



DRB-HICOM BERHAD

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period
Ended 30 September 2016

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue		2,644,233	3,253,950	5,144,811	6,204,177
Cost of sales and operating expenses		(2,707,831)	(3,299,258)	(5,336,377)	(6,345,224)
Other income		77,547	207,146	156,614	361,530
Other expenses		(254,174)	(86,789)	(330,348)	(129,596)
(Loss)/profit from operations		(240,225)	75,049	(365,300)	90,887
Finance costs		(95,577)	(96,496)	(188,570)	(190,018)
Share of results of joint ventures (net of tax)		4,268	8,290	14,378	16,947
Share of results of associated companies (net of tax)		63,986	65,828	150,605	151,534
(LOSS)/PROFIT BEFORE TAXATION	14	(267,548)	52,671	(388,887)	69,350
Taxation	19	(2,130)	(16,619)	(19,969)	(22,402)
NET (LOSS)/PROFIT FOR THE QUARTER/FINANCIAL PERIOD		(269,678)	36,052	(408,856)	46,948
OTHER COMPREHENSIVE 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		21,980	(55,968)	33,216	(63,091)
Currency translation differences of foreign subsidiaries		(1,840)	95,196	(17,398)	139,481
<u>Reclassification adjustments:</u>					
Transfer of reserve of an associated company to profit or loss upon disposal		-	(4,604)	-	(4,604)
OTHER COMPREHENSIVE INCOME FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)		20,140	34,624	15,818	71,786
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE QUARTER/FINANCIAL PERIOD		(249,538)	70,676	(393,038)	118,734

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	Current Quarter 3 Months Ended		Financial Period 6 Months Ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Net (loss)/profit for the quarter/financial period attributable to:					
Owners of the Company		(309,633)	3,897	(478,935)	(15,821)
Holder of Perpetual Sukuk		20,026	19,384	39,835	37,030
Non-controlling interest		19,929	12,771	30,244	25,739
		(269,678)	36,052	(408,856)	46,948
Total comprehensive (loss)/income for the quarter/financial period attributable to:					
Owners of the Company		(296,365)	52,247	(474,594)	71,035
Holder of Perpetual Sukuk		20,026	19,384	39,835	37,030
Non-controlling interest		26,801	(955)	41,721	10,669
		(249,538)	70,676	(393,038)	118,734
Basic and diluted (loss)/earnings per share (sen):	25	(16.02)	0.20	(24.77)	(0.82)

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 30.09.2016 RM'000	Audited As at 31.03.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,495,506	5,708,050
Concession assets		221,041	227,051
Prepaid lease properties		51,508	52,024
Investment properties		233,861	617,955
Land held for property development		995,441	985,141
Joint ventures		433,553	451,023
Associated companies		769,234	1,364,616
Intangible assets		1,989,379	1,681,168
Deferred tax assets		113,308	91,719
Investment securities: financial assets at fair value through profit or loss			
- Banking		199,859	186,355
Investment securities: available-for-sale			
- Banking		4,108,500	5,058,434
- Non-banking		46,203	46,203
Investment securities: held-to-maturity			
- Banking		141,393	140,607
Trade and other receivables		142,700	104,589
Other assets		441	441
Banking related assets			
- Financing of customers		10,814,454	10,600,485
- Statutory deposits with Bank Negara Malaysia		709,805	703,261
		27,466,186	28,019,122
CURRENT ASSETS			
Assets held for sale		446,822	10,819
Inventories		2,086,654	1,760,627
Property development costs		254,212	284,145
Trade and other receivables		5,187,844	4,517,409
Investment securities: financial assets at fair value through profit or loss			
- Non-banking		408	-
Investment securities: available-for-sale			
- Banking		1,113,200	641,732
Investment securities: held-to-maturity			
- Non-banking		84,136	-
Banking related assets			
- Cash and short-term funds		848,280	1,069,101
- Financing of customers		3,769,676	3,726,891
Bank balances and cash deposits		3,152,688	1,971,552
Derivative assets	22(a)	42,837	40,951
		16,986,757	14,023,227
TOTAL ASSETS		44,452,943	42,042,349

