



DRB-HICOM BERHAD

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 June 2016

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

The Board of Directors hereby announce the unaudited consolidated financial results of DRB-HICOM Group (“the Group”) for the current quarter/financial period ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Financial Period 3 Months Ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Revenue		2,500,578	2,950,227	2,500,578	2,950,227
Cost of sales and operating expenses		(2,628,546)	(3,045,966)	(2,628,546)	(3,045,966)
Other income		79,067	154,384	79,067	154,384
Other expenses		(76,174)	(42,807)	(76,174)	(42,807)
(Loss)/profit from operations		(125,075)	15,838	(125,075)	15,838
Finance costs		(92,993)	(93,522)	(92,993)	(93,522)
Share of results of joint ventures (net of tax)		10,110	8,657	10,110	8,657
Share of results of associated companies (net of tax)		86,619	85,706	86,619	85,706
(LOSS)/PROFIT BEFORE TAXATION	14	(121,339)	16,679	(121,339)	16,679
Taxation	19	(17,839)	(5,783)	(17,839)	(5,783)
NET (LOSS)/PROFIT FOR THE QUARTER/FINANCIAL PERIOD		(139,178)	10,896	(139,178)	10,896
OTHER COMPREHENSIVE (LOSS)/INCOME					
<u>Items that will be subsequently reclassified to profit or loss:</u>					
Net gain/(loss) on fair value changes of investment securities: available-for-sale		11,236	(7,123)	11,236	(7,123)
Currency translation differences of foreign subsidiaries		(15,558)	44,285	(15,558)	44,285
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		(4,322)	37,162	(4,322)	37,162
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE QUARTER/FINANCIAL PERIOD		(143,500)	48,058	(143,500)	48,058

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Current Quarter 3 Months Ended		Financial Period 3 Months Ended	
		30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Net (loss)/profit for the quarter/financial period attributable to:					
Owners of the Company		(169,302)	(19,718)	(169,302)	(19,718)
Holders of Perpetual Sukuk		19,809	17,646	19,809	17,646
Non-controlling interest		10,315	12,968	10,315	12,968
		(139,178)	10,896	(139,178)	10,896
Total comprehensive (loss)/income for the quarter/financial period attributable to:					
Owners of the Company		(178,229)	18,788	(178,229)	18,788
Holders of Perpetual Sukuk		19,809	17,646	19,809	17,646
Non-controlling interest		14,920	11,624	14,920	11,624
		(143,500)	48,058	(143,500)	48,058
Basic and diluted loss per share (sen):	25	(8.76)	(1.02)	(8.76)	(1.02)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2016 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30.06.2016 RM'000	Audited As at 31.03.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,713,902	5,708,050
Concession assets		224,029	227,051
Prepaid lease properties		51,858	52,024
Investment properties		619,684	617,955
Land held for property development		991,811	985,141
Joint ventures		443,203	451,023
Associated companies		1,424,261	1,364,616
Intangible assets		1,694,202	1,681,168
Deferred tax assets		96,457	91,719
Investment securities: financial assets at fair value through profit or loss			
- Banking		199,921	186,355
Investment securities: available-for-sale			
- Banking		4,436,675	5,058,434
- Non-banking		46,203	46,203
Investment securities: held-to-maturity			
- Banking		140,767	140,607
Trade and other receivables		111,241	104,589
Other assets		441	441
Banking related assets			
- Financing of customers		10,666,591	10,600,485
- Statutory deposits with Bank Negara Malaysia		684,891	703,261
		27,546,137	28,019,122
CURRENT ASSETS			
Assets held for sale		10,819	10,819
Inventories		1,834,382	1,760,627
Property development costs		282,601	284,145
Trade and other receivables		4,455,374	4,517,409
Investment securities: available-for-sale			
- Banking		807,588	641,732
Banking related assets			
- Cash and short-term funds		1,187,064	1,069,101
- Financing of customers		3,744,858	3,726,891
Bank balances and cash deposits		2,561,081	1,971,552
Derivative assets	22(a)	34,425	40,951
		14,918,192	14,023,227
TOTAL ASSETS		42,464,329	42,042,349

