



# **DRB-HICOM BERHAD**

(203430-W)

(Incorporated in Malaysia)

Interim Financial Report for the Financial Period  
Ended 30 June 2017

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

The Board of Directors hereby announce the unaudited consolidated financial results of DRB-HICOM Group ("the Group") for the financial quarter/financial period ended 30 June 2017.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Revenue		3,336,612	2,500,578	3,336,612	2,500,578
Cost of sales and operating expenses		(3,401,264)	(2,628,546)	(3,401,264)	(2,628,546)
Other income		84,855	79,067	84,855	79,067
Other expenses		(56,784)	(76,174)	(56,784)	(76,174)
Loss from operations		(36,581)	(125,075)	(36,581)	(125,075)
Finance costs		(84,173)	(92,993)	(84,173)	(92,993)
Share of results of joint ventures (net of tax)		(146)	10,110	(146)	10,110
Share of results of associated companies (net of tax)		48,180	86,619	48,180	86,619
<b>LOSS BEFORE TAXATION</b>	14	<b>(72,720)</b>	(121,339)	<b>(72,720)</b>	(121,339)
Taxation	19	<b>(28,629)</b>	(17,839)	<b>(28,629)</b>	(17,839)
<b>NET LOSS FOR THE QUARTER/FINANCIAL PERIOD</b>		<b>(101,349)</b>	(139,178)	<b>(101,349)</b>	(139,178)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>					
<u>Items that will be subsequently reclassified to profit or loss:</u>					
Net (loss)/gain on fair value changes of investment securities: available-for-sale		(774)	11,236	(774)	11,236
Currency translation differences of foreign subsidiaries		(8,928)	(15,558)	(8,928)	(15,558)
<b>OTHER COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD (NET OF TAX)</b>		<b>(9,702)</b>	(4,322)	<b>(9,702)</b>	(4,322)
<b>TOTAL COMPREHENSIVE LOSS FOR THE QUARTER/FINANCIAL PERIOD</b>		<b>(111,051)</b>	(143,500)	<b>(111,051)</b>	(143,500)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**

	Note	Financial Quarter 3 Months Ended		Financial Period 3 Months Ended	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Net (loss)/profit for the quarter/financial period attributable to:					
Owners of the Company		<b>(169,707)</b>	(169,302)	<b>(169,707)</b>	(169,302)
Holder of Perpetual Sukuk		<b>20,416</b>	19,809	<b>20,416</b>	19,809
Holder of Redeemable Convertible Cumulative Preference Shares		<b>12,712</b>	3,150	<b>12,712</b>	3,150
Non-controlling interest		<b>35,230</b>	7,165	<b>35,230</b>	7,165
		<b><u>(101,349)</u></b>	<u>(139,178)</u>	<b><u>(101,349)</u></b>	<u>(139,178)</u>
Total comprehensive (loss)/income for the quarter/financial period attributable to:					
Owners of the Company		<b>(178,669)</b>	(178,229)	<b>(178,669)</b>	(178,229)
Holder of Perpetual Sukuk		<b>20,416</b>	19,809	<b>20,416</b>	19,809
Holder of Redeemable Convertible Cumulative Preference Shares		<b>12,712</b>	3,150	<b>12,712</b>	3,150
Non-controlling interest		<b>34,490</b>	11,770	<b>34,490</b>	11,770
		<b><u>(111,051)</u></b>	<u>(143,500)</u>	<b><u>(111,051)</u></b>	<u>(143,500)</u>
Basic and diluted loss per share (sen):	25	<b><u>(8.78)</u></b>	<u>(8.76)</u>	<b><u>(8.78)</u></b>	<u>(8.76)</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited As at 30.06.2017 RM'000	Audited As at 31.03.2017 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,053,511	6,352,474
Concession assets		214,121	217,152
Prepaid lease properties		50,467	50,813
Investment properties		245,635	246,889
Land held for property development		1,181,377	1,182,226
Joint ventures		409,461	413,826
Associated companies		748,893	756,543
Intangible assets		1,463,885	1,812,523
Deferred tax assets		163,072	147,192
Investment securities: financial assets at fair value through profit or loss			
- Banking		197,348	197,208
Investment securities: available-for-sale			
- Banking		5,063,887	5,040,929
- Non-banking		45,998	46,153
Investment securities: held-to-maturity			
- Banking		142,327	142,168
Trade and other receivables		317,282	264,144
Other assets		516	516
Banking related assets			
- Financing of customers		10,604,025	10,772,103
- Statutory deposits with Bank Negara Malaysia		714,279	698,636
		<b>27,616,084</b>	<b>28,341,495</b>
<b>CURRENT ASSETS</b>			
Assets held for sale		779,239	4,500
Inventories		1,796,683	2,285,452
Property development costs		140,535	140,186
Trade and other receivables		3,746,078	4,057,560
Investment securities: financial assets at fair value through profit or loss			
- Non-banking		350	175
Investment securities: available-for-sale			
- Banking		869,689	1,090,487
Banking related assets			
- Cash and short-term funds		277,809	1,049,925
- Financing of customers		3,745,990	3,939,713
Bank balances and cash deposits		3,059,230	2,876,862
Derivative assets	22(a)	18,480	61,494
		<b>14,434,083</b>	<b>15,506,354</b>
<b>TOTAL ASSETS</b>		<b>42,050,167</b>	<b>43,847,849</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

