869
(ii)	Services	1,086,951	1,108,016	(21,065)
(iii)	Properties	115,433	142,791	(27,358)
	Total	3,436,857	2,654,411	782,446 ↑ 29.5%

For the three months ended 30 June 2019, the Group's revenue increased to RM3.44 billion compared with RM2.65 billion in the corresponding quarter ended 30 June 2018, an improvement of 29.5%. The increase in revenue was contributed by the automotive sector.

16. REVIEW OF PERFORMANCE (Continued)

16.1 Revenue (continued)

(i) Automotive Sector

The increase was largely due to higher sales of vehicles by PROTON during the current quarter and also improved sales revenue by other automotive companies.

(ii) Services Sector

The Services sector recorded marginally lower revenue mainly from Pos Malaysia group.

(iii) Properties Sector

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

16.2 Profit/(Loss) Before Tax

The Group achieved a pre-tax profit of RM146.72 million for the financial quarter ended 30 June 2019 compared with pre-tax loss of RM94.40 million in the corresponding quarter ended 30 June 2018. All the business sectors in particular the Automotive sector contributed to the positive performance. The profits in this quarter also includes the recognition of the exceptional gain as disclosed in Note 5.

17. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group achieved a pre-tax profit of RM146.72 million in the current financial quarter ended 30 June 2019 compared with pre-tax profit of RM328.79 million in the preceding quarter ended 31 March 2019 mainly due to lower profit contribution from Automotive and Properties sectors.

18. PROSPECTS FOR THE FINANCIAL PERIOD 9-MONTH ENDING 31 DECEMBER 2019

The Group's Automotive businesses are expected to remain resilient with new model line-ups in place. PROTON is steadily regaining traction in the automotive industry as evidenced by the high sales growth driven by launches of new facelifts of Iriz, Persona, Exora and the recently launched Saga, apart from the strong performance of X70 SUV. The Persona has exceeded expectations with the B-segment sedan outperforming its competitors in June and July, topping the segment for the first time in the two months. The transformation plan for PROTON is on track with improved market share of 17.9% recorded in June 2019. Additionally, the locally manufactured X70 model is set for launch by end of the year.

Pos Malaysia Berhad's businesses continue to operate in a competitive environment affected by price and cost challenges. Pos Malaysia Berhad has been engaging with regulators to seek for a resolution on the tariff rebalancing. The Group's other businesses in aerospace, defence, banking, concession and property will continue its momentum in achieving a reasonable return, amidst a challenging market.

The Group expects to achieve a satisfactory performance for the current financial period (9-month) ending 31 December 2019.

19. PROFIT FORECAST OR PROFIT GUARANTEE

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

20. TAXATION

Taxation comprises the following:

	Financial Quarter/Period 3 Months Ended	
	30.06.2019 RM'000	30.06.2018 RM'000
Current taxation	19,248	13,055
Deferred taxation	18,101	37,304
Total	37,349	50,359

For the financial period ended 30 June 2019, the Group's effective tax rate is higher than the statutory tax rate mainly due to certain expenses which were not deductible for tax purposes.

21. STATUS OF CORPORATE PROPOSALS

- (a) On 8 March and 11 July 2018, DRB-HICOM Group 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 had been approved by DRB-HICOM Berhad shareholders at the Extraordinary General Meeting (“EGM”) held on 15 October 2018. On 7 March 2019, the respective parties to the Disposal Agreements had mutually agreed to extend the period for fulfillment of the Conditions Precedent (“CPs”) until 8 September 2019.
- (b) On 1 August 2018, HICOM Holdings Berhad (“HHB”), a direct wholly-owned subsidiary company of the Group, entered into a conditional share sale agreement (“SSA”) with Tunas Pancar Sdn. Bhd. (“TPSB”), 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. The proposed disposal had been approved by DRB-HICOM Berhad shareholders at the EGM held on 15 October 2018. On 31 January 2019, HHB and TPSB had mutually agreed to extend the Conditions Precedent (“CP”) period until 31 July 2019 for the fulfillment of the other CPs as set out in the SSA. Both parties had on 29 July 2019 agreed for a further extension period until 31 January 2020.
- (c) On 12 June 2019, Proton Edar Sdn. Bhd. (“PESB”), an indirect 50.10% subsidiary company of the Group, entered into a Joint Venture Agreement (“JVA”) with Altel Communications Sdn. Bhd. (“ALTEL”) and Ecarx (Hubei) Technology Co. Ltd. (“ECARX”) to form a joint venture company named as ACO Tech Sdn. Bhd. (“ACT”) which was incorporated on 13 August 2019, under the Companies Act 2016. The shareholdings of ACT are PESB (60%), ALTEL (30%) and ECARX (10%).