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	Unaudited As at 30.06.2016 RM'000	Audited As at 31.03.2016 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,719,601	1,719,601
Reserves		4,638,189	4,823,487
Equity attributable to Owners of the Company		6,357,790	6,543,088
Perpetual Sukuk		1,038,405	1,051,859
Non-controlling interest		2,171,351	908,342
TOTAL EQUITY		9,567,546	8,503,289
NON-CURRENT LIABILITIES			
Deferred income		121,933	119,690
Long term borrowings	21(c)	4,119,213	4,303,493
Provision for liabilities and charges		3,129	2,606
Provision for concession assets		112,567	103,841
Post-employment benefit obligations		42,591	44,033
Deferred tax liabilities		80,927	66,335
Banking related liabilities – Deposits from customers		71,077	66,987
		4,551,437	4,706,985
CURRENT LIABILITIES			
Deferred income		51,365	64,570
Trade and other payables		6,032,595	6,422,756
Provision for liabilities and charges		147,704	154,675
Provision for concession assets		23,859	25,214
Post-employment benefit obligations		452	477
Bank borrowings			
- Bank overdrafts	21(a)	20,272	21,462
- Others	21(b)	2,447,483	2,546,305
Banking related liabilities			
- Deposits from customers		17,202,546	19,026,668
- Deposits and placements of banks and other financial institutions		2,298,770	442,252
- Bills and acceptances payable		25,384	29,350
Derivative liabilities	22(a)	94,916	98,346
		28,345,346	28,832,075
TOTAL LIABILITIES		32,896,783	33,539,060
TOTAL EQUITY AND LIABILITIES		42,464,329	42,042,349
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.29	3.38

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

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2016 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares		Non-distributable					Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Perpetual Sukuk RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share Premium RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000					
At 1 April 2016	1,933,237	1,719,601	20,701	1,000,039	(43,631)	6,749	367,638	3,471,991	6,543,088	1,051,859	908,342	8,503,289
Net loss for the financial period	-	-	-	-	-	-	-	(169,302)	(169,302)	19,809	10,315	(139,178)
Other comprehensive loss for the financial period	-	-	-	-	(16,792)	7,865	-	-	(8,927)	-	4,605	(4,322)
Total comprehensive loss for the financial period	-	-	-	-	(16,792)	7,865	-	(169,302)	(178,229)	19,809	14,920	(143,500)
Net issuance of RCCPS (Note 6)	-	-	-	-	-	-	-	-	-	-	1,248,875	1,248,875
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(33,263)	-	(33,263)
<u>Transactions with owners</u>												
Effect of change in shareholding in a subsidiary company	-	-	-	-	-	-	-	(7,069)	(7,069)	-	7,034	(35)
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	7,857	(7,857)	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(7,820)	(7,820)
At 30 June 2016	1,933,237	1,719,601	20,701	1,000,039	(60,423)	14,614	375,495	3,287,763	6,357,790	1,038,405	2,171,351	9,567,546

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Issued and fully paid ordinary shares		Non-distributable					Retained Earnings RM'000	Equity attributable to owners of the Company RM'000	Perpetual Sukuk RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share Premium RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000					
At 1 April 2015	1,933,237	1,719,601	20,701	1,000,039	(92,529)	(814)	324,688	4,598,900	7,570,586	822,291	959,290	9,352,167
Net profit for the financial period	-	-	-	-	-	-	-	(19,718)	(19,718)	17,646	12,968	10,896
Other comprehensive income for the financial period	-	-	-	-	43,492	(4,986)	-	-	38,506	-	(1,344)	37,162
Total comprehensive income for the financial period	-	-	-	-	43,492	(4,986)	-	(19,718)	18,788	17,646	11,624	48,058
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	149,224	-	149,224
Distribution of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(27,487)	-	(27,487)
<u>Transactions with owners</u>												
Capital repayment to non-controlling interest of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(86,460)	(86,460)
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	8,098	(8,098)	-	-	-	-
At 30 June 2015	1,933,237	1,719,601	20,701	1,000,039	(49,037)	(5,800)	332,786	4,571,084	7,589,374	961,674	884,454	9,435,502