	Note	Unaudited As at 30.06.2017 RM'000	Audited As at 31.03.2017 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		1,740,302	1,740,302
Reserves		4,155,965	4,333,727
<b>Equity attributable to Owners of the Company</b>		<b>5,896,267</b>	<b>6,074,029</b>
<b>Perpetual Sukuk</b>		<b>1,039,174</b>	<b>1,051,839</b>
<b>Redeemable Convertible Cumulative Preference Shares</b>		<b>1,552,262</b>	<b>1,289,550</b>
<b>Non-controlling interest</b>		<b>1,756,362</b>	<b>1,723,097</b>
<b>TOTAL EQUITY</b>		<b>10,244,065</b>	<b>10,138,515</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		178,828	151,621
Long term borrowings	21(c)	3,967,306	4,105,407
Provision for liabilities and charges		91,606	90,556
Provision for concession assets		148,970	138,809
Post-employment benefit obligations		8,117	37,741
Deferred tax liabilities		141,297	129,375
Banking related liabilities			
- Deposits from customers		402,314	418,615
- Recourse obligation on financing sold to Cagamas		497,653	-
		<b>5,436,091</b>	<b>5,072,124</b>
<b>CURRENT LIABILITIES</b>			
Liabilities held for sale		225,519	-
Deferred income		49,854	48,410
Trade and other payables		5,747,804	6,499,271
Provision for liabilities and charges		240,394	274,993
Provision for concession assets		5,716	6,146
Post-employment benefit obligations		410	495
Bank borrowings			
- Bank overdrafts	21(a)	11,223	6,511
- Others	21(b)	2,269,379	2,186,391
Banking related liabilities			
- Deposits from customers		17,222,030	18,979,279
- Deposits and placements of banks and other financial institutions		545,988	561,654
- Bills and acceptances payable		13,568	9,196
- Recourse obligation on financing sold to Cagamas		127	-
Derivative liabilities	22(a)	37,999	64,864
		<b>26,370,011</b>	<b>28,637,210</b>
<b>TOTAL LIABILITIES</b>		<b>31,806,102</b>	<b>33,709,334</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,050,167</b>	<b>43,847,849</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY * (RM)</b>		<b>3.05</b>	<b>3.14</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share Capital		Non-distributable				Retained Earnings RM'000	Equity attributable to Owners of the Company RM'000	Perpetual Sukuk RM'000	Redeemable Convertible Cumulative Preference Shares ("RCCPS") RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary value RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000						
At 1 April 2017	1,933,237	1,740,302	1,212,275	(84,331)	(1,358)	500,131	2,707,010	6,074,029	1,051,839	1,289,550	1,723,097	10,138,515
Net (loss)/profit for the financial period	-	-	-	-	-	-	(169,707)	(169,707)	20,416	12,712	35,230	(101,349)
Other comprehensive loss for the financial period, net of tax	-	-	-	(8,420)	(542)	-	-	(8,962)	-	-	(740)	(9,702)
Total comprehensive (loss)/income for the financial period	-	-	-	(8,420)	(542)	-	(169,707)	(178,669)	20,416	12,712	34,490	(111,051)
<b>Transactions with Owners</b>												
Net issuance of RCCPS	-	-	-	-	-	-	-	-	-	250,000	-	250,000
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(33,081)	-	-	(33,081)
Effect of change in shareholding in subsidiary companies	-	-	-	-	-	-	907	907	-	-	(907)	-
Transfer of a subsidiary company's reserves	-	-	-	-	-	12,516	(12,516)	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(318)	(318)
At 30 June 2017	1,933,237	1,740,302	1,212,275	(92,751)	(1,900)	512,647	2,525,694	5,896,267	1,039,174	1,552,262	1,756,362	10,244,065