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	Unaudited As at 30.09.2016 RM'000	Audited As at 31.03.2016 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,719,601	1,719,601
Reserves		4,393,563	4,823,487
Equity attributable to Owners of the Company		6,113,164	6,543,088
Perpetual Sukuk		1,051,905	1,051,859
Non-controlling interest		2,984,153	908,342
TOTAL EQUITY		10,149,222	8,503,289
NON-CURRENT LIABILITIES			
Deferred income		117,644	119,690
Long term borrowings	21(c)	3,899,037	4,303,493
Provision for liabilities and charges		3,060	2,606
Provision for concession assets		121,367	103,841
Post-employment benefit obligations		42,030	44,033
Deferred tax liabilities		124,113	66,335
Banking related liabilities – Deposits from customers		73,357	66,987
		4,380,608	4,706,985
CURRENT LIABILITIES			
Liabilities relating to assets held for sale		264,183	-
Deferred income		70,763	64,570
Trade and other payables		7,235,923	6,422,756
Provision for liabilities and charges		153,321	154,675
Provision for concession assets		20,534	25,214
Post-employment benefit obligations		296	477
Bank borrowings			
- Bank overdrafts	21(a)	19,425	21,462
- Others	21(b)	2,844,031	2,546,305
Banking related liabilities			
- Deposits from customers		18,223,118	19,026,668
- Deposits and placements of banks and other financial institutions		965,275	442,252
- Bills and acceptances payable		13,465	29,350
Derivative liabilities	22(a)	74,114	98,346
Dividend payable		38,665	-
		29,923,113	28,832,075
TOTAL LIABILITIES		34,303,721	33,539,060
TOTAL EQUITY AND LIABILITIES		44,452,943	42,042,349
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)		3.16	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	-	-	-	-	-	-	-	(478,935)	(478,935)	39,835	30,244	(408,856)
Other comprehensive income for the financial period	-	-	-	-	(18,910)	23,251	-	-	4,341	-	11,477	15,818
Total comprehensive loss for the financial period	-	-	-	-	(18,910)	23,251	-	(478,935)	(474,594)	39,835	41,721	(393,038)
<u>Transactions with owners</u>												
Net issuance of RCCPS (Note 6)	-	-	-	-	-	-	-	-	-	-	1,248,865	1,248,865
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(39,789)	-	(39,789)
Effect of changes in shareholding/assets in subsidiary companies	-	-	-	-	1,591	-	88,813	(7,069)	83,335	-	287,690	371,025
Effect of change of an associated company to a subsidiary company	-	-	-	-	-	-	(368)	368	-	-	507,426	507,426
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	16,585	(16,585)	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(9,891)	(9,891)
Final dividend in respect of financial year ended 31 March 2016	-	-	-	-	-	-	-	(38,665)	(38,665)	-	-	(38,665)
At 30 September 2016	1,933,237	1,719,601	20,701	1,000,039	(60,950)	30,000	472,668	2,931,105	6,113,164	1,051,905	2,984,153	10,149,222

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	-	-	-	-	-	-	-	(15,821)	(15,821)	37,030	25,739	46,948
Other comprehensive income for the financial period	-	-	-	-	131,020	(44,164)	-	-	86,856	-	(15,070)	71,786
Total comprehensive income for the financial period	-	-	-	-	131,020	(44,164)	-	(15,821)	71,035	37,030	10,669	118,734
<u>Transactions with owners</u>												
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	223,841	-	223,841
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(31,206)	-	(31,206)
Capital repayment to non-controlling interest of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(86,460)	(86,460)
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	21,728	(21,728)	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(6,402)	(6,402)
Final dividend in respect of financial year ended 31 March 2015	-	-	-	-	-	-	-	(86,996)	(86,996)	-	-	(86,996)
At 30 September 2015	1,933,237	1,719,601	20,701	1,000,039	38,491	(44,978)	346,416	4,474,355	7,554,625	1,051,956	877,097	9,483,678