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2016 and the explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Ended 30.06.2016 RM'000	3 Months Ended 30.06.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the financial period	(139,178)	10,896
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	134,280	137,764
- Finance costs	92,993	93,522
- Taxation	17,839	5,783
- Share of results of joint ventures (net of tax)	(10,110)	(8,657)
- Share of results of associated companies (net of tax)	(86,619)	(85,706)
- Others	115,256	(11,285)
Operating profit before working capital changes	124,461	142,317
Changes in working capital:		
Net increase in banking related assets	(82,434)	(369,366)
Net increase/(decrease) in banking related liabilities	32,520	(1,261,978)
Net increase in current assets	(70,740)	(32,834)
Net decrease in current liabilities	(384,139)	(8,586)
Net cash used in operations	(380,332)	(1,530,447)
Interest received	11,094	11,118
Dividends received from joint ventures	16,822	-
Dividends received from associated companies	42,806	-
Tax refunds/(paid), net	1,640	(30,120)
Finance costs paid	(109,349)	(99,797)
Provision for liabilities and charges paid	(13,861)	(6,520)
Post-employment benefit obligations paid	(203)	(81)
Provision for concession assets paid	(1,354)	(499)
Net cash outflow from operating activities	(432,737)	(1,656,346)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares in a subsidiary company	(35)	-
Additional investment in an associated company	(15,446)	-
Capital repayment to non-controlling interest of a subsidiary company	-	(86,460)
Movement in fixed deposits placement with maturity profile more than 3 months	(774)	(1,073)
Purchase of property, plant and equipment/prepaid lease properties/intangible assets/investment properties	(217,150)	(339,292)
Proceeds from disposal of investment securities by a banking subsidiary company (net of acquisition)	357,844	545,182
Proceeds from disposal of property, plant and equipment/assets held for sale	15,559	52,156
Redemption of available-for-sale securities by a banking subsidiary company	105,000	170,000
Net cash inflow from investing activities	244,998	340,513

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 Months Ended 30.06.2016 RM'000	3 Months Ended 30.06.2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to holders of Perpetual Sukuk	(33,263)	(27,487)
Dividends paid to non-controlling interest	(7,820)	-
Dividends paid to shareholders	-	(28,999)
Fixed deposits held as security/maintained as sinking fund	51,937	(32,745)
Net proceeds from issuance of RCCPS	1,248,875	-
Net proceeds from issuance of Perpetual Sukuk	-	149,224
Proceeds from bank borrowings	1,135,316	1,305,695
Repayment of bank borrowing/hire purchase and finance leases	(1,443,315)	(1,354,906)
Net cash inflow from financing activities	951,730	10,782
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	763,991	(1,305,051)
Effects of foreign currency translation	(4,310)	(14,631)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	1,945,062	2,564,966
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD	2,704,743	1,245,284
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	2,561,081	2,120,686
Banking related assets - cash and short-term funds	1,187,064	282,282
Bank overdrafts	(20,272)	(22,159)
	3,727,873	2,380,809
Less: Fixed deposits held as security/sinking fund	(966,621)	(1,090,949)
Less: Fixed deposits with maturity profile more than 3 months	(37,170)	(26,378)
Less: Bank balance in respect of Automotive Development Fund liabilities	(19,339)	(18,198)
	2,704,743	1,245,284

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2016 and the explanatory notes attached to the interim financial report.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is prepared in accordance with Financial Reporting Standard (“FRS”) 134 on “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s annual audited financial statements for the financial year ended 31 March 2016.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2016 except for the adoption of the following new/amended standards which are applicable to the Group with effect from 1 April 2016:

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012 – 2014 Cycle	

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

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 June 2016.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

There was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2016.

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

Save as disclosed below, there was no issuance and repayment of debt securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 30 June 2016.

Issuance of RCCPS by PROTON Holdings Berhad

On 6 June 2016, PROTON Holdings Berhad (“PROTON”), a wholly-owned subsidiary company of the Group, had entered into a conditional subscription agreement with GOVCO Holdings Berhad (“GOVCO”), a company 99% owned by Minister of Finance Incorporated, for the subscription of 1,250,000,000 new redeemable convertible cumulative preference shares (“RCCPS”) comprising par value of RM0.01 each and premium of RM0.99 each at an issue price of RM1.00 each by GOVCO. The subscription agreement was completed on 7 June 2016. Based on its terms, the RCCPS has been classified as an equity instrument under FRS 132 Financial Instruments: Presentation. In the Group Condensed Consolidated Statement of Financial Position as at 30 June 2016, the RCCPS has been included as part of non-controlling interest (page 4).

7. DIVIDENDS PAID

There was no dividend payment during the financial period ended 30 June 2016.