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**

	Issued and fully paid ordinary shares		Non-distributable					Retained Earnings RM'000	Equity attributable to Owners of the Company RM'000	Perpetual Sukuk RM'000	RCCPS RM'000	Non-controlling Interest RM'000	Total RM'000
	Number of shares '000	Monetary value RM'000	Share Premium RM'000	Merger Reserve RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves RM'000						
At 1 April 2016	1,933,237	1,719,601	20,701	1,000,039	(43,631)	6,749	367,638	3,471,991	6,543,088	1,051,859	-	908,342	8,503,289
Net (loss)/profit for the financial period	-	-	-	-	-	-	-	(169,302)	(169,302)	19,809	3,150	7,165	(139,178)
Other comprehensive (loss)/income for the financial period, net of tax	-	-	-	-	(16,792)	7,865	-	-	(8,927)	-	-	4,605	(4,322)
Total comprehensive (loss)/income for the financial period	-	-	-	-	(16,792)	7,865	-	(169,302)	(178,229)	19,809	3,150	11,770	(143,500)
<u>Transactions with Owners</u>													
Net issuance of RCCPS	-	-	-	-	-	-	-	-	-	-	1,248,875	-	1,248,875
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	-	(33,263)	-	-	(33,263)
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	1,252,025	919,326	9,567,546

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Financial Period 3 Months Ended 30.06.2017 RM'000</b>	<b>Financial Period 3 Months Ended 30.06.2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the financial period	(101,349)	(139,178)
Adjustments:		
- Depreciation and amortisation of property, plant and equipment/prepaid lease properties	174,178	134,280
- Finance costs	84,173	92,993
- Taxation	28,629	17,839
- Share of results of joint ventures (net of tax)	146	(10,110)
- Share of results of associated companies (net of tax)	(48,180)	(86,619)
- Others	87,534	115,256
Operating profit before working capital changes	225,131	124,461
Changes in working capital:		
Net decrease/(increase) in banking related assets	310,948	(82,434)
Net (decrease)/increase in banking related liabilities	(1,784,844)	32,520
Net decrease/(increase) in current assets	462,181	(70,740)
Net decrease in current liabilities	(496,599)	(384,129)
Net cash used in operations	(1,283,183)	(380,322)
Interest received	13,946	11,094
Dividends received from joint ventures	5,221	16,822
Dividends received from associated companies	55,930	42,806
Dividends received from other investment	90	-
Tax (paid)/refunds, net	(8,669)	1,640
Finance costs paid	(83,191)	(109,349)
Provision for liabilities and charges paid	(23,714)	(13,861)
Post-employment benefit obligations paid	(77)	(203)
Provision for concession assets paid	(431)	(1,354)
Net cash outflow from operating activities	<b>(1,324,078)</b>	<b>(432,727)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of additional shares in a subsidiary company	-	(35)
Acquisitions of investment securities by a banking subsidiary company (net proceeds from disposals)	(36,471)	357,844
Additional investment in an associated company	-	(15,446)
Movement in fixed deposits placement with maturity profile more than 3 months	(10,410)	(774)
Proceeds from disposals of property, plant and equipment/investment properties	11,021	15,559
Redemption of investment securities by a banking subsidiary company	275,000	105,000
Purchases of property, plant and equipment/prepaid lease properties/intangible assets/investment properties	(175,165)	(217,150)
Redemption of preference shares by a joint venture	2,500	-
Net cash inflow from investing activities	<b>66,475</b>	<b>244,998</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**