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

	6 Months Ended 30.09.2016 RM'000	6 Months Ended 30.09.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the financial period	(408,856)	46,948
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	271,277	279,536
- Finance costs	188,570	190,018
- Taxation	19,969	22,402
- Share of results of joint ventures (net of tax)	(14,378)	(16,947)
- Share of results of associated companies (net of tax)	(150,605)	(151,534)
- Others	391,969	66,436
Operating profit before working capital changes	297,946	436,859
Changes in working capital:		
Net increase in banking related assets	(307,960)	(621,604)
Net decrease in banking related liabilities	(290,042)	(591,116)
Net decrease/(increase) in current assets	948,447	(304,994)
Net (decrease)/increase in current liabilities	(1,481,732)	13,412
Net cash used in operations	(833,341)	(1,067,443)
Interest received	21,770	32,451
Dividends received from joint ventures	24,581	18,556
Dividends received from associated companies	66,967	79,142
Tax refunds/(paid), net	6,414	(54,457)
Finance costs paid	(179,975)	(204,203)
Provision for liabilities and charges paid	(37,954)	(10,213)
Post-employment benefit obligations paid	(809)	(186)
Provision for concession assets paid	(4,680)	(1,133)
Net cash outflow from operating activities	(937,027)	(1,207,486)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional shares in a subsidiary company	(35)	-
Additional cost incurred for land held for property development	-	(450)
Additional investment in an associated company	(15,446)	(490)
Capital repayment to non-controlling interest of a subsidiary company	-	(86,460)
Movement in fixed deposits placement with maturity profile more than 3 months	10,862	3,900
Net cash inflow from acquisition of a subsidiary company	608,226	-
Purchase of property, plant and equipment/prepaid lease properties/intangible assets/investment properties	(447,272)	(653,077)
Proceeds from disposal of investment securities by a banking subsidiary company (net of acquisition)	176,077	128,222
Proceeds from disposal of property, plant and equipment/assets held for sale	20,867	76,408
Redemption of available-for-sale securities by a banking subsidiary company	330,000	275,000
Redemption of preference shares by a joint venture	2,500	5,000
Net cash inflow/(outflow) from investing activities	685,779	(251,947)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	6 Months Ended 30.09.2016 RM'000	6 Months Ended 30.09.2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to holders of Perpetual Sukuk	(39,789)	(31,206)
Dividends paid to non-controlling interest	(9,891)	(6,402)
Dividends paid to shareholders	-	(28,999)
Movement in fixed deposits held as security/maintained as sinking fund	98,594	(45,379)
Movement in bank balances in Escrow account arising from RCCPS	(515,769)	-
Net proceeds from issuance of RCCPS	1,248,865	-
Net proceeds from issuance of Perpetual Sukuk	-	223,841
Proceeds from bank borrowings	2,377,521	2,280,083
Repayment of bank borrowing/hire purchase and finance leases	(2,378,400)	(2,313,187)
Net cash inflow from financing activities	781,131	78,751
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	529,883	(1,380,682)
Effects of foreign currency translation	(798)	(47,866)
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	2,474,147	1,136,418
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	3,152,688	1,948,045
Banking related assets – cash and short-term funds	848,280	354,491
Bank overdrafts	(19,425)	(22,774)
	3,981,543	2,279,762
Less: Fixed deposits held as security/sinking fund	(919,964)	(1,103,583)
Less: Fixed deposits with maturity profile more than 3 months	(25,534)	(21,405)
Less: Bank balance in respect of Automotive Development Fund liabilities	(19,502)	(18,356)
Less: Bank balances in Escrow account arising from RCCPS	(515,769)	-
Less: Collections held by a postal subsidiary company on behalf of third parties	(37,950)	-
Add: Cash and cash equivalents attributable to the assets held for sale	11,323	-
	2,474,147	1,136,418

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 did not 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 six months ended 30 September 2016.

4. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

Save as below, there was no material item of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows during the six months ended 30 September 2016.

- (a) On 13 September 2016, the Group completed the following disposals to Pos Malaysia Berhad ("Pos Malaysia"):
 - (i) 100% equity interest in KL Airport Services Sdn. Bhd. (now known as Pos Aviation Sdn. Bhd.) for a total consideration of RM749.35 million.
 - (ii) 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.

The total consideration for both disposals of RM818.35 million was 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 Share. As a result, Pos Malaysia which was formerly a 32.21% owned associated company became a 53.50% owned subsidiary company of the Group.

The initial accounting for Pos Malaysia's business combination in the consolidated financial statements of DRB-HICOM Berhad involves identifying and determining the fair values to be assigned to Pos Malaysia's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 30 September 2016, the fair value of Pos Malaysia's identifiable assets, liabilities and contingent liabilities can only be determined provisionally pending the completion of purchase price allocation ("PPA") on Pos Malaysia's identifiable assets, liabilities and contingent liabilities. The Pos Malaysia's business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within twelve months from the acquisition date.

The initial accounting has resulted in a provisional goodwill on consolidation amounting to RM355.84 million which has been recognised as intangible asset in the consolidated statement of financial position of DRB-HICOM Berhad as at 30 September 2016.

- (b) In accordance with FRS 3 Business Combinations, the Group has re-measured its previously held 32.21% equity interest in Pos Malaysia at its acquisition-date fair value of RM3.26 per share, resulting in a loss on re-measurement of RM130.22 million which has been included under other expense in the consolidated statement of comprehensive income of DRB-HICOM Berhad for the current quarter/six months ended 30 September 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 six months ended 30 September 2016.

Issuance of RCCPS by PROTON Holdings Berhad

- (a) On 6 June 2016, PROTON Holdings Berhad (“PROTON”), a wholly-owned subsidiary company of the Group, 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 September 2016, the RCCPS has been included as part of non-controlling interest (page 4).
- (b) On 5 September 2016, PROTON entered into a second conditional subscription agreement with GOVCO for the subscription of 250,000,000 new 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 new RCCPS is expected to be issued in the fourth quarter of the current financial year.

7. DIVIDENDS PAID

The shareholders have approved a single tier first and final dividend of 2.0 sen per share at the last Annual General Meeting held on 29 September 2016 in respect of the financial year ended 31 March 2016. The dividend of RM38,664,741 was paid on 1 November 2016.

8. SEGMENTAL INFORMATION

The information on each of the Group’s business segments for the six months ended 30 September 2016 is as follows:

	Automotive RM’000	Services RM’000	Property, Asset & Construction RM’000	Investment Holding RM’000	Group RM’000
Revenue					
Total revenue	3,909,960	1,369,579	232,933	27,411	5,539,883
Inter-segment revenue	(217,472)	(60,169)	(90,020)	(27,411)	(395,072)
External revenue	3,692,488	1,309,410	142,913	-	5,144,811

8. SEGMENTAL INFORMATION (Continued)

The information on each of the Group's business segments for the six months ended 30 September 2016 is as follows: (Continued)

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Results					
Segment (loss)/profit	(416,254)	140,746	2,345	(93,347)	(366,510)
Unallocated expenses					(20,873)
Interest income on short term deposits					22,083
Finance costs					(188,570)
Share of results of joint ventures (net of tax)	13,670	-	708	-	14,378
Share of results of associated companies (net of tax)	136,224	13,782	599	-	150,605
Loss before taxation					(388,887)
Taxation					(19,969)
Net loss for the financial period					(408,856)
Attributable to:					
Owners of the Company					(478,935)
Holder of Perpetual Sukuk					39,835
Non-controlling interest					30,244

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 SIX MONTHS ENDED 30 SEPTEMBER 2016