8. SEGMENTAL INFORMATION

The information of each of the Group’s business segments for the financial period ended 30 June 2016 is as follows:

	Automotive	Services	Property, Asset & Construction	Investment Holding	Group
	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue					
Total revenue	1,865,592	680,606	82,426	13,785	2,642,409
Inter-segment revenue	(89,905)	(28,680)	(9,461)	(13,785)	(141,831)
External revenue	1,775,687	651,926	72,965	-	2,500,578
Results					
Segment (loss)/profit	(209,181)	71,160	5,827	(1,196)	(133,390)
Unallocated expenses					(2,248)
Interest income on short term deposits					10,563
Finance costs					(92,993)

8. SEGMENTAL INFORMATION (Continued)

	Automotive	Services	Property, Asset & Construction	Investment Holding	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Share of results of joint ventures (net of tax)	9,308	-	802	-	10,110
Share of results of associated companies (net of tax)	75,772	11,026	(179)	-	86,619
Loss before taxation					(121,339)
Taxation					(17,839)
Net loss for the financial period					(139,178)
Attributable to:					
Owners of the Company					(169,302)
Holder of Perpetual Sukuk					19,809
Non-controlling interest					10,315

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

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 JUNE 2016

On 15 June 2016, Composites Technology Research Malaysia Sdn. Bhd., an indirect 96.87% owned subsidiary company of the Group, completed the acquisition of an additional 35% equity interest in Unmanned Systems Technology Sdn. Bhd. ("UST") for a cash consideration of RM35,000. As a result, the Group's effective interest in UST increased from 49.40% to 83.31%.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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.

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

	As at 30.06.2016		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	38,661	38,661	38,661
Trade-related contingencies	16,676	3,335	2,906
Transaction related contingencies	255,407	127,704	127,567
Credit extension commitment:			
- maturity within one year	776,701	155,340	151,545
- maturity exceeding one year	1,841,476	920,738	168,817
Profit rate related contracts	3,675,000	47,445	9,489
Foreign exchange related contracts	2,995,411	75,441	34,483
	9,599,332	1,368,664	533,468

14. (LOSS)/PROFIT BEFORE TAXATION

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

	3 Months Ended	
	30.06.2016 RM'000	30.06.2015 RM'000
Allowance for/write off of investment securities and financing of customers (net)	17,882	23,272
Amortisation of:		
- intangible assets	50,413	41,388
- concession assets	3,021	2,866

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

	3 Months Ended	
	30.06.2016 RM'000	30.06.2015 RM'000
Depreciation and amortisation of property, plant and equipment/prepaid lease properties	134,280	137,764
Finance costs	92,993	93,522
Impairment loss of property, plant and equipment	-	8
Inventories written off/down (net of write backs)	5,389	(3,675)
Loss/(gain) on fair value adjustment of investment properties	275	(7,530)
Marked to market loss/(gain) on derivatives (net)	3,096	(8,959)
Net write off of property, plant and equipment	173	609
(Gain)/loss on disposal of:		
- assets held for sale	-	(20,798)
- investment securities	(4,369)	(3,019)
- property, plant and equipment	93	(4,747)
Interest income on short term deposits	(10,563)	(15,972)
Net foreign exchange differences	30,299	(25,768)
Write backs of doubtful debts (net of allowance)	(2,136)	(1,905)

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	3 Months Ended		Variance RM'000
		30.06.2016 RM'000	30.06.2015 RM'000	
(i)	Automotive	1,775,687	2,246,103	(470,416)
(ii)	Services	651,926	634,716	17,210
(iii)	Property, Asset & Construction (PAC)	72,965	69,408	3,557
	Total	2,500,578	2,950,227	(449,649)

15. REVIEW OF PERFORMANCE (Continued)

15.1 Revenue (Continued)

For the first quarter ended 30 June 2016, the Group registered a lower revenue of RM2.50 billion as compared with RM2.95 billion in the corresponding quarter ended 30 June 2015, a reduction of 15.2%.

(i) Automotive Sector

The decline in revenue was mainly due to lower sales volume of PROTON vehicles and lower percentage of completion of AV8 project for the current quarter.

(ii) Services Sector

The increase in revenue was mainly contributed by the banking subsidiary company.

(iii) PAC Sector

The marginal increase in revenue was mainly attributable to the on-going property development projects.