	<b>Financial Period 3 Months Ended 30.06.2017 RM'000</b>	<b>Financial Period 3 Months Ended 30.06.2016 RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distribution to holders of Perpetual Sukuk	(33,081)	(33,263)
Dividends paid to non-controlling interest	(318)	(7,820)
Movement in fixed deposits held as security/maintained as sinking fund	21,465	51,937
Movement in bank balances in Escrow account arising from Redeemable Convertible Cumulative Preference Shares ("RCCPS")	2,660	-
Net proceeds from issuance of RCCPS	250,000	1,248,865
Proceeds from recourse obligation on sold to Cagamas by a banking subsidiary company	497,780	-
Proceeds from bank borrowings	1,756,960	1,135,316
Repayment of bank borrowing/hire purchase and finance leases	(1,785,372)	(1,443,315)
<b>Net cash inflow from financing activities</b>	<b>710,094</b>	<b>951,720</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(547,509)</b>	<b>763,991</b>
Effects of foreign currency translation	(18,521)	(4,310)
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>3,022,965</b>	<b>1,945,062</b>
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL PERIOD</b>	<b>2,456,935</b>	<b>2,704,743</b>
Cash and cash equivalents as at end of the financial period comprise the followings:		
Bank balances and cash deposits	3,059,230	2,561,081
Banking related assets – cash and short-term funds	277,809	1,187,064
Bank overdrafts	(11,223)	(20,272)
	<b>3,325,816</b>	<b>3,727,873</b>
Less: Fixed deposits held as security/sinking fund	(809,200)	(966,621)
Less: Fixed deposits with maturity profile more than 3 months	(21,652)	(37,170)
Less: Bank balances in respect of Automotive Development Fund liabilities	(19,981)	(19,339)
Less: Bank balances in Escrow account arising from RCCPS	(359)	-
Less: Collections held by a postal subsidiary company on behalf of third parties	(39,606)	-
Add: Cash and cash equivalents attributable to the investment held for sale	21,917	-
	<b>2,456,935</b>	<b>2,704,743</b>

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

## **EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

### **1. BASIS OF PREPARATION**

The interim financial report is prepared in accordance with Financial Reporting Standard (“FRS”) 134 on “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s annual audited financial statements for the financial year ended 31 March 2017.

### **2. CHANGES IN ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2017 except for the adoption of the following new/amended standards which are applicable to the Group with effect from 1 April 2017:

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

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

### **3. 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 2017.

### **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 financial period ended 30 June 2017.

Following the execution of conditional agreement on 23 June 2017 for the proposed divestment of 100% equity interest in Lotus Advance Technologies Sdn. Bhd. (“Lotus Advance”) as mentioned in item 20(a)(iv), the Group had reclassified the related assets and liabilities of Lotus Advance group as at 30 June 2017 into assets and liabilities held for sale (disclosed in the consolidated statement of financial position) pursuant to MFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

### **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 2017.

### Issuance of RCCPS by PROTON Holdings Berhad

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

## 7. PROPOSED DIVIDEND

The Directors recommend the payment of a single tier first and final dividend of 1.0 sen per share amounting to RM19,332,371 in respect of the financial year ended 31 March 2017, subject to the approval of shareholders at the forthcoming Annual General Meeting of DRB-HICOM Berhad to be held on 30 August 2017.

## 8. SEGMENTAL INFORMATION

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

	<b>Automotive</b>	<b>Services</b>	<b>Property, Asset &amp; Construction</b>	<b>Investment Holding</b>	<b>Group</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
<b>Revenue</b>					
Total revenue	2,190,996	1,158,159	131,480	12,145	3,492,780
Inter-segment revenue	(72,443)	(37,167)	(34,413)	(12,145)	(156,168)
External revenue	2,118,553	1,120,992	97,067	-	3,336,612
<b>Results</b>					
Segment (loss)/profit	(171,275)	112,345	8,028	(294)	(51,196)
Unallocated expenses					(146)
Interest income on short term deposits					14,761
Finance costs					(84,173)
Share of results of joint ventures (net of tax)	(2,034)	-	1,888	-	(146)