- (a) 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%.
- (b) On 20 July 2016, the Group announced that Lotus Cars Australia Pty. Limited (“LCA”), an indirect dormant wholly-owned subsidiary company of PROTON Holdings Berhad was voluntarily deregistered and as a result, LCA ceased to be a subsidiary company of the Group.
- (c) On 13 September 2016, following the completion of the corporate proposals set out in Note 4(a), Pos Malaysia Berhad (“Pos Malaysia”) which was formerly a 32.21% associated company became a 53.50% owned subsidiary company of the Group. Consequently, the Group’s effective equity interest in KL Airport Services Sdn. Bhd. (now known as Pos Aviation Sdn. Bhd.) group has reduced from 100% to 53.50%.

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.

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

	As at 30.09.2016		
	Principal Amount RM’000	Credit Equivalent Amount RM’000	Risk Weighted Amount RM’000
Direct credit substitutes	58,298	58,298	58,298
Trade-related contingencies	3,278	656	229
Transaction related contingencies	444,344	222,172	222,015
Credit extension commitment:			
- maturity within one year	948,914	189,783	182,880
- maturity exceeding one year	2,775,321	1,387,661	616,396
Profit rate related contracts	3,675,000	46,438	9,288
Foreign exchange related contracts	2,521,841	80,910	42,958
	10,426,996	1,985,918	1,132,064

14. (LOSS)/PROFIT BEFORE TAXATION

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

	3 Months Ended		6 Months Ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Allowance for/write off of investment securities and financing of customers (net)	22,987	17,274	40,869	40,546
Allowance for doubtful debts (net of write backs)	(8,352)	5,502	(10,488)	3,597
Amortisation of:				
- intangible assets	51,139	49,836	101,552	91,224
- concession assets	2,989	2,864	6,010	5,730
Depreciation and amortisation of property, plant and equipment/prepaid lease properties	136,997	141,772	271,277	279,536
Finance costs	95,577	96,496	188,570	190,018
Inventories written off/down (net of write backs)	5,942	(10,341)	11,331	(14,016)
Loss/(gain) on fair value adjustment of investment properties	278	1,282	553	(6,248)
Loss on re-measurement of the previously held equity interest in an associated company at its acquisition-date fair value	130,221	-	130,221	-
Net foreign exchange differences	67,992	(1,426)	98,291	(27,194)
Write off of property, plant and equipment	156	113	329	722
Net (gain)/loss on disposal of:				
- assets held for sale	(2,632)	8,531	(2,632)	(12,267)
- investment securities	(4,071)	(1,919)	(8,440)	(4,938)
- property, plant and equipment	(2,684)	2,044	(2,591)	(2,703)
Interest income on short term deposits	(11,520)	(12,907)	(22,083)	(28,879)
Marked to market gain on derivatives (net)	(29,214)	(65,598)	(26,118)	(74,557)
Reversal of impairment loss of property, plant and equipment	-	(629)	-	(621)

15. REVIEW OF PERFORMANCE

15.1 Revenue

	Group Business Sectors	3 Months Ended		Variance RM'000	6 Months Ended		Variance RM'000
		30.09.2016 RM'000	30.09.2015 RM'000		30.09.2016 RM'000	30.09.2015 RM'000	
(i)	Automotive	1,916,801	2,561,090	(644,289)	3,692,488	4,807,193	(1,114,705)
(ii)	Services	657,484	634,363	23,121	1,309,410	1,269,079	40,331
(iii)	Property, Asset & Construction (PAC)	69,948	58,497	11,451	142,913	127,905	15,008
	Total	2,644,233	3,253,950	(609,717)	5,144,811	6,204,177	(1,059,366)

(a) For the three months ended 30 September 2016, the Group achieved a revenue of RM2.64 billion compared with RM3.25 billion in the corresponding quarter ended 30 September 2015. In respect for the six months ended 30 September 2016, the Group recorded a revenue of RM5.14 billion compared with RM6.20 billion in the corresponding period ended 30 September 2015.