22. BORROWINGS AND DEFERRED LIABILITIES

Total Group borrowings are as follows:

	As at 30.06.2019 RM'000
(a) Short Term Borrowings	
Bank overdrafts	
- Secured	5,699
- Unsecured	4,402
Total	10,101
(b) Others	
<u>Secured</u>	
Bankers acceptances	491,713
Revolving credits	262,983
Short term loans	5,193
Short term loans under Islamic financing	148,394
Hire purchase and finance lease liabilities - portion repayable within 12 months	22,355
Long term loans - portion repayable within 12 months	177,587
Long term loans under Islamic financing - portion repayable within 12 months	799,751
Sub-total	1,907,976
<u>Unsecured</u>	
Bankers acceptances	483,131
Revolving credits	236,900
Short term loans under Islamic financing	25,000
Long term loans - portion repayable within 12 months	1,760
Sub-total	746,791
Total	2,654,767
(c) Long Term Borrowings	
<u>Secured</u>	
Hire purchase and finance lease liabilities - portion repayable within 12 months	77,366 (22,355)
	55,011
Long term loans - portion repayable within 12 months	646,308 (177,587)
	468,721

22. BORROWINGS AND DEFERRED LIABILITIES (Continued)

	As at 30.06.2019 RM'000
(c) Long Term Borrowings (Continued)	
<u>Secured</u> (Continued)	
Long term loans under Islamic financing - portion repayable within 12 months	2,915,489 (799,751)
	2,115,738
<u>Unsecured</u>	
Long term loans - portion repayable within 12 months	4,107 (1,760)
	2,347
Long term loans under Islamic financing	952,749
Total	3,594,566
(d) Bank borrowings – liabilities related to disposal groups held for sale	35,381
Grand Total	6,294,815

(e) 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 June 2019									
Secured									
Short term loans under Islamic financing	GBP	911	4,786	-	-	-	GBP	911	4,786
	USD	34,658	143,607	-	-	-	USD	34,658	143,607
Term loans	USD	28,283	118,789	USD	28,489	119,655	USD	56,772	238,444
Term loans under Islamic financing	USD	7,974	33,295	USD	25,733	106,880	USD	33,707	140,175
Total			300,477			226,535			527,012

23. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 June 2019 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	1,530,570	5,613	4,331
Currency swap foreign exchange contracts	1,618,340	2,992	5,417
Islamic profit rate swap	2,150,000	-	41,950
Capped cross currency interest rate swap	289,733	-	2,503
	5,588,643	8,605	54,201

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2019:

- (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 June 2019, the Group recognised a total net loss of RM17.84 million 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 June 2019.

24. MATERIAL LITIGATION

Save as disclosed below, there is no material litigation as at the date of this report.

On 14 January 2019, PROTON Automobile (China) Ltd. ("PACL") was served with a Civil Complaint by Goldstar Heavy Industrial Co., Ltd. ("Goldstar"), involving PACL and Perusahaan Otomobil Nasional Sdn. Bhd. ("PONSB") as Defendants. PACL is a wholly-owned subsidiary company of PONSB and PONSB is wholly-owned subsidiary company of PROTON Holdings Berhad ("PHB") which in turn is a 50.10% owned subsidiary company of DRB-HICOM Berhad ("The Company").

Goldstar is claiming, inter alia, the sum of Renminbi (RMB) 860,613,418 (equivalent to RM522,908,713 based on Bank Negara Exchange Rate as at 17 January 2019 of RMB1: MYR0.6076). The claims arose as a result of the Equity Joint Venture Contract ("EJVC") dated 17 April 2015, entered into between PHB, Lotus Group International Limited and Goldstar on the establishment of a joint venture company named as Goldstar Lotus Automobile Co., Ltd. ("GLAC"); and its termination on 22 January 2018, amongst others. The said termination had been announced to Bursa Malaysia Securities Berhad on 23 January 2018.

The purpose of the EJVC was to form a joint venture company to produce and sell LOTUS branded passenger cars, engines, parts and components, and accessories and to provide after-sales services (including spare parts) in connection with its products in People's Republic of China.

GLAC has not yet commenced its business operations due to GLAC not having obtained the required manufacturing licence. The deadline to obtain the manufacturing licence pursuant to the EJVC was originally 25 September 2017. This was subsequently extended to 31 December 2017. Pursuant to the EJVC, failure to obtain the said manufacturing licence within the agreed timeframe entitles either party to terminate the EJVC.

The Company has appointed its lawyers to review the aforesaid claims and will take all necessary steps to defend against the claims and ensure the rights of the Group are protected. The appearance date fixed on 9 July 2019 as stated in the Civil Complaint has been vacated and postponed by the Guangdong High People's Court, to a later date to be fixed.

25. DIVIDEND

No interim dividend has been declared for the financial period ended 30 June 2019.

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:

	Financial Quarter/ Period Ended 3 Months Ended	
	30.06.2019	30.06.2018
Net profit/(loss) attributable to Owners of the Company (RM'000)	46,214	(66,599)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted earnings/(loss) per share (sen)	2.39	(3.44)

27. 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
23 August 2019