15.2 (Loss)/Profit Before Tax

The Group incurred a pre-tax loss of RM121.34 million in the current quarter ended 30 June 2016 compared with pre-tax profit of RM16.68 million in the corresponding quarter ended 30 June 2015. The lower financial results was mainly attributed to lower sales of motor vehicles by the automotive companies during the current quarter.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group incurred a pre-tax loss of RM121.34 million in the current quarter ended 30 June 2016 compared with pre-tax loss of RM744.33 million in the preceding quarter ended 31 March 2016. Included in the preceding quarter results were write down of inventories, impairment of certain intangible assets and project expenditure.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2017

The Malaysian economy recorded a moderate growth of 4.0% in the second quarter of 2016 compared to 4.2% in the previous quarter with steady performance from the domestic sector. The reduction in the Overnight Policy Rate by Bank Negara Malaysia is expected to create a healthy financing environment to encourage economic activities.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2017 (Continued)

In the competitive market conditions, the Group will remain focused on its business consolidation to ensure the continuous growth and sustainability of its businesses. The Group recently obtained approvals from shareholders to consolidate its logistics businesses via the integration of services by KL Airport Services Sdn. Bhd., Konsortium Logistik Berhad and DRB-HICOM Asia Cargo Express Sdn. Bhd. into Pos Malaysia Berhad (“Pos Malaysia”) to streamline and enhance the synergies within postal and logistics businesses and to tap the demand of the e-commerce activities. The integration of logistic businesses within the Group will reduce dependency on the Automotive sector in the future. Upon the completion of the above exercise, the Group’s equity interest in Pos Malaysia will increase to 53.50%, thus becoming a subsidiary company.

The Group is also focused on the execution of PROTON’s turnaround plan to develop a strong foundation for sustainable business. PROTON is currently undertaking a request for proposal exercise to seek a strategic partner to PROTON which can provide a strategic and operational business model to grow its automotive business. This exercise is expected to be completed in the first half of 2017 and its implementation is being closely monitored by the Task Force Committee formed by the Government to ensure the success of PROTON’s turnaround. PROTON has recently launched the new Perdana and Persona models and these launches are expected to improve the sales volume for the financial year.

On the back of slower overall economic growth, the Group’s performance for the financial year ending 31 March 2017 will continue to remain challenging.

18. 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.

19. TAXATION

Taxation comprises the following:

	3 Months Ended	
	30.06.2016	30.06.2015
	RM’000	RM’000
Current taxation	11,481	10,142
Deferred taxation	6,358	(4,359)
Total	17,839	5,783

For the financial period ended 30 June 2016, despite the Group recording losses, the taxation charge arose mainly from certain profit making subsidiary companies.

20. STATUS OF CORPORATE PROPOSALS

- (a) On 14 March 2016, the Group entered into a conditional shares sale agreement with Pos Malaysia Berhad (“Pos Malaysia”) for the following proposals:
- (i) Proposed disposal of 100% equity interest in KL Airport Services Sdn. Bhd. (“KLAS”) for a total consideration of RM749.35 million (“Proposed KLAS Disposal”).
 - (ii) Proposed disposal of part of a parcel of freehold industrial land measuring 9.912 acres located in Section 28, Shah Alam for a total consideration of RM69.0 million (“Proposed Land Disposal”).

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

The total consideration of Proposed Disposals of RM818.35 million shall be satisfied via the issuance of 245,750,751 new ordinary shares of RM0.50 each in Pos Malaysia (“POSM Shares”) at an issue price of RM3.33 per POSM Shares.

The approvals from the shareholders of DRB-HICOM Berhad and Pos Malaysia were obtained on 28 July 2016 and 18 August 2016 respectively. As a result, Pos Malaysia which is currently a 32.21% owned associated company will become a 53.50% owned subsidiary company of the Group. The above exercise is expected to be completed by end of September 2016.