(i) Automotive Sector

The decline for the current quarter and six months period was mainly attributable to the reduction in the sales of motor vehicles caused by weaker domestic demand and lower percentage of completion of the AV8 project.

(ii) Services Sector

The improved performance was contributed by the Group's banking and logistic businesses.

(iii) PAC Sector

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

15.2 (Loss)/Profit Before Tax

For the current quarter and six months ended 30 September 2016, the Group incurred pre-tax losses of RM267.55 million and RM388.89 million respectively compared with pre-tax profits of RM52.67 million and RM69.35 million respectively in the corresponding quarter and period ended 30 September 2015. The unfavourable results were mainly due to:

- (i) Weak financial performance of companies in the automotive and defence sectors;
- (ii) Unrealised foreign exchange losses arising from the re-translation of certain payables and bank borrowings denominated in foreign currencies; and
- (iii) One-off exceptional loss on re-measurement of previously held equity interest in Pos Malaysia (refer Note 4(b)).

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group incurred a pre-tax loss of RM267.55 million in the current quarter ended 30 September 2016 compared with pre-tax loss of RM121.34 million in the preceding quarter ended 30 June 2016. Included in the current quarter's results is a one-off exceptional loss on re-measurement of previously held equity interest in Pos Malaysia Berhad.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2017

The Malaysian economy recorded 4.3% growth in the third quarter of 2016 as compared to 4.7% in the same period last year. Whilst the domestic economy was driven by private consumption spending, the future remains challenging amid uncertain external environment.

The automotive industry has been adversely impacted by weaker domestic demand evidenced by the decline in total industry volume by 13.8% from 485,489 units for the nine months in 2015 compared to 418,433 units for the same period this year. The Group's automotive companies which are involved in various marques continue to launch new models to mitigate the impact. PROTON has recently launched four new models namely Perdana, Persona, Saga and Ertiga to improve its sales.

As part of its turnaround plan, PROTON has shortlisted three global automotive companies with capabilities to assist PROTON to improve its competitiveness and grow its business. PROTON expects to complete this exercise in the first half of 2017.

In September 2016, the Group had completed the consolidation of logistics businesses under Pos Malaysia Berhad resulting in the latter becoming a 53.50% subsidiary company. The Group is now focused in expanding its logistic businesses by tapping on the growing demand of e-commerce business.

The Group has also completed the divestment of 90% equity in Corwin Holding Pte. Ltd. (Singapore) and the gain will be recognised in the third quarter ending 31 December 2016.

In this current volatile and difficult operating environment, 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 six months ended 30 September 2016 in a public document.

19. TAXATION

Taxation comprises the following:

	3 Months Ended		6 Months Ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Current taxation	18,731	12,594	30,212	22,736
Deferred taxation	(16,601)	4,025	(10,243)	(334)
Total	2,130	16,619	19,969	22,402

For the six months ended 30 September 2016, despite the Group recording losses, the taxation charge arose mainly from certain profit making subsidiary companies.

20. STATUS OF CORPORATE PROPOSALS

- (a) 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 fulfilment of the conditions precedent.
- (b) On 22 September 2016, HICOM Megah Sdn. Bhd. ("HMSB") which is an indirect wholly-owned subsidiary of the Company and the minority shareholders of Corwin Holding Pte. Ltd. ("Corwin") entered into a conditional share sale agreement with Columba Holdings Pte. Ltd. for the proposed disposal of their 100% equity interest in Corwin for a total sale consideration of SGD189.75 million. HMSB owns 90% equity interest in Corwin. The disposal of Corwin was completed on 15 November 2016 and as a result, Corwin ceased to be an indirect 90% owned subsidiary company of the Group.