**8. SEGMENTAL INFORMATION (Continued)**

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

	<b>Automotive</b> RM'000	<b>Services</b> RM'000	<b>Property, Asset &amp; Construction</b> RM'000	<b>Investment Holding</b> RM'000	<b>Group</b> RM'000
<b>Results (Continued)</b>					
Share of results of associated companies (net of tax)	47,502	678	-	-	48,180
Loss before taxation					(72,720)
Taxation					(28,629)
Net loss for the financial period					(101,349)
Attributable to:					
Owners of the Company					(169,707)
Holder of Perpetual Sukuk					20,416
Holder of Redeemable Convertible Cumulative Preference Shares					12,712
Non-controlling interest					35,230

**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 2017**

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

**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:

	<b>As at 30.06.2017</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Total Risk Weighted Amount RM'000</b>
Direct credit substitutes	223,062	223,062	194,336
Trade-related contingencies	56,640	11,328	9,999
Transaction related contingencies	433,574	216,787	212,088
Credit extension commitment:			
- maturity within one year	980,191	196,038	176,896
- maturity exceeding one year	957,785	478,892	423,738
Profit rate related contracts	2,000,000	24,474	4,895
Foreign exchange related contracts	2,478,305	60,778	33,775
	<b>7,129,557</b>	<b>1,211,359</b>	<b>1,055,727</b>

**14. LOSS BEFORE TAXATION**

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

	<b>Financial Quarter/Period 3 Months Ended</b>	
	<b>30.06.2017 RM'000</b>	<b>30.06.2016 RM'000</b>
Allowance for/(write back of) doubtful debts (net)	1,484	(2,136)
Allowance for financing of customers (net)	32,242	16,550
Amortisation of:		
- intangible assets	53,547	50,413
- concession assets	2,877	3,021
Depreciation and amortisation of property, plant and equipment/prepaid lease properties	174,178	134,280
Finance costs	84,173	92,993
Financing written off	2,968	181
Inventories written off/down (net of write backs)	6,858	5,389
Loss on fair value adjustment of investment properties	109	275
Marked to market loss on derivatives (net)	16,149	3,096
Write off of property, plant and equipment	27	173
(Gain)/loss on disposal of:		
- investment securities	(15,734)	(4,369)
- property, plant and equipment	(1,822)	93
- investment properties	1,090	-
Interest income on short term deposits	(14,761)	(10,563)
Reversal of impairment loss of property, plant and equipment	(356)	-
Net foreign exchange differences	(2,602)	30,299

**15. REVIEW OF PERFORMANCE**

**15.1 Revenue**

	<b>Group Business Sectors</b>	<b>Financial Quarter/Period 3 Months Ended</b>		<b>Variance RM'000</b>
		<b>30.06.2017 RM'000</b>	<b>30.06.2016 RM'000</b>	
(i)	Automotive	2,118,553	1,775,687	342,866
(ii)	Services	1,120,992	651,926	469,066
(iii)	Property, Asset & Construction (PAC)	97,067	72,965	24,102
	<b>Total</b>	<b>3,336,612</b>	<b>2,500,578</b>	<b>836,034</b> ↑ 33.4%

## **15. REVIEW OF PERFORMANCE (Continued)**

### **15.1 Revenue (Continued)**

For the financial quarter ended 30 June 2017, the Group's revenue increased by 33.4% to RM3.34 billion compared with RM2.50 billion in the corresponding quarter ended 30 June 2016. All the business sectors achieved higher sales with PROTON and Pos Malaysia being the major contributors.

#### **(i) Automotive Sector**

The increase in revenue was due to higher sales of vehicles during the quarter under review.

#### **(ii) Services Sector**

The improved performance was mainly derived from the courier and logistics businesses of Pos Malaysia Berhad and higher sales revenue achieved by the Group's banking subsidiary company, Bank Muamalat Malaysia Berhad.

#### **(iii) PAC Sector**

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

### **15.2 Loss Before Tax**

The Group recorded a lower loss of RM72.72 million for the financial quarter ended 30 June 2017 compared with RM121.34 million in the corresponding quarter ended 30 June 2016.

The improvement in the financial results were mainly attributed to reduced losses by PROTON, higher profit contribution from the Services sector with the inclusion of Pos Malaysia Berhad profits and better results from other subsidiary companies. However, the share of results of joint ventures and associated companies were lower.

## **16. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The Group recorded a lower pre-tax loss of RM72.72 million in the current quarter ended 30 June 2017 compared with pre-tax loss of RM255.63 million in the preceding quarter ended 31 March 2017. The positive variance was mainly due to the better financial performance achieved by companies in the automotive sector.