- (b) On 29 July 2016, PHN Industry Sdn. Bhd., a wholly-owned subsidiary company of the Group, entered into a share sale agreement with HICOM Holdings Berhad, a wholly-owned subsidiary company of the Group, for the proposed acquisition of 100% equity interest in Oriental Summit Industries Sdn. Bhd. for a total cash consideration of RM23.96 million. The completion of the transaction is pending fulfillment of the conditions precedent.
- (c) On 3 August 2016, HICOM Megah Sdn. Bhd. which is an indirect wholly-owned subsidiary of the Company and the minority shareholders of Corwin Holding Pte. Ltd. (“Corwin”) namely Mohamed Mustafa & Samsuddin Co. Pte. Ltd. and B.I. Distributors Pte. Ltd. entered into a non-binding term sheet with Lum Chang Holdings Limited for the proposed disposal of their 100% equity interest in Corwin, subject to the terms to be finalised in the definitive agreements.

21. BORROWINGS AND DEFERRED LIABILITIES

Total Group borrowings are as follows:

	As at 30.06.2016 RM'000
Short Term Borrowings	
(a) Bank overdrafts	
- Secured	12,264
- Unsecured	8,008
Total	20,272
(b) Others	
<u>Secured</u>	
Bankers acceptances	12,533
Revolving credits	48,107
Short term loans	10,484
Short term loans under Islamic financing	290,683
Hire purchase and finance lease liabilities - portion repayable within 12 months	17,308
Long term loans - portion repayable within 12 months	436,726
Long term loans under Islamic financing - portion repayable within 12 months	559,824
Sub-total	1,375,665
<u>Unsecured</u>	
Bankers acceptances	689,946
Revolving credits	341,001
Short term loans under Islamic financing	30,000
Long term loans - portion repayable within 12 months	1,606
Long term loans under Islamic financing - portion repayable within 12 months	3,007
Deferred liability	6,258
Sub-total	1,071,818
Total	2,447,483

21. BORROWINGS AND DEFERRED LIABILITIES (Continued)

	As at 30.06.2016 RM'000
(c) Long Term Borrowings	
<u>Secured</u>	
Hire purchase and finance lease liabilities	45,465
- portion repayable within 12 months	(17,308)
	28,157
Long term loans	1,813,748
- portion repayable within 12 months	(436,726)
	1,377,022
Long term loans under Islamic financing	3,011,975
- portion repayable within 12 months	(559,824)
	2,452,151
<u>Unsecured</u>	
Long term loans	3,328
- portion repayable within 12 months	(1,606)
	1,722
Long term loans under Islamic financing	263,168
- portion repayable within 12 months	(3,007)
	260,161
Total	4,119,213
Grand Total	6,586,968

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

As at	Amount
30.06.2016	RM252.77 million (SGD 84.71 million) RM754.68 million (USD 183.19 million) RM30.66 million (GBP 5.54 million) RM3.25 million (Baht 28.40 million)

22. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 June 2016 consist mainly of foreign exchange contracts and profit rate swap which are measured at their fair value together with their corresponding contract/notional amounts as below:

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Financial instruments at fair value through profit or loss			
Forward foreign exchange contracts	1,121,675	8,756	26,233
Currency swap foreign exchange contracts	2,091,813	25,669	20,242
Islamic profit rate swap	3,675,000	-	16,558
Capped cross currency interest rate swap	651,900	-	31,883
	7,540,388	34,425	94,916

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2016:

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

During the current financial year, the Group recognised a total net loss of RM3.10 million in profit or loss arising from the fair value changes on the forward foreign exchange contracts, profit rate swap and cross currency interest rate swap which are marked to market as at 30 June 2016.

23. MATERIAL LITIGATION

There is no significant update of material litigation as at the date of this report since the Group's last audited financial statements.

24. DIVIDEND

No interim dividend has been declared for the financial period ended 30 June 2016.

25. LOSS PER SHARE

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

	3 Months Ended	
	30.06.2016	30.06.2015
Net loss attributable to Owners of the Company (RM'000)	(169,302)	(19,718)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted loss per share (sen)	(8.76)	(1.02)

26. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The retained profits of the Group as at 30 June 2016 are analysed as follows:

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	2,516,835	3,787,260
- Unrealised	88,525	109,063
	<u>2,605,360</u>	<u>3,896,323</u>
Total share of retained profits from joint ventures:		
- Realised	130,723	132,980
- Unrealised	6,325	2,197
Total share of retained profits from associated companies:		
- Realised	515,852	525,412
- Unrealised	29,503	14,172
Total Group retained profits as per consolidated financial statements	<u>3,287,763</u>	<u>4,571,084</u>

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

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

DATO' CHAN CHOY LIN, CAROL
Secretary

Shah Alam
30 August 2016