21. BORROWINGS AND DEFERRED LIABILITIES

Total Group borrowings are as follows:

	As at 30.09.2016 RM'000
(a) Short Term Borrowings	
Bank overdrafts	
- Secured	10,079
- Unsecured	9,346
Total	19,425

21. BORROWINGS AND DEFERRED LIABILITIES (Continued)

Total Group borrowings are as follows: (Continued)

	As at 30.09.2016 RM'000
Short Term Borrowings (Continued)	
(b) Others	
<u>Secured</u>	
Bankers acceptances	4,289
Revolving credits	165,960
Short term loans	2,394
Short term loans under Islamic financing	278,471
Hire purchase and finance lease liabilities - portion repayable within 12 months	15,159
Long term loans - portion repayable within 12 months	628,203
Long term loans under Islamic financing - portion repayable within 12 months	583,354
Sub-total	1,677,830
<u>Unsecured</u>	
Bankers acceptances	782,217
Revolving credits	341,556
Short term loans under Islamic financing	30,000
Long term loans - portion repayable within 12 months	2,371
Long term loans under Islamic financing - portion repayable within 12 months	3,756
Deferred liability	6,301
Sub-total	1,166,201
Total	2,844,031
(c) Long Term Borrowings	
<u>Secured</u>	
Hire purchase and finance lease liabilities	41,507
- portion repayable within 12 months	(15,159)
	26,348

21. BORROWINGS AND DEFERRED LIABILITIES (Continued)

Total Group borrowings are as follows: (Continued)

	As at 30.09.2016 RM'000
(c) Long Term Borrowings (Continued)	
<u>Secured</u> (Continued)	
Long term loans	1,766,432
- portion repayable within 12 months	(628,203)
	1,138,229
Long term loans under Islamic financing	3,032,954
- portion repayable within 12 months	(583,354)
	2,449,600
<u>Unsecured</u>	
Long term loans	24,866
- portion repayable within 12 months	(2,371)
	22,495
Long term loans under Islamic financing	266,121
- portion repayable within 12 months	(3,756)
	262,365
Total	3,899,037
Grand Total (See Note 1)	6,762,493

Note 1: Excludes term loan of RM256.44 million (SGD 84.52 million) in respect of a foreign subsidiary company which has been classified under liabilities relating to assets held for sale as at 30 September 2016.

Note 2: 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
30.09.2016	RM770.17 million (USD 183.16 million) RM23.60 million (GBP 4.39 million) RM2.07 million (Baht 17.33 million)

22. OUTSTANDING DERIVATIVES

- (a) Derivatives outstanding as at 30 September 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	1,263,718	23,639	11,226
Currency swap foreign exchange contracts	1,613,906	19,198	14,370
Islamic profit rate swap	3,675,000	-	25,338
Capped cross currency interest rate swap	651,900	-	23,180
	7,204,524	42,837	74,114

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 six months ended 30 September 2016, the Group recognised a total net gain of RM26.12 million arising from the fair value changes on the forward foreign exchange contracts, currency swap foreign exchange contracts, profit rate swap and capped cross currency interest rate swap which are marked to market as at 30 September 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 six months ended 30 September 2016.

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.

	3 Months Ended		6 Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Net (loss)/profit attributable to owners of the Company (RM'000)	(309,633)	3,897	(478,935)	(15,821)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237	1,933,237	1,933,237
Basic and diluted (loss)/earnings per share (sen)	(16.02)	0.20	(24.77)	(0.82)

26. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

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

	As at 30.09.2016 RM'000	As at 30.09.2015 RM'000
Total retained profits of the Company and subsidiaries:		
- Realised	2,214,430	3,579,091
- Unrealised	90,912	218,577
	<u>2,305,342</u>	<u>3,797,668</u>
Total share of retained profits from joint ventures:		
- Realised	124,505	137,348
- Unrealised	5,393	3,870
Total share of retained profits from associated companies:		
- Realised	464,070	519,224
- Unrealised	31,795	16,245
Total Group retained profits as per consolidated financial statements	<u>2,931,105</u>	<u>4,474,355</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
29 November 2016