**17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018**

In line with DRB-HICOM’s effort to turnaround PROTON, the Group had on 23 June 2017 entered into a strategic collaboration with Zhejiang Geely Holding Group Co., Ltd. (“ZGH”) vide a share subscription agreement for ZGH to acquire 49.9% equity interest in PROTON Holdings Berhad (“PROTON”) and for PROTON to divest its indirect 100% entire stake in Lotus Advance Technologies Sdn. Bhd. to ZGH and Etika Automotive Sdn. Bhd. The entry of ZGH as the Strategic Partner is expected to improve PROTON’s competitiveness through infusion of competitive products and technology, advanced manufacturing systems, quality and brand confidence which will allow PROTON to improve its sales domestically and globally especially in South East Asia and the right hand drive markets. In addition, PROTON will also be able to leverage on ZGH Group’s advanced technology, global resources through its extensive business network as well as global best practices. An Extraordinary General Meeting will be convened on 30 August 2017 to seek the shareholders’ approval on the above mentioned transactions.

The Group’s main businesses have shown commendable resilience over the quarter to record the improved turnover. In the services sector, Pos Malaysia will continue to vie for synergies that will enable it to further strengthen its dominance in the courier market. The growing demand of the e-commerce will also enable this sector to enhance its performance. Meanwhile, concession-based construction projects in the property sector is poised to realise better performance for the Group.

Further, the Group will continue to focus on improving the operational effectiveness and efficiencies of its businesses to achieve sustainable and profitable future growth.

Given the positive development mentioned above, the Group expects to achieve improved financial performance for the financial year ending 31 March 2018.

**18. PROFIT FORECAST OR PROFIT GUARANTEE**

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

**19. TAXATION**

Taxation comprises the following:

	<b>Financial Quarter/Period 3 Months Ended</b>	
	<b>30.06.2017 RM’000</b>	<b>30.06.2016 RM’000</b>
Current taxation	23,083	11,481
Deferred taxation	5,546	6,358
<b>Total</b>	<b>28,629</b>	<b>17,839</b>

For the financial period ended 30 June 2017, despite the Group recording losses, the taxation charge arose mainly from certain profit making subsidiary companies.



## **20. STATUS OF CORPORATE PROPOSALS**

- (a) On 24 May 2017, the Company entered into the following binding heads of agreement with Zhejiang Geely Holding Group Co., Ltd. (“ZGH”) for the:
- (i) proposed subscription of new shares in PROTON Holdings Berhad (“PROTON”), a wholly-owned subsidiary company of the Group, representing 49.9% equity interest of the enlarged paid-up share capital in PROTON by ZGH (“Proposed Share Subscription”).
  - (ii) proposed divestment by the Company of its indirect 100% equity interest in Lotus Advance Technologies Sdn. Bhd. (“Lotus Advance”), a wholly-owned subsidiary company of PROTON comprising 51% equity interest to ZGH and 49% equity interest to Etika Automotive Sdn. Bhd. (“Etika Automotive”) (“Proposed Divestment”).

On 23 June 2017, the Company entered into the following agreements:

- (iii) a conditional share subscription agreement with ZGH and PROTON for subscription of 547,020,534 ordinary shares by ZGH, representing 49.9% of the enlarged paid-up share capital of PROTON for a total subscription price of RM460.30 million to be satisfied as follows:
  - (a) RM170.30 million in cash; and
  - (b) the grant of the licence of Boyue model by ZGH (without the right to sub-licence) to Perusahaan Otomobil Nasional Sdn. Bhd., an indirect wholly-owned subsidiary company of the Group at an ascribed value of RM290 million.
- (iv) a conditional share purchase agreement with ZGH and Etika Automotive for the sale of 100% of its indirect equity in Lotus Advance, through its subsidiary company, PROTON comprising 51% equity interest to ZGH and 49% equity interest to Etika Automotive for a total cash consideration of GBP100 million.

The Proposed Share Subscription and Proposed Divestment are collectively referred to as “Proposals”.

The Proposals are subject to approvals of the relevant authorities and shareholders of the Company at the Extraordinary General Meeting schedule on 30 August 2017. Upon the completion of the Proposals, PROTON which is currently a wholly-owned subsidiary company will become a 50.1% owned subsidiary company of the Group and Lotus Advance will cease to be an indirect wholly-owned subsidiary company of the Group.

**21. BORROWINGS AND DEFERRED LIABILITIES**

Total Group borrowings are as follows:

	<b>As at 30.06.2017 RM'000</b>
<b>Short Term Borrowings</b>	
<b>(a) Bank overdrafts</b>	
- Secured	8,192
- Unsecured	3,031
<b>Total</b>	<b>11,223</b>
<b>(b) Others</b>	
<u>Secured</u>	
Bankers acceptances	34,454
Revolving credits	236,885
Short term loans	377
Short term loans under Islamic financing	157,666
Hire purchase and finance lease liabilities - portion repayable within 12 months	13,114
Long term loans - portion repayable within 12 months	547,540
Long term loans under Islamic financing - portion repayable within 12 months	428,966
Sub-total	1,419,002
<u>Unsecured</u>	
Bankers acceptances	573,363
Revolving credits	240,312
Short term loans under Islamic financing	30,000
Long term loans under Islamic financing - portion repayable within 12 months	2,155
Deferred liability	4,547
Sub-total	850,377
<b>Total</b>	<b>2,269,379</b>

**21. BORROWINGS AND DEFERRED LIABILITIES (Continued)**

Total Group borrowings are as follows: (Continued)

	<b>As at 30.06.2017 RM'000</b>
<b>(c) Long Term Borrowings</b>	
<u>Secured</u>	
Hire purchase and finance lease liabilities	35,782
- portion repayable within 12 months	(13,114)
	22,668
Long term loans	1,320,737
- portion repayable within 12 months	(547,540)
	773,197
Long term loans under Islamic financing	2,845,363
- portion repayable within 12 months	(428,966)
	2,416,397
<u>Unsecured</u>	
Long term loans under Islamic financing	757,199
- portion repayable within 12 months	(2,155)
	755,044
<b>Total</b>	<b>3,967,306</b>
<b>Grand Total</b>	<b>6,247,908</b>

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

<b>As at</b>	<b>Amount</b>
30.06.2017	RM729.79 million (USD 167.91 million) RM9.74 million (GBP 1.74 million)

**22. OUTSTANDING DERIVATIVES**

- (a) Derivatives outstanding as at 30 June 2017 consist mainly of foreign exchange contracts, profit rate swap and interest rate swap which are measured at their fair value together with their corresponding contract/notional amounts as below:

	<b>Contract/ Notional Value RM'000</b>	<b>Fair value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Financial instruments at fair value through profit or loss</b>			
Currency forward foreign exchange contracts	1,338,574	10,677	10,896
Currency swap foreign exchange contracts	1,437,614	7,803	9,380
Islamic profit rate swap	2,000,000	-	11,344
Capped cross currency interest rate swap	579,467	-	6,379
	<b>5,355,655</b>	<b>18,480</b>	<b>37,999</b>

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

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

During the financial period ended 30 June 2017, the Group recognised a total net loss of RM16.15 million in profit or loss arising from the fair value changes on the currency forward foreign exchange contracts, currency swap foreign exchange contracts, Islamic profit rate swap and capped cross currency interest rate swap which are marked to market as at 30 June 2017.

**23. MATERIAL LITIGATION**

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

**24. DIVIDEND**

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

**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.

	<b>Financial Quarter/Period 3 Months Ended</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
Net loss attributable to Owners of the Company (RM'000)	(169,707)	(169,302)
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted loss per share (sen)	(8.78)	(8.76)

**26. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES**

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

	<b>As at 30.06.2017 RM'000</b>	<b>As at 30.06.2016 RM'000</b>
Total retained profits/(losses) of the Company and subsidiaries:		
- Realised	2,180,601	2,825,399
- Unrealised	(267,286)	(220,039)
	1,913,315	2,605,360
Total share of retained profits from joint ventures:		
- Realised	98,944	130,723
- Unrealised	5,068	6,325
Total share of retained profits from associated companies:		
- Realised	474,445	515,852
- Unrealised	33,922	29,503
Total Group retained profits as per consolidated financial statements	2,525,694	3,287,763

**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  
25 August